

THE 1.2 FUND  
MONTHLY RETURN



**CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM**

relating to

Euro Participating Shares of par value US\$0.01, initially offered at 1,000€ (Euro)

in

**THE 1.2 FUND LTD.**

(a British Virgin Islands Business Company recognised as a "professional fund" under the Securities and Investment Business Act, 2010)

MINIMUM INITIAL SUBSCRIPTION: US\$100,000 or equivalent in Euros

**ISIN EUR Class: VGG677711084**

**TELEKURS EUR Class: CH4260674**

**Bloomberg EUR: 1P2FUND VI**

**THIS MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY SHARES IN THE FUND IN ANY JURISDICTION OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH AN OFFER OR SALE. AN INVESTMENT IN THE FUND IS SPECULATIVE AND IS NOT INTENDED AS A COMPLETE INVESTMENT PROGRAM.**

**MAY 2008 (Updated 01 October 2017)**

## TABLE OF CONTENTS

CLAUSE	PAGE
INVESTMENT WARNING AND IMPORTANT NOTICE TO INVESTORS AND POTENTIAL INVESTORS.....	2
SUMMARY OF THE OFFERING .....	4
DIRECTORY .....	6
DEFINITIONS.....	8
INVESTMENT OBJECTIVE, STRATEGY AND POLICY.....	10
INFORMATION ON THE DIRECTORS, THE INVESTMENT MANAGER, ADMINISTRATOR AND OTHER ADVISERS.....	14
FEES AND EXPENSES .....	18
DETERMINATION OF NET ASSET VALUE.....	20
THE PARTICIPATING SHARES AND ARTICLES OF ASSOCIATION.....	21
ADDITIONAL INFORMATION .....	27
RISK FACTORS.....	33
SUBSCRIPTION INSTRUCTIONS .....	38
APPENDIX A - SUBSCRIPTION FORM	
APPENDIX B - REDEMPTION NOTICE	

## **INVESTMENT WARNING TO INVESTORS AND POTENTIAL INVESTORS**

THE FUND HAS BEEN ESTABLISHED AS A "PROFESSIONAL FUND" WITHIN THE MEANING OF THE SECURITIES AND INVESTMENT BUSINESS ACT, 2010 ("**SIBA**").

- (A) THE FUND IS ONLY SUITABLE FOR "PROFESSIONAL INVESTORS", AS DEFINED UNDER SIBA;
- (B) A MINIMUM INITIAL INVESTMENT OF US\$100,000 (OR SUCH LARGER SUM AS MAY APPLY WITH RESPECT TO THE FUND), IS REQUIRED BY EACH INVESTOR, OTHER THAN "EXEMPTED INVESTORS", AS DEFINED UNDER SIBA;
- (C) THE FUND IS NOT SUBJECT TO SUPERVISION BY THE FINANCIAL SERVICES COMMISSION (THE "**COMMISSION**") OR BY A REGULATOR OUTSIDE THE BRITISH VIRGIN ISLANDS AND THE REQUIREMENTS CONSIDERED NECESSARY FOR THE PROTECTION OF INVESTORS THAT APPLY TO "PUBLIC FUNDS", AS DEFINED UNDER SIBA, DO NOT APPLY TO PROFESSIONAL FUNDS;
- (D) AN INVESTOR IN A PROFESSIONAL FUND IS SOLELY RESPONSIBLE FOR DETERMINING WHETHER THE FUND IS SUITABLE FOR HIS INVESTMENT NEEDS; AND
- (E) BY REASON OF THE ABOVE, INVESTMENT IN A PROFESSIONAL FUND MAY PRESENT A GREATER RISK TO AN INVESTOR THAN INVESTMENT IN A PUBLIC FUND.

NO PERSON SHALL BE ACCEPTED AS AN INVESTOR IN THE FUND UNLESS THAT PERSON HAS PROVIDED A WRITTEN CONFIRMATION THAT HE IS A PROFESSIONAL INVESTOR WITHIN THE MEANING OF SIBA AND A WRITTEN ACKNOWLEDGEMENT THAT HE HAS RECEIVED, UNDERSTOOD AND ACCEPTED THIS INVESTMENT WARNING.

NEITHER THE BRITISH VIRGIN ISLANDS GOVERNMENT, THE FINANCIAL SERVICES COMMISSION IN THE BRITISH VIRGIN ISLANDS NOR ANY OTHER AUTHORITY IN ANY COUNTRY HAS PASSED UPON OR ENDORSED THE MERITS OF THIS OFFERING OR THE ACCURACY OR ADEQUACY OF THIS MEMORANDUM, NOR IS IT INTENDED THAT ANY SUCH AUTHORITY WILL DO SO. SHARES IN THE FUND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES LAWS OF ANY JURISDICTION AND HAVE NOT BEEN REGISTERED WITH, OR APPROVED BY, ANY REGULATORY AUTHORITY. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

## **IMPORTANT NOTICE TO INVESTORS AND POTENTIAL INVESTORS**

The Fund is a "professional fund" within the meaning of SIBA and accordingly Shares in the Fund are only being offered to and will only be issued to "professional investors" within the meaning of SIBA.

A "professional investor" is defined by SIBA as a person:

- (a) whose ordinary business involves, whether for that person's own account or the account of others, the acquisition or disposal of property of the same kind as the property, or a substantial part of the property, of the Fund; or
- (b) who has signed a declaration that he, whether individually or jointly with his spouse, has net worth in excess of one million dollars in the currency of the United States of America or its equivalent in any other currency and that he consents to being treated as a professional investor.

This Memorandum does not constitute an offer to sell or a solicitation of an offer to buy shares in any jurisdiction to any person to whom it is unlawful to make such an offer or sale.

The shares in the Fund offered pursuant to this Memorandum have not been registered with or approved by any regulatory authority, (with the exception of filing this document with the Financial

Services Commission of the British Virgin Islands), nor has any such authority passed upon the accuracy or adequacy of this Memorandum. Any representation to the contrary is unlawful.

No public or other market is expected to develop for the shares in the Fund. The shares in the Fund offered hereby may be sold, transferred, hypothecated or otherwise disposed of only upon the terms set out in this Memorandum and the Articles of Association which include the requirement to obtain the prior written consent of the Directors which may be withheld without the provision of any reasons. The Fund has the right compulsorily to redeem the shares of an investor at any time for any reason or for no reason.

Investment in the Fund involves special risks, and purchase of the shares in the Fund should be considered only by persons who can bear the economic risk of their investment for an indefinite period and who can afford a total loss of their investment (see Risk Factors below).

Each investor must, inter alia, warrant expressly to the Fund that they (i) have the knowledge, expertise and experience in financial matters to evaluate the risk of investing in the Fund, (ii) are aware of the risks inherent in investing in the shares in the Fund and the method by which the assets of the Fund are held and/or traded, (iii) can bear the risk of loss of their entire investment.

The Fund reserves the right to modify, withdraw or cancel any offering made pursuant to this Memorandum at any time prior to consummation of the offering and to reject any subscription, in whole or in part, in its sole discretion.

No offering materials will or may be employed in the offering of shares in the Fund except for this Memorandum (including appendices, exhibits, amendments and supplements hereto) and the documents summarised herein. No person has been authorised to make representations or give any information with respect to the Fund or its shares except for the information contained herein. Investors should not rely on information not contained in this Memorandum or the documents summarised herein.

This Memorandum is intended solely for use on a confidential basis by those persons to whom it is transmitted by the Fund in connection with the contemplated private placement of shares in the Fund. Recipients, by their acceptance and retention of this Memorandum, acknowledge and agree to preserve the confidentiality of the contents of this Memorandum and all accompanying documents and to return this Memorandum and all such documents to the Fund or the Administrator if the recipient does not purchase any shares in the Fund. Neither this Memorandum nor any of the accompanying documents may be reproduced in whole or in part, nor may they be used for any purpose other than that for which they have been submitted, without the prior written consent of the Fund.

Neither the Fund, the Administrator nor the Investment Manager is making any representation to any offer or investor in the Fund regarding the legality of investment by such offer or investor under applicable investment or similar laws.

This Memorandum is based on the law and practice currently in force in the British Virgin Islands and is subject to changes therein. No invitation to the public in the British Virgin Islands to subscribe for any shares in the Fund is permitted to be made. This Memorandum should be read in conjunction with the Articles of Association.

Investors are not to construe the contents of this Memorandum as legal, business or tax advice. Each investor should consult his own attorney, business adviser and tax adviser as to legal, business, tax and related matters concerning this offering.

The distribution of this Memorandum and the offer and sale of shares in certain jurisdictions may be restricted by law. Prospective investors should inform themselves as to the legal requirements and tax consequences within the countries of their citizenship, residence, domicile and place of business with respect to the acquisition, holding or disposal of shares, and any foreign exchange restrictions that may be relevant thereto.

## SUMMARY OF THE OFFERING

This summary is qualified in its entirety by the more detailed information included, or referred to, in this Memorandum.

The 1.2 Fund Ltd. (the "Fund") was incorporated as a BVI Business Company under the provisions of the BVI Business Companies Act, 2004 (as amended) of the British Virgin Islands on December 7, 2007.

The investment objective of the Fund with respect to the Participating Shares is to generate stable monthly rates of return. Through investing in options and futures on regulated international equity markets, the target monthly return is a 1.2%, net of fees.

The minimum initial subscription for each investor (other than "exempted investors") in Participating Shares is US\$100,000 or equivalent in Euros.

An "exempted investor" is defined by SIBA as:

- (c) the manager, administrator, promoter or underwriter of the Fund;
- (d) any employee of the manager or promoter of the Fund; and

such other class or description of persons as the Commission may, by notice published in the Gazette, specify as exempted investors.

To subscribe for Participating Shares during the Initial Offering Period, each prospective investor must complete and execute the Subscription Form. The completed Subscription Form must be received by the Administrator together with subscription monies in cleared funds, no later than 5pm (English time) on 20<sup>th</sup> of June 2008.

To subscribe for Participating Shares after the Initial Offering Period, each prospective investor must complete and execute the Subscription Form. The completed Subscription Form must be received by the Administrator together with subscription monies in cleared funds three (3) days before the relevant Subscription Day or such earlier or later date-as determined by the Directors.

The Initial Offering Period for Participating Shares commences on 1<sup>st</sup> June, 2008 and is anticipated to close on 20<sup>th</sup> June 2008; the initial offering price is 1,000€ per share and thereafter will be offered on each Subscription Day at the Net Asset Value per Participating Shares Share on the Valuation Day immediately preceding the relevant Subscription Day.

The Directors may, in their sole discretion, extend the Initial Offering Period. After the Initial Offering Period, the Fund may permit additional subscriptions for Participating Shares on each Subscription Day from existing or new investors.

A holder of Participating Shares may redeem some or all of his Participating Shares on a Redemption Day at the Net Asset Value per Participating Share as at such Redemption Day, or if such day is not a Valuation Day, as at the immediately preceding Valuation Day.

The Directors may in their sole discretion permit subscriptions and/or redemptions of Participating Shares at any other times either generally or in any particular case.

The Directors have the right, in their sole discretion and at any time and from time to time, to issue new Classes of Participating Shares in the capital of the Fund upon such terms and in such manner as they may determine. These shares will generally participate directly in the investments in respect of which the net proceeds of issue are utilised.

The Fund may, at the sole discretion of the Directors, list its Participating Shares on any stock exchange without the consent of the Participating Shareholders. There is no current public market for the resale of Participating Shares and none is likely to exist in the future.

**ALL POTENTIAL INVESTORS SHOULD CAREFULLY REVIEW THE INFORMATION PRESENTED IN THE "RISK FACTORS" SECTION SET OUT BELOW FOR A DESCRIPTION OF CERTAIN RISKS ASSOCIATED WITH AN INVESTMENT IN THE FUND (INCLUDING THE RISK OF A COMPLETE LOSS OF THEIR INVESTMENT).**

## DIRECTORY

<b>Registered Office:</b>	The 1.2 Fund Ltd c/o Intertrust Corporate Services Ltd Ritter House, Wickhams Cay II Road Town Tortola British Virgin Islands
<b>Directors</b>	Paolo Compagno Via San Gottardo 84 6900 Massagno Switzerland  Peter Poole Fahie Hill PO Box 765 Road Town Tortola British Virgin Islands
<b>Investment Manager</b>	Low Volatility Asset Management Ltd c/o Intertrust Corporate Services Ltd Ritter House, Wickhams Cay II Road Town Tortola British Virgin Islands
<b>Investment Advisor to the Investment Manager</b>	Compagno Solutions SAGL Via Canova, 9A CH-6900 Lugano Switzerland
<b>Administrator</b>	Trident Fund Services (Guernsey) Limited P.O.Box 287 4 <sup>th</sup> Floor, West Wing Trafalgar Court Admiral Park St Peter Port, Guernsey GY1 3RL Channel Islands
<b>Auditor</b>	KPMG Channel Islands Limited 20 New Street St Peter Port Guernsey GY1 4AN Channel Islands
<b>Legal Advisers</b> (as to British Virgin Islands law)	Walkers PO Box 92 171 Main Street Road Town Tortola, VG1110 British Virgin Islands

**Banker**

Banca Zarattini&CO  
Via Balestra 17  
CH-6900 Lugano  
Switzerland

**Broker/Custodian**

ADM Securities  
4th Floor, Millennium Bridge House  
2 Lamberth Hill  
London  
EC4V 3TT  
England

## DEFINITIONS

"**Administrator**" means Trident Fund Services (Guernsey) Limited;

"**Articles of Association**" means the Memorandum and Articles of Association of the Fund, as amended, substituted or supplemented from time to time;

"**Auditor**" means KPMG or such firm of accountants as the Directors shall determine from time to time;

"**Business Day**" means any day on which banks in the British Virgin Islands are open for business or such other day as the Directors may from time to time determine;

"**Class**" or "**Classes**" means any class of Participating Shares as may from time to time be issued by the Company;

"**Directors**" means the directors of the Fund for the time being, or as the case may be, the directors assembled as a board or as a committee thereof and "Board of Directors" shall have a corresponding meaning;

"**Fiscal Year**" means the period for annual financial statements. The first financial year will be the period beginning after expiry of the initial Offering Period and ending on 30 June 2009. Subsequent Fiscal Years will end on 30 June each year.

"**Fund**" means The 1.2 Fund Ltd;

"**Initial Offering Period**" means: the period commencing on 1 June 2008 and ending on 20 June 2008, or such other period as the Directors may from time to time determine, during which the Participating Shares will be sold at the price of 1,000€ each;

"**Investment Advisor**" means Compagno Solutions SAGL;

"**Investment Guidelines**" means the investment guidelines set forth in the Investment Management Agreement;

"**Investment Manager**" means Low Volatility Asset Management Ltd;

"**Investment Management Agreement**" means the investment management agreement between the Fund and the Investment Manager;

"**Law**" means the BVI Business Companies Act, 2004 (as amended);

"**Management Share**" means a voting non participating share of par value US\$0.01 each in the capital of the Fund;

"**Memorandum**" means this Confidential Private Placement Memorandum as amended, substituted or supplemented from time to time;

"**Month**" means a calendar month;

"**Net Asset Value**" means the Net Asset Value of the Fund or of the Participating Shares or any Class thereof as the context may require;

"**Participating Share**" means a participating redeemable non-voting share in the capital of the Fund of US\$0.01 par value each, which will be initially offered at the price of 1,000€ per share;

**"Participating Shareholder"** means the person registered as the holder of a Participating Share in the register of members of the Fund required to be kept pursuant to the Law;

**"Quarter"** means a calendar quarter;

**"Redemption Day"** means every Friday that the banks are open for business in Guernsey and the next business day after every Friday otherwise;

**"Redemption Notice"** means the Redemption Notice in the form attached as Appendix B to this Memorandum or in such other form as the Directors may from time to time determine;

**"Redemption Price"** means the redemption price which will be denominated in Euros and will be equal to the Net Asset Value per Euro Participating Share as at the relevant Redemption Day;

**"Restricted Person"** means any person:

- (a) for whom holding participating shares would be in breach of the law or requirements of any country of governmental authority;
- (b) holding participating shares in circumstances (whether directly or indirectly affecting such Person and whether taken alone or in conjunction with any other Person, connected or not, or any other circumstances) which, in the opinion of the Directors, might result in the Fund incurring any liability to taxation or suffering any other pecuniary, legal or administrative disadvantage which the Fund might not otherwise have incurred or suffered;
- (c) who is a US Person (as defined herein) unless such person is a US Tax-Exempt Person (as defined herein);

**"SIBA"** means the Securities and Investment Business Act, 2010 of the British Virgin Islands, including any modification, amendment, extension, re-enactment or renewal thereof and any regulations made thereunder, including the Mutual Funds Regulations, 2010;

**"Subscription Day"** means every Friday that the banks are open for business in Guernsey and the next business day after every Friday otherwise

**"Subscription Form"** means the Subscription Form in the form attached as Appendix A to this Memorandum or in such other form as the Administrator or Directors may from time to time determine;

**"Subscription Price"** means: 1,000€ per Participating Share during the Initial Offering Period, and after the Initial Offering Period the Net Asset Value per Participating Share as at the relevant Valuation Day;

**"Target Monthly Return"** means the monthly target of the strategy, i.e. 1.2% monthly return, net of fees.

**"US Person"** means any individual or entity that meets the definition of U.S. Persons as defined in Regulation S under the 1933 Act and is not considered a "Non-United States person" under Rule 4.7 of the Commodity Exchange Act of 1936, as amended;

**"US Tax-Exempt Person"** means a U.S. Person that is exempt from payment of U.S. federal income tax;

**"Valuation Day"** means the day upon which the Net Asset Value is calculated, being every Friday that the banks are open for business in Guernsey and the next business day after every Friday otherwise;

Capitalised terms used in this Memorandum and not otherwise defined in this Memorandum, have the meanings ascribed to them in the Articles of Association, references to US\$ or \$ are references to the lawful currency of the United States, references to EUR or € are references to the lawful currency of the European Union.

## INVESTMENT OBJECTIVE, STRATEGY AND POLICY

### Investment Objective and Strategy

The principal investment objective of the Fund is to generate stable monthly rates of return through investing in options on regulated international equity markets. The target monthly return is a 1.2% net of fees (“**Target Monthly Return**”).

Please note that none of the Fund, the Directors or the Investment Manager make any representation in respect of or guarantee the Target Monthly Return, and the actual monthly rate of return may be less or greater than the Target Monthly Return and further, it is possible that there may be no monthly return or a loss.

The Investment Manager is focused on trading options on the S&P500, and other regulated international equity markets that the Investment Manager may determine from time to time in its sole discretion. The Investment Manager will trade options and futures on the aforementioned markets based on analyses and projections of economic factors such as interest rates, currency exchange rates and directional movements in domestic and foreign markets.

The aims of the Investment Manager and the strategy of the Fund are to maintain an average margin allocation of 50% of the Fund’s total assets. Margin allocation is a critical aspect of the Fund’s risk control procedures and position management procedures. The margin requirement will be allocated to the relevant clearing houses or stock exchanges by our clearing broker as required, to cover positions held by The 1.2 Fund. The strategy will aim to never utilize the Fund’s total assets in terms of margin requirement, however if at any time an individual event occurs which puts the Fund on margin call, positions will be de-leveraged immediately or closed outright in order to remain within the Fund’s risk parameters.

### Risk Control

The 1.2 Fund will only trade in exchange listed products on the largest recognized global futures and options markets. No transactions will be carried out in the OTC market. This is an important aspect of risk control as it ensures counterparty, liquidity and transaction risk is minimized. The Fund employs its own internal risk controls focused on margin control and positional management. Individual positions and strategies are closely monitored to determine if as market conditions change they remain within the Fund’s risk parameters.

The ‘modus operandi’ of The 1.2 Fund is one of strong emphasis towards pro-active position management. Experience has proved that positional control and management is vital in fast moving global markets. In the event that we consider a position or strategy no longer suits the profile of the fund the first course of action is to de-leverage the position and if required implement the strict “stop loss”.

The fund also utilizes external controls in partnership with our broker. Our brokers operate the standardized portfolio analysis of risk (SPAN) system. This is a leading margin system which has been adopted by options and futures exchanges around the world. SPAN is based on a sophisticated set of algorithms that determine margin according to a global (total portfolio) assessment of the individual portfolios risk.

### Investment Program

#### *General*

The Investment Manager primarily invests the Fund's assets in options on the S&P500, but it could also invest on other such regulated international equity markets the Investment Manager determines suit the volatility model and return objectives of the fund.

### *Primary Investment Focus*

The Investment Manager anticipates that the Fund's investments will primarily focus on the areas described herein.

- *Possible Investments.* The Investment Manager, through the Fund, intends to invest in and maintain a diverse portfolio of investments. Specifically, such investments may include, among other items, the following:
  - *Options on Equity Indexes or on Futures Contracts* – This strategy involves buying and selling options and futures contracts to take advantage from the trading activity. The most part of the returns are linked on the studying of the greeks.

### *Investment Process*

In implementing the investment program described herein, the Investment Manager intends to primarily employ the following investment process:

- The strategies are developed with a time frame of one month; the investment manager studies the international markets and the various single options to structure the fund's position. Before opening any position, many different hypothesis are made regarding changes in underline conditions, changes in volatility and/or combinations of those, also related with the time of verifications of those changes. These hypothesis are studied in the view of being ready to any market movements, to know before how the strategy could be adjusted. Once opened, all the positions are monitored constantly.

### *Risk Management and Controls*

The primary risk in employing the investment strategy outlined above will be the level of asset utilisation. Accordingly, the Investment Manager shall utilize risk management processes and controls to manage the overall risk of the investment portfolio. Without limiting the Investment Manager's ability to implement additional risk management processes and controls, these have historically included the following:

- The inherent risk control of a defined cost or "premium at risk" of the option strategies used to express the views of the Investment Manager;
- Stop-Loss and Limit orders are used to manage the delta exposure of the overall positions;
- By trading in markets that have the deepest liquidity and the highest accessibility the risk associated with gapping markets as well as slippage is minimized; and
- Risk is monitored by a several individuals within the Investment Manager's office.

### **Investment Policy**

The Investment Manager has full discretion to carry out the investment program of the Fund, subject to complying at all times with the Investment Objectives and the Investment Restrictions.

### **Investment Restrictions**

The Fund shall not:

1. invest in commodities;
2. invest in OTC;
3. lend cash or securities;

4. use borrowed funds to acquire investments.
5. suspend the redemption of participating shares in any circumstance

**Purchasers of Participating Shares should conduct such independent investigation and analysis regarding the Fund as they deem appropriate to evaluate the merits and risks of an investment in the Participating Shares. The Fund, the Investment Manager, the Investment Advisor and the Administrator disclaim any responsibility to advise purchasers of the risks and investment considerations associated with the purchase of the Participating shares as they may exist at the date hereof or from time to time thereafter.**

**THERE CAN BE NO ASSURANCE THAT THE FUND'S INVESTMENT STRATEGY WILL ACHIEVE PROFITABLE RESULTS. AS A RESULT OF INVESTMENT RISKS, AN INVESTOR MAY LOSE ALL OF THE CAPITAL IT HAS INVESTED IN THE FUND.**

## **INFORMATION ON THE DIRECTORS, THE INVESTMENT MANAGER, ADMINISTRATOR AND OTHER ADVISERS**

### **Directors**

The Directors of the Fund have overall authority over, and responsibility for, the operations and management of the Fund. The Fund has however, delegated the investment management of the Fund and its investments to the Investment Manager and the administration of the Fund to the Administrator on the terms of the Investment Management Agreement and Administration Agreement respectively.

The Board of Directors of the Fund consists of two (2) Directors, each of whom serves in accordance with the laws of the British Virgin Islands and in accordance with the Articles of Association. The Directors are Paolo Compagno and Peter Poole.

### **Paolo Compagno**

After obtaining his degree in 2001 in Institutions and Financial Market Management from Bocconi University, Milan, Italy, he commenced working in the financial markets, in proprietary derivatives trading. From 2001 he worked for 5 years as a junior trader before being promoted to senior trader, a position he held in several private companies in Italy specializing in Equity Index derivatives and options.

In December 2005 he used his experience gained in the financial markets and trading to begin his career in Portfolio management working as co-manager for a successful derivatives hedge fund.

He is currently one of the directors of the Fund where he is responsible for Trading strategy, Position management and Risk control. The knowledge and experience he has gained throughout his career puts him in a strong position to build on his previous achieved performances.

### **Peter Poole**

Peter has held board level positions for regulated BYI trust companies and their affiliates providing fiduciary services to trusts, funds and other entities and has lived in the British Virgin Islands for eighteen years. Prior to establishing the business of Sable Trust Limited, he was Managing Director of Rathbones BYI for over six years. He has served on the Council of the BYI Association of Registered Agents and is a member of the Society of Trust and Estate Practitioners.

Having qualified in the United Kingdom as a Chartered Accountant in 1984, he joined Deloitte in Zambia as auditor. Following return to UK in 1987, he gained further UK audit experience and exposure to offshore financial services in Jersey, UK Channel Islands and in Turks and Caicos Islands up to 1991, with a range of responsibilities comprising accounting, trustee, corporate and insurance services to international clients. In 1996 he became a Fellow of the Institute of Chartered Accountants in England and Wales.

### **Investment Manager**

Low Volatility Asset Management Ltd has been appointed investment manager to the Fund pursuant to the terms of an investment management agreement between the Fund and the Investment Manager dated January 1 2008 (the "**Investment Management Agreement**").

Low Volatility Asset Management Ltd is licensed to manage mutual funds under SIBA in and from within the British Virgin Islands.

The Investment Manager has been appointed to manage the Fund and its investments subject to the overall supervision of the Directors, to manage the investment, realisation and reinvestment of the assets of the Fund and supervise the implementation of the investment objective and strategies of the Fund subject to any investment restrictions.

The obligations and duties of the Investment Manager under the Investment Management Agreement include:

- managing on behalf of the Fund the investment,
- realisation and reinvestment of the assets of the Fund on a discretionary basis, subject to the investment restrictions,
- carrying out the investment objective and keeping the investment objective under review, with power on behalf of and in the name of the Fund to:
  - o purchase, subscribe or otherwise acquire investments and to sell, redeem, exchange, vary or transpose the same,
  - o to invest money and other assets for the account of the Fund and effect foreign exchange transactions in connection with any such purchase, acquisition, sale or other disposal to enter into, make and perform such contracts, agreements and other undertakings as may in the opinion of the Investment Manager be necessary or advisable or incidental to the carrying out of the functions, duties, powers and discretions conferred on it pursuant to this Investment Management Agreement and its role as investment manager of the Fund,
  - o to negotiate such borrowing arrangements as are sought to be entered into by the Fund and supervise the implementation of such arrangements,
  - o to supply the Fund with any information in connection with its affairs as may be in the possession of the Investment Manager or as may reasonably be obtained or provided by it,
  - o to carry out regular credit assessment of proposed debtors or guarantors (if any) in respect of investments and proposed investments of the Fund and shall (subject to the overall supervision of the Directors) formulate prudent credit limits in relation thereto,
  - o to appoint, supervise, regulate and direct the activities of the Investment Advisor,
  - o to recommend the manner in which money required for any redemptions of shares in the Fund should be realised
  - o to liaise with the Administrator in relation to the Administration of the Fund.

The Investment Management Agreement authorises the Investment Manager to enter into agreements with others pursuant to which services will be provided to the Fund and also to delegate its responsibilities to others, subject to retaining responsibility for the actions of its delegates.

The Investment Management Agreement is for an indefinite period from the date of completion and will continue in effect for successive periods of twelve months although it may be terminated by the Fund on one months' prior written notice and otherwise in certain stated situations a breach of the Investment Management Agreement by the Investment Manager and the Investment Management Agreement shall terminate automatically upon completion of the winding up, liquidation or termination of the Fund. The Investment Manager can terminate the Investment Management Agreement upon one months' prior written notice and in certain stated situations similar to those referred to.

The Investment Management Agreement also provides that the Investment Manager, its directors, officers, employees and agents shall not be liable to the Fund (or any Shareholder) for any action taken or not taken by it or for any action taken or not taken by any other person with respect to the Fund (or any Shareholder) or in respect of the investments of the Fund provided that the persons seeking to rely on the indemnity has acted in good faith and in a manner reasonably believed to be in, or not opposed to, the best interests of the Fund and provided such actions did not involve negligence, wilful default, fraud or dishonesty and that, to the extent permissible by law, the Fund indemnifies the Investment Manager and each director, officer, employee or agent of the Investment Manager against any losses, claims, damages and liabilities, costs and expenses (including legal and other expenses reasonably incurred in connection with such liabilities) to which such person may become subject by

reason of its being the Investment Manager or a director, officer, employee or agent of the Investment Manager (but only to the extent and with respect to services performed by the Investment Manager or such director, officer, employee or agent of the Investment Manager for or on behalf of the Fund or relate to the Fund or relate to investment management services contemplated by this Private Placement Memorandum) provided that the persons seeking to rely on the indemnity has acted in good faith and in a manner reasonably believed to be in, or not opposed to, the best interests of the Fund and provided such actions did not involve negligence, wilful default, fraud or dishonesty.

The Investment Management Agreement does not impose any specific obligations or requirements concerning the allocation of time, effort or investment opportunities to the Fund or any restrictions on the nature of timing of investments for the account of the Fund and for any other accounts which the Investment Manager may manage.

The fees payable to the Investment Manager are set out in the section entitled "Fees and Expenses".

### **Investment Advisor**

Compagno Solutions SAGL has been appointed as the trading advisor to the Fund pursuant to a consultancy agreement dated 4th April 2016 (the "**Consultancy Agreement**").

The Investment Manager appointed the Investment Advisor in order for the latter to market, advise, improve profitability and more generally provide consulting services in respect of the industry of the Investment Manager and in particular the structuring and monitoring of strategies in derivative products on share indexes, and in financial instruments in general. These services shall cover the operational improvement, publicity, development, and other collateral aspects of such industry, as the Investment Advisor in its professional capacity shall deem fit.

The Consultancy Agreement commenced on 1 March 2016 and shall continue for a period of 5 years. The Consultancy Agreement can be terminated by mutual consent, or unilaterally if any of the terms are violated. Alternatively, if either party wishes to terminate, it may do so by giving 90 days' notice to the other party.

### **Administrator – Trident Fund Services (Guernsey) Limited**

Trident Fund Services (Guernsey) Limited has been appointed by the Fund as the Fund's administrator pursuant to the terms of an administrative services agreement between the Fund and the Administrator dated April 1 2008 (the "**Administration Agreement**") and updated on 20 September 2013 and on 09 October 2014. The Administrator is responsible, under the supervision of the Directors, for providing administrative services required in connection with the Fund's operations, including, maintaining corporate records of the Fund, compiling and publishing the Net Asset Value of the Fund, the Net Asset Value per Participating Share, providing registrar and transfer agent services in connection with the issue, transfer, redemption and Switching of Participating Shares and collecting subscription payments and disbursing redemption payments.

The Administration Agreement between the Fund and the Administrator provides, inter alia, the agreement may be terminated at any time by either party upon not less than 90 days prior written notice, the Administrator shall not be liable to the Fund or its shareholders for any acts or omissions in the performance of its services except for its own dishonesty, fraud, wilful neglect, wilful misconduct or bad faith (or the dishonesty, fraud, wilful neglect, wilful misconduct or bad faith on the part of any of its agents, sub-contractors or delegates), and the Administrator is indemnified in acting as Administrator except in the case of its own dishonesty, fraud, wilful neglect, wilful misconduct or bad faith.

The arrangements made by the Fund and the Administrator with regards to fees are set out in section entitled "Fees and Expenses".

**Auditor**

The Fund has appointed KPMG to audit its financial statements. KPMG is a member of a global international professional services firm. The audited financial statements of the Fund will be prepared in accordance with IFRS. The first set of audited financial statements, which will be made available to shareholders, will cover the inaugural period of trading until 31 December 2008.

The board of the directors of the fund has decided to have financial statements audited every year.

The Fiscal Year will end on 30 June each year.

**Banker**

Banca Zarattini & CO has been appointed by the Fund to provide banking services to the Fund.

**Brokers/ Custodian: ADM Securities**

ADM Securities has been appointed by the Fund to provide custodian services.

ADM Securities is a wholly owned subsidiary of Archer Daniels Midland International Limited in UK and indirectly a wholly owned subsidiary of the Archer Daniels Midland Company (ADM). ADM is listed on the New York Stock Exchange.

ADM is the world leader in its field. Headquartered in Decatur, Illinois, ADM has over 26,000 employees, more than 250 processing plants and net sales for the fiscal year ended June 30, 2006 of \$36.6 billion.

Sub-custodians may be appointed by the Custodians. The Custodians shall not be responsible for any act or omission or for the solvency of any sub-custodian, agent or third party where the Custodians are either compelled or directed to appoint a sub-custodian by the Fund, the underlying securities or applicable law. The Custodians will not be liable for any act or omission or for the solvency of any sub-custodian, agent or third party provided that due care was taken by the Custodians in the selection and ongoing monitoring of any such sub-custodian.

The Custodians does not act as sponsor of the Fund nor assumes special controlling duties other than those related to their custody functions. The Custodians do not warrant the contents of this Memorandum except insofar as it relates to information applicable to them and none of the custodians are involved in the management or administration of the Fund or in the calculation of its Net Asset Value.

The Fund reserves the right to change the custodial arrangements described above by agreement with the Custodians and/or, in its discretion, to appoint additional or alternative custodian(s).

## FEES AND EXPENSES

### FEES OF THE INVESTMENT MANAGER

#### Initial Charge

The Participating Shares and each series thereof will not be subject to any initial charge.

#### Management Fee

The Investment Manager shall receive a management fee of 0.2% percent per month of the Net Asset Value (before deduction of that month's management fee and any Performance Fees) accrued as at each Valuation Day and paid as at the third Friday of each month.

The Investment Manager reserves the right to waive part of or all the Management Fee or pay back part of or all fees received in previous months, in the case of a loss or if otherwise deemed appropriate by the Investment Manager.

#### Performance Fee

In addition to the Management Fee, the Fund will pay to the Investment Manager a monthly performance fee ("Performance Fee") of a sum equal to 20% of the monthly net increase in the Net Asset Value of the Fund, which will be accrued as at each Valuation Day and paid as at the third Friday of each month. A high water mark will be applied.

The Investment Manager reserves the right to waive part of or all the Performance Fee or pay back part of or all fees received in previous months, in the case of a loss or if otherwise deemed appropriate by the Investment Manager.

#### Fees of the Administrator

The Administrator shall be paid a fee of 20 basis points of the total AUM with a minimum of 50,000£ (GBP) per year (the "**Administration Fee**") which shall be accrued weekly and paid on 3<sup>rd</sup> Friday of the month.

#### Fees of the Custodian

The Fund will use its Brokers as Custodians, so no Custodian fees will be charged.

#### Other operating expenses

The Investment Manager, the Custodian and the Administrator will be responsible for providing all office personnel, office space and office facilities required for the performance of their services.

The Fund will bear all other expenses incidental to its operations and business, including:

1. banking and custody charges;
2. fees of the Fund's legal advisers, custodian, administrators and independent auditors;
3. any income tax, withholding taxes, transfer taxes and other governmental charges and duties occurring for the Fund;
4. the costs of printing and distributing any prospectuses, reports, notices or other communications to the shareholders;
5. the costs of maintaining the Fund's registered office in the British Virgin Islands and registration with the BVI Financial Services Commission;
6. brokerage fees and commissions;

7. borrowing, financing and settlement arrangements made by the Fund;
8. the costs associated with risk management, due diligence, analysis, research and related portfolio selection and balancing activities (including subscription fees and third-party provider charges);
9. the expenses and fees of the Fund's directors (including premiums for directors and officers liability insurance);
10. the expenses properly charged to the Fund by the Investment Vehicles, if any, including fees paid to the portfolio managers; and
11. compliance products and services (including hardware and software expenses).

### **Directors' remuneration**

Each of the Directors will be paid remuneration for their service as a Director to the Fund equal to US\$2,500 per annum, which may be waived in the Directors' sole discretion. The Directors will not be subject to any mandatory age of retirement. In addition the Fund may pay certain expenses of the directors.

### **Transaction costs**

The Fund may use the services of the Custodian to clear its transactions and carry its accounts. The Investment Manager may select further custodians for the Fund and will negotiate fees and commissions.

The Fund will pay all expenses incurred in connection with its trading and investment activities, including but not limited to all execution, other transaction costs and expenses, custody expenses and all other related expenses and costs.

### **Intermediary/sales fees**

An introducer or an intermediary who introduce clients to the Fund can charge its client with a front fee up to 5%. The client's subscription, then, will be deducted of this commission, so this fee does not affect the Net Asset Value of the fund.

### **Other fees and expenses**

All costs and expenses associated with the launch of the Fund, including government incorporation charges and professional fees and expenses in connection with the preparation of this Memorandum and the agreements referred to herein will be paid by the Directors. The Fund will not pay anything related with the launch.

Any and all interest accrued in respect of cash held by the Fund, including any interest and income generated from currency swap contracts in respect of such cash, will be paid to the Investment Manager. The Investment Manager may, at its discretion, waive part of or all the money generated by the interest or pay back, part of or all the money received in previous months.

## **DETERMINATION OF NET ASSET VALUE**

The Net Asset Value per Participating Share shall be calculated in Euros by the Administrator as at close of business on the relevant Valuation Day. The Net Asset Value of the Participating Shares will be equivalent to all the assets less all the liabilities attributable as at the Valuation Day. The Subscription Price and Redemption Price for Participating Shares (following the Initial Offering Period) will be available upon request from the Investment Manager or the Administrator.

The Net Asset Value per Participating Share is determined by dividing the value of the assets of the Fund attributable to the Participating Shares less all liabilities attributable to the Participating Shares by the number of such Participating Shares as at the relevant Valuation day, the result being round up or down to the nearest cent.

The assets of the Fund shall be deemed to include:

1. all securities owned or contracted to be acquired and all unrealised gains (or losses) on such securities;
2. all cash on hand, on loan or on deposit excluding accrued interest thereon;
3. all bills and demand notes and amounts receivable (including proceeds of Securities sold but not delivered);
4. all other assets of every kind and nature, including, without limitation, prepaid expenses.

The liabilities of the Fund shall be deemed to include:

1. all loans, bills and accounts payable;
2. the Management Fee, Performance Fees and Redemption Fees, if any;
3. all accrued and payable administrative expenses (including all fees payable to any service provider and any agent), and any allowance for estimated annual audit fees, Directors' fees, legal fees and other fees, and any additional fees payable to the Investment Manager;
4. all known liabilities, present and future, including, without limitation, all matured contractual obligations for payments of money or property;
5. an appropriate provision for taxes due and future taxes to be assessed; and
6. all other liabilities of the Fund of whatsoever kind and nature for which reserves are determined to be required by the Directors.

In the event that any amount is not payable until some future time after the Valuation Day, the Directors (who may consult with and rely on the advice of the Investment Manager) shall make such allowance as is considered appropriate to reflect the true current value thereof.

The Directors shall determine which accounting principles shall apply to the calculation of the Net Asset Value. To the extent that the Directors have not determined otherwise, or to the extent feasible, expenses, fees and other liabilities will be accrued in accordance with International Financial Reporting Standards ("IFRS"). Reserves (whether or not in accordance with IFRS) may be established for estimated or accrued expenses, liabilities or contingencies.

The Fund's investments will be valued as follows:

- Securities traded via the futures markets will be assigned the value that the exchanges reflect, except in instances, where upon review, the Investment Manager, after consultation with appropriate market makers or intermediaries, in good faith determines that the valuation does not reflect the fair market value. Any differential in valuations will be supported with the pertinent documentation.

- The Investment Manager may use methods of valuing securities other than those set forth herein if it believes the alternative method is preferable in determining the fair market value of such securities.

The Directors may request that the Auditor review the methodology of valuation adopted by the Fund at such times as may, in the view of the Directors, be appropriate and the Directors may, following such review, adopt such other basis for valuation as the Auditor may recommend. The Directors may make such modifications to the means of calculating the Net Asset Value as they may from time to time consider reasonable to ensure that such changes accord with good accounting practice.

All valuations will be binding on all persons and in no event shall the Directors, the Administrator or the Investment Manager incur any individual liability or responsibility for any determination made or other action taken or omitted by them in the absence of manifest error or bad faith.

Prospective investors should be aware that situations involving uncertainties as to the valuation of positions could have an adverse effect on the Fund's net assets if the Administrator or the Investment Manager's judgements regarding appropriate valuations should prove incorrect.

## THE PARTICIPATING SHARES AND ARTICLES OF ASSOCIATION

The rights and obligations of the holders of Participating Shares are governed by the Articles of Association. Prospective investors should examine these documents carefully and consult with their own legal counsel concerning their rights and obligations before subscribing for Participating Shares. Copies of the Articles of Association are available for inspection by an interested investor at the Administrator's office during normal business hours on any Business Day. The following statements and other statements in this Memorandum concerning the Articles of Association and related matters are only a summary, do not purport to be complete, and in no way modify or amend the Articles of Association.

### The Fund's Share Capital

The Fund is authorised to issue 5,000,000 shares and such shares are divided into:

1. 4,999,900 Participating Shares of US\$0.01 par value each being redeemable participating non-voting shares to investors; and

The Directors may issue Participating Shares in Classes or Series with such designations or classifications as the Directors may determine (and the Directors may rename or redesignate any issued class or series of Participating Share) without the consent of or a notice to existing investors. The Participating Shares being issued pursuant to this Memorandum do not have the right to receive notice of, attend, speak or vote at general meetings of the Fund. Participating Shares are redeemable at the option of the holder in accordance with the terms set out in this Memorandum and the Articles of Association and are subject to compulsory redemption in certain circumstances. The fund will not pay any dividend. In a liquidation, after the payment of the capital paid on the Management Shares, the assets available for distribution are to be distributed to the holders of the Participating Shares *pari passu* in proportion to the Net Asset Value per Participating Share of the Participating Shares held; and

2. 100 Management Shares being voting non-participating shares of par value US\$0.01 each, all of which have been issued and are held by Low Volatility Asset Management Limited (Investment Manager of the Fund). Management Shares carry one vote per share but do not carry any right to dividends. In a liquidation, the Management Shares rank only for a return of the nominal amount paid up on those shares before any payment to the holders of Participating Shares and any other shares ranking *pari passu* with the Participating Shares in a liquidation.

Subject to the terms of the Articles of Association, authorised but un-issued Participating Shares may be redesignated and/or issued at the discretion of the Directors and there are no pre-emption rights with respect to the issue of additional Participating Shares or any other Class of share.

The Fund may by resolution of the voting shareholders or the Directors increase or reduce the amount of Participating Shares it is authorised to issue.

### Eligible Shareholders

Participating Shares may be purchased only by investors who are aware of the risks associated with the trading activities to be undertaken by the Fund, do not require immediate liquidity from their investments and are aware that there can be no assurance that the Fund or the Participating Shares will be profitable or that the Fund will be able to meet its investment objective. Restricted Persons may not invest in Participating Shares.

The Fund is a "professional fund" within the meaning of SIBA and accordingly shares in the Fund are only being offered to and will only be issued to "professional investors" within the meaning of SIBA.

A "professional investor" is defined by SIBA as a person:

- (a) whose ordinary business involves, whether for that person's own account or the account of others, the acquisition or disposal of property of the same kind as the property, or a substantial part of the property, of the Fund; or
- (b) who has signed a declaration that he, whether individually or jointly with his spouse, has net worth in excess of one million dollars in the currency of the United States of America or its equivalent in any other currency and that he consents to being treated as a professional investor.

### **Subscription for Participating Shares**

During the Initial Offering Period, the Participating Shares will be issued at the Subscription Price of 1,000€.

The minimum initial subscription for each investor (other than "exempted investors") in Participating Shares is US\$100,000 or equivalent in Euros.

Participating Shares are available for subscription after the Initial Offering Period on each Subscription Day at the Subscription Price. Subscriptions for Participating Shares may only be made in Euros (or US\$, to be converted to Euros at the cost of the subscriber). The acceptance of subscriptions during the Initial Offering Period and thereafter as of each Subscription Day is subject to confirmation of the prior receipt of cleared funds before the time set out below to the Fund's subscription account. Details of the account are set out in the Subscription Form. The Fund reserves the right to wholly or partly reject or accept subscriptions in its absolute discretion and without assigning any reason therefore. In the event that a subscription is rejected, the Administrator shall repay the relevant subscription monies to the subscriber without interest.

Prospective investors will be required to complete and return a Subscription Form in the form attached. The completed Subscription Form should be sent to the address shown on the Subscription Form and must be received together with subscription monies in cleared funds, in the case of subscriptions during the Initial Offering Period no later than 5pm (English time) on June 20 2008 or such earlier or later date as determined by the Directors and thereafter no later than 5pm (English time) 3 days prior to the relevant Subscription Day (or such later time as may be agreed to by the Administrator in its sole discretion). If the Subscription Form or cleared funds are received after the deadline, it will (unless otherwise determined by the Administrator) be treated as a request for subscription on the next Subscription Day.

Subscription Forms will (save as determined by the Administrator) be irrevocable and may be sent by mail, courier, facsimile or email to the Administrator at the risk of the applicant. The originals of any Subscription Form sent by facsimile or email should be sent immediately by post or by internationally recognised courier to the Administrator. Failure to provide the original Subscription Form may, at the discretion of the Administrator, result in the cancellation of the allotment of the Participating Shares.

The following forms of communication are acceptable to the Fund for submitting subscription, redemption, transfer or other instructions (such as change of address) to the Administrator:

Facsimile Transmission +44.1481.723162

E-mail [fundsguernsey@tridenttrust.com](mailto:fundsguernsey@tridenttrust.com)

Mail or Courier P.O.Box 287,  
4<sup>th</sup> Floor, West Wing,  
Trafalgar Court  
Admiral Park,  
St Peter Port, Guernsey,  
GY1 3RL  
Channel Islands

Notwithstanding the method of communication, the Fund and/or the Administrator reserve the right to ask for the production of original documents or other information to authenticate the communication.

In the case of mis-receipt or corruption of any message, the Investor will be required to re-send the documents. Facsimiles or emails sent to the Fund or the Administrator shall only be effective when actually acknowledged by the Fund or the Administrator. In the event that no acknowledgement is received from the Administrator within five (5) days of submission of the request, the Investor should contact the Administrator on telephone number +44.1481.727.571 to confirm receipt by the Administrator of the request. The Investor must use the form document provided by the Fund in respect of the subscription, redemption or transfer, unless such condition is waived by the Fund and/or the Administrator and messages sent via email must contain a duly signed document as an attachment.

Fractions of Participating Shares will be issued to the nearest four decimal places where the balance of the subscription monies for Participating Shares represents less than the Subscription Price.

Confirmations will be sent to applicants on approval of their application as soon as practicable after the Initial Offering Period or the relevant Subscription Day, setting out details of the Participating Shares they have been allotted.

Participating Shares will be issued only in registered form. The Administrator maintains the official register of Participating Shares of the Fund at the registered office of the Administrator. Certificates representing Participating Shares will not be issued.

### **Redemption of Participating Shares**

A Participating Shareholder may redeem some or all of his Participating Shares on each Redemption Day at the Net Asset Value per Participating Share as at the immediately preceding Valuation Day provided the Redemption Notice is received by the Fund at least 3 days (the "Redemption Notice Period") prior to the proposed Redemption Day, such Redemption Notice Period waivable at all times at the discretion of the Investment Manager.

Redeeming Participating Shareholders may redeem by completing the Redemption Notice in writing and sending it by registered mail, by facsimile transmission or by email to the Administrator with the original to follow by courier.

A request for redemption must be made on the Redemption Notice and, once submitted to the Administrator, may not be withdrawn except with the consent of the Directors. If the Redemption Notice is received after the deadline for receipt of requests for redemption for any particular Redemption Day, it shall (unless the Redemption Notice Period is waived by the Investment Manager or otherwise determined by the Administrator) be invalid / treated as a request for redemption on the next Redemption Day.

Subject to any decision by the Directors to the contrary, the minimum amount of Participating Shares that may be redeemed on any Redemption Day is 10,000 Euros.

Redemption payments in respect of the Participating Shares will be made in Euros or, in the absolute discretion of the Directors, in kind, or partly in cash and partly in kind, and cash payments will be remitted by wire transfer to the account designated by the Participating Shareholder in the Redemption Notice, which must match the details given on the subscription form. No interest will accrue on the redemption proceeds pending payment.

The Fund will pay a Redeeming Shareholder of the amount due to such Redeeming Shareholder within 15 days after the relevant Redemption Day, based upon the Net Asset Value per Participating Share of the relevant Class or Series.

The Administrator may refuse to pay redemption proceeds if a redemption request is not accompanied by such additional information as the Administrator, in its sole discretion, may reasonably require. This power may, without limitation to the generality of the foregoing, be exercised where proper information (in particular, the original subscription document) has not been provided for money laundering verification purposes.

Upon giving not less than 3 days written notice to a Participating Shareholder, the Fund has the right to compulsorily redeem all or some of the Participating Shares held by a Participating Shareholder at the Net Asset Value per Participating Share as at the Valuation Day immediately prior to the date such redemption is to take effect if the Directors for any reason determine in their absolute discretion to do so. Without prejudice to its general powers to redeem compulsorily for any reason, the Directors intend to compulsorily redeem Participating Shares where:

1. the Participating Shares are held by or for the benefit (directly or indirectly) of any Restricted Person; and
2. any of the representations given by a Participating Shareholder in its Subscription Form were not true or have ceased to be true.

### **Transfers**

In the case of the death of a joint holder the survivor will be the only person recognised by the Fund as having any title to a Participating Share. The transfer of Participating Shares to Restricted Persons is prohibited.

No Participating Shares may be transferred, assigned or disposed of without the prior written consent of the Directors or their authorised agents which may be withheld in their absolute discretion. Subject as aforesaid, Participating Shares are transferable by written instrument signed by the transferor, but transfers will not be effective until registered in the Register of Participating Shareholders of the Fund. Participating Shareholders wishing to transfer Participating Shares must complete and sign the transfer in the exact name or names in which the Participating Shares are registered, indicating any special capacity in which they are signing and supply the details to the Fund.

The Directors may in their absolute discretion decline to register any transfer of Participating Shares without providing any reason therefore.

### **Modification of Rights attaching to the Participating Shares**

The special rights attached to the Participating Shares may from time to time (whether or not the Fund is being liquidated) only be materially adversely varied or abrogated with the consent in writing of the holders of at least two thirds of the issued Participating Shares, or with the sanction of a resolution passed by Participating Shareholders holding at least two thirds of all the Participating Shares then in issue.

All the provisions of the Articles of Association as to general meetings of the Fund apply to every such separate meeting, except that the necessary quorum at any such meeting is one or more persons at least holding or representing by proxy at least one third of the issued Participating Shares then in issue except that at an adjourned meeting of the Participating Shareholders those shareholders who are present in person or by proxy shall constitute a quorum.

### **Directors**

The Articles of Association contain, *inter alia*, provisions relating to Directors as follows:

7. provided a Director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with the Fund declares (whether by specific or general notice) the nature of his interest at a meeting of the Directors that Director may vote in respect of any contract or proposed contract or arrangement notwithstanding that he may be interested therein and if he does so his vote shall be counted and he may be counted in the quorum at any meeting of the Directors at which any such contract or proposed contract or arrangement shall come before the meeting for consideration;
8. a Director may hold any other office or place of profit under the Fund (other than the office of auditor) in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Directors may determine;

9. every Director, alternate Director, the Secretary, Assistant Secretary, or other officer for the time being and from time to time of the Fund (but not including the Fund's auditors) and the personal representatives of the same shall be indemnified and secured harmless out of the assets and funds of the Fund against all actions, proceedings, costs, charges, expenses, losses, damages or liabilities incurred or sustained by him in or about the conduct of the Fund's business or affairs or in the execution or discharge of his duties, powers, authorities or discretions, including without prejudice to the generality of the foregoing, any costs, expenses, losses or liabilities incurred by him in defending (whether successfully or otherwise) any civil proceedings concerning the Fund or its affairs in any court whether in the British Virgin Islands or elsewhere;
10. no Director, alternative Director, Secretary, Assistant Secretary or other officer of the Fund (but not including the Fund's auditors) shall be liable:
  - (a) for the acts, receipts, neglects, defaults or omissions of any other Director or officer or agent of the Fund;
  - (b) for any loss on account of defect of title to any property of the Fund;
  - (c) on account of the insufficiency of any security in or upon which any money of the Fund shall be invested;
  - (d) for any loss incurred through any bank, broker or other similar person;
  - (e) for any loss occasioned by any negligence, default, breach of duty, breach of trust, error of judgement or oversight on his part; or
  - (f) for any loss, damage or misfortune whatsoever which may happen in or arise from the execution or discharge of the duties, powers authorities, or discretions of his office or in relation thereto, unless the same shall happen through his own dishonesty.

## ADDITIONAL INFORMATION

### Taxation

It is the responsibility of all persons interested in purchasing Participating Shares to inform themselves as to any tax consequences from their investing in the Fund and the Fund's operations or management, as well as any foreign exchange or other fiscal or legal restrictions, which are relevant to their particular circumstances in connection with the acquisition, holding or disposition of Participating Shares. Investors should therefore seek their own separate tax advice in relation to their holding of Participating Shares and accordingly neither the Fund, the Investment Manager nor the Administrator accept any responsibility for the taxation consequences of any investment into the Fund by an investor.

The tax status of the Fund and its Participating Shareholders under the laws of the British Virgin Islands is summarised below. The summary is based on the assumption that the Fund is owned, managed and operated as contemplated. The summary is considered in the opinion of the Fund's British Virgin Islands counsel to be a correct interpretation of existing laws as applied at the date of this Memorandum, but no representation is made or intended by the Fund that changes in such laws or their application or interpretation will not be made in the future. Persons interested in subscribing for the Participating Shares should consult their own tax advisers with respect to the tax consequences, including the income tax consequences, if any, to them of the purchase, holding, redemption, sale or transfer of the Participating Shares.

The Fund and all interests, rents, royalties, compensations and other amounts paid by the Fund to persons who are not persons resident in the BVI are exempt from the provisions of the Income Tax Act in the BVI and any capital gains realized with respect to any shares, debt obligations, or other securities of the Fund by persons who are not persons resident in the BVI are exempt from all forms of taxation in the BVI. As of 1 January 2005, the Payroll Taxes Act, 2004 came into force. It will not apply to the Fund except to the extent that the Fund has employees (and deemed employees) rendering services to the Fund wholly or mainly in the BVI. The Fund at present has no employees in the BVI and no intention of having any employees in the BVI.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not persons resident in the BVI with respect to any shares, debt obligation or other securities of the Fund.

All instruments relating to transfers of property to or by the Fund and all instruments relating to transactions in respect of the shares, debt obligations or other securities of the Fund and all instruments relating to other transactions relating to the business of the Fund are exempt from the payment of stamp duty in the BVI.

There are currently no withholding taxes or exchange control regulations in the BVI applicable to the Fund or its members.

### Anti-Money Laundering

#### *British Virgin Islands*

Under the British Virgin Islands (the "**BVI**") Anti-money Laundering Regulations, 2008, as amended (the "**Regulations**") and the Anti-money Laundering and Terrorist Financing Code of Practice, 2008 as amended by the Anti-money Laundering and Terrorist Financing (Amendment) Code of Practice, 2009 (the "**Code**" and together with the Regulations, the "**BVI AML Laws**"), all BVI funds (i.e. funds operating as "mutual funds" under SIBA) are required to (i) appoint a Money Laundering Reporting Officer (the "**Reporting Officer**"); (ii) implement and maintain certain anti-money laundering compliance procedures, primarily being the identification and verification of investors in the Fund and related record keeping (the "**Compliance Procedures**"); and (iii) implement and maintain an independent compliance audit to ensure that the BVI fund is complying with its obligations under the BVI AML Laws.

In accordance with the Fund's obligations pursuant to the BVI AML Laws, the Administrator has agreed to provide to the Fund a person within the Administrator to act as the Reporting Officer.

In accordance with the Fund's obligations pursuant to the BVI AML Laws, the Compliance Procedures shall be carried out by the Administrator, who is resident in Guernsey which is a recognised jurisdiction for the purposes of the BVI AML Laws.

The Fund and the Administrator may request verification of identity from all prospective investors to the extent required under the BVI AML Laws, the applicable laws of Guernsey and/or in accordance with the Fund's or the Administrator's internal know your customer identification policy.

The Fund and the Administrator may not require verification of identity where:

1. The investor is a BVI regulated person for the purposes of the Regulations;
2. The investor is a foreign regulated person for the purposes of the Regulations which is a person or entity that:
  - (a) is incorporated, registered, licensed or formed, or if not a body corporate, has its principal place of business in a jurisdiction outside the BVI;
  - (b) carries on business that would, if carried on within BVI, fall within a category of business falling within paragraphs (a) – (e) of the definition of "relevant business" in the Regulations (that is, banking business, trust business, and insurance business, the business of company management, the business as a mutual fund or providing services as a manager or administrator of a mutual fund, a trust or company service provider providing services to third parties involving acting as a formation agent of legal persons, providing director, secretary and equivalent partnership services, providing registered office services, trustee services or nominee shareholder services); and
  - (c) is subject to legal requirements in its jurisdiction for the detection and prevention of money laundering that are consistent with the requirements of FCATF Recommendations or FATF Recommendations and is properly and adequately supervised for compliance with those legal requirements by a foreign regulatory authority;
3. The investor is a legal practitioner or accountant who belongs to a professional body whose rules of conduct or practice embody legal requirements for detection and prevention of money laundering that are consistent with the requirements of FCATF Recommendations or FATF Recommendations and the legal practitioner or accountant is supervised by his professional body for compliance with those requirements;
4. The investor is, or is a subsidiary of, a publicly listed company; or
5. The investor is a Government statutory body.

For the purposes of these exceptions, classification as a financial institution, regulatory authority, or jurisdiction in which there are anti-money laundering laws and procedures that are equivalent to those of the Territory will be determined in accordance with the Code of Practice by the relevant body in the British Virgin Islands.

Subscriptions for Participating Shares will be received by the Administrator. The Administrator will notify applicants if additional proof of identity is required. By way of example, an individual may be required to produce a copy of a passport or identification card duly certified as a true copy by a notary public, law firm or bank, together with evidence of their address such as a utility bill or bank statement. In the case of corporate applicants this may require production of a copy of the certificate of incorporation (and any change of name), certificate of incorporation and by-laws (or equivalent) duly certified as a true copy by a notary public, law firm or bank and the names, occupations, dates of birth and residential and business addresses of all directors or other governing members or representatives

of entity investors in line with the foregoing individual identification requirements.

The details given above are by way of example only. The Fund and the Administrator reserve the right to request such documentation as any of them deems necessary to verify the identity of the applicant and to verify the source of the relevant money. Applicants who are existing Shareholders and believe they have supplied documentation verifying their identity to the Fund or an affiliate in the past may contact the Fund or the Administrator to determine whether any additional information is necessary. Failure to provide the necessary evidence may result in applications being rejected or in delays in redemptions or in the dispatch of documents and the issuance of Participating Shares.

Pending the provision of satisfactory evidence as to identity, the evidence of title in respect of Participating Shares may be retained at the absolute discretion of the Fund. If within a reasonable period of time following a request for verification of identity, the Fund has not received evidence satisfactory to it as aforesaid, the Fund may, in its absolute discretion, refuse to allot the Participating Shares applied for in which event application moneys will be returned without interest to the account from which such moneys were originally debited.

The Fund and the Administrator also reserve the right to refuse to make any redemption payment to a Shareholder if the Directors or the Administrator suspect or are advised that the payment of redemption proceeds to such Shareholder might result in a breach of applicable anti-money laundering or other laws or regulations by any person in any relevant jurisdiction or if such refusal is considered necessary or appropriate to ensure the compliance by the Fund or the Administrator with any such laws or regulations in any relevant jurisdiction.

The Fund, the Investment Manager and the Administrator will be held harmless and will be fully indemnified by a potential subscriber against any loss arising as a result of a failure to process a subscription or Redemption Notice if such information as has been requested by any of them has not been satisfactorily provided by the applicant.

#### *Guernsey*

Trident Fund Services (Guernsey) Limited (the "Administrator") has been appointed to act as Administrator operating from the jurisdiction of Guernsey. Therefore, the regulations for anti-money laundering and identification procedures as stipulated by The Handbook for Financial Services Businesses on Countering Financial Crime and Terrorist Financing dated 15 December 2007, as amended, and issued by the Guernsey Financial Services Commission will apply to the collection of due diligence on investors of this Fund.

Where the investor is represented by an Authorised Financial Services Business in one of the jurisdictions listed below, the Administrator may accept a Statement of Introduced Business from the Financial Services Business in the format below. An Authorised Financial Services Business means a financial services business appearing on a supervisor/regulator's list of financial services businesses authorised in the jurisdictions listed below.

Austria, Australia, Belgium, Canada, Cayman Islands, Cyprus, Denmark, Estonia, Finland, France, Germany, Gibraltar, Greece, Hong Kong, Iceland, Ireland, Isle of Man, Italy, Japan, Jersey, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Netherlands, New Zealand, Norway, Portugal, Singapore, South Africa, Spain, Sweden, Switzerland, United Kingdom and the United States of America.

The Administrator reserves the right to request documents verifying a prospective investor's identity.

The Administrator is not obliged to accept a Statement of Introduced Business from Authorised Financial Services Businesses in the jurisdictions listed above and will use their commercial judgement in whether or not to accept such business and may, if they wish, impose higher standards than those outlined above.

Prospective investors from outside the approved countries will be required to provide verification of their identity that will include the following documentation:

## Individual Investors

- Certified true copy of passport or such other acceptable form of identification (if passport not available)
- Certified true copy or original of utility bill with date falling within a period of three months prior to the application confirming proof of residential address.

## Corporate Investors

- Certified true copy of Certificate of Incorporation
- Certified true copy of Memorandum and Articles of Association
- Certified true copy of Authorised Signatory List
- Registers of directors and shareholders
- For each director and beneficial owner the same information must be provided as set out above for Individual Investors

## Publicly Traded Companies

- Evidence that it is either quoted on a stock exchange in an approved jurisdiction as above.

Any information provided to the Administrator will be treated as confidential and used solely for the purpose of fulfilling due diligence requirements with regard to the investors investment in the Fund. The Investor's information will not be shared with third parties without the express consent of the investor and is also subject to the Data Protection (Bailiwick of Guernsey) Law, 2001 which requires the Administrator to ensure that they have adequate security precautions in place to prevent the loss, destruction or unauthorised disclosure of such data.

If, as a result of any information or any other matter that comes to their attention, any person resident in Guernsey (including the Administrator), knows or suspects that another person is engaged in money laundering, such person is required to report such information pursuant to The Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Regulations, 2002 and such report will not be treated as a breach of any restriction upon the disclosure of information imposed by law or otherwise.

## Reports to Shareholders

The Administrator will provide Participating Shareholders with a monthly statement, on the last Friday of every month, of the Net Asset Value of the Fund, the Participating Shares in issue and the Net Asset Value per Participating Share and with an Annual Report for the Fund including audited accounts for each Fiscal Year.

The price of the Participating Shares shall be published on Bloomberg, Telekurs, the Fund's website and on the main hedge funds database.

## British Virgin Islands Securities and Business Investment Act

The Fund is a "professional fund" within the meaning of SIBA and accordingly shares in the Fund are only being offered to and will only be issued to "professional investors" within the meaning of SIBA.

A "professional investor" is defined by SIBA as a person:

- (g) whose ordinary business involves, whether for that person's own account or the account of others, the acquisition or disposal of property of the same kind as the property, or a substantial part of the property, of the Fund; or
- (h) who has signed a declaration that he, whether individually or jointly with his spouse, has net worth in excess of one million dollars in the currency of the United States of America or its equivalent in any other currency and that he consents to being treated as a professional investor.

Recognition of the Fund as a professional fund under SIBA does not involve any examination of the merits of an investment in the Fund or substantive supervision of the investment performance or portfolio constitution of the Fund by the Government of the British Virgin Islands or the Commission. There are no financial obligations or compensation schemes imposed on the Fund by the Commission or the Government of the British Virgin Islands that favour investors or that are available to investors in the Fund.

The Commission may in certain circumstances take enforcement action against the Fund. Enforcement action may include, cancellation, revocation or suspension of the recognition of the Fund as a professional fund and issuing a directive imposing prohibitions, restrictions or limitations on the Fund or requiring the Fund to take such action as the Commission considers may be necessary to protect the property of, or in the custody, possession or control of the Fund, or to protect investors or creditors of the Fund. Circumstances in which enforcement action could be taken include where the Fund has contravened or is in contravention of SIBA, the Regulations, the Anti-money Laundering Regulations, 2008 (as amended) or the Anti-money Laundering and Terrorist Financing Code of Practice, 2008 (as amended); where the Fund no longer satisfies the criteria for recognition as a professional fund under SIBA and the Regulations; and where a functionary of the Fund does not, in the Commission's opinion, satisfy its fit and proper criteria.

The minimum initial subscription for each investor (other than "exempted investors") in Participating Shares is US\$100,000, or equivalent in Euros.

An "exempted investor" is defined by SIBA as:

the manager, administrator, promoter or underwriter of the Fund;

- (i) any employee of the manager or promoter of the Fund; and
- (j) such other class or description of persons as the Commission may, by notice published in the Gazette, specify as exempted investors.

As a "professional fund", the Fund is required to pay an annual recognition fee of US\$350 for the year commencing 1 January 2010 and US\$1,000 for any year thereafter.

The Fund is required under the Mutual Fund Regulations, 2010 to prepare financial statements for each financial year that comply with accounting standards specified in the Regulations. The Fund is required to appoint and at all times have an auditor for the purposes of auditing its financial statements (although the Commission may exempt the Fund from such requirement upon written application to the Commission). A copy of the audited financial statements (to the extent required) shall be provided to the Commission within six months after the financial year end of the Fund for the financial statements or such extended period generally not exceeding fifteen months as the Commission may approve in writing.

## **Guernsey Qualifying Investor Fund**

The Fund operates as a Qualifying Investor Fund as defined by the Guernsey Financial Services Commission. For the avoidance of doubt, the Fund is not regulated by the Guernsey Financial Services Commissions. Only Qualified Investors (i.e. Professional Investor, and Experienced Investor and/or a Knowledgeable Employee) are permitted to invest in a Qualifying Investor Fund.

A Professional Investor is one of the following:

- a government, local authority, public authority or supra-national body (in the Bailiwick of Guernsey or elsewhere);
- a person, partnership or other unincorporated association or body corporate (whether incorporated, listed or regulated in an OECD country or otherwise), whose ordinary business or professional activity includes or it is reasonable to expect that it includes, acquiring, undertaking, managing, holding or disposing of investments whether as principal or agent, or the giving of advice on investments;
- as affiliate of the Fund or an associate of the Fund. The terms “affiliate” and “associate of an affiliate” are intended to refer to financial services business or financial services professionals associated, directly or indirectly, with the operation of the Fund; or
- an individual investor who makes an initial investment of not less than US\$100,000 or equivalent in the Fund, provided that subsequent investments by the same investor may be of lower amounts.

## **RISK FACTORS**

An investment in the Participating Shares is speculative and involves a high degree of risk. Accordingly, prospective investors should consider the following risk factors. These risk factors may not be a complete list of all risk factors associated with an investment in the Fund.

### **General**

Purchasers of Participating Shares should conduct such independent investigation and analysis regarding each party to the Transaction Documents and the Portfolio and each part thereof and all other relevant persons and market and economic factors as they deem appropriate to evaluate the merits and risks of an investment in the Participating Shares. The Fund, the Investment Manager and the Administrator disclaim any responsibility to advise purchasers of Participating Shares of the risks and investment considerations associated with the purchase of the Participating Shares as they may exist at the date hereof or from time to time thereafter. However, as part of such independent investigation and analysis, prospective purchasers of Participating Shares should consider and discuss with their professional advisors in detail all the information set forth in this Private Placement Memorandum.

Investment in the Participating Shares is only suitable for investors who:

- (1) have the requisite knowledge and experience in financial and business matters, and access to and knowledge of appropriate analytical resources to evaluate the information contained in this Memorandum and the merits and risks of an investment in the Fund in the context of such investors' financial position and circumstances;
- (3) are acquiring the Participating Shares for their own account for investment, not with a view to resale, distribution or other disposition of the Participating Shares (subject to any applicable law requiring that the disposition of the investor's property be within its control); and
- (4) recognise that it may not be possible to find a counterparty willing to purchase the Participating Shares for a substantial period of time, if at all.

Further, each prospective purchaser of Participating Shares must determine, based on its own independent review and such professional advice as it deems appropriate under the circumstances, that its acquisition of the Participating Shares (i) is fully consistent with its (or if it is acquiring the Participating Shares in a fiduciary capacity, the beneficiary's) financial needs, objectives and condition, (ii) complies and is fully consistent with all investment policies, guidelines and restrictions applicable to it (whether acquiring the Participating Shares as principal or in a fiduciary capacity) and (iii) is a fit, proper and suitable investment for it (or if it is acquiring the Participating Shares in a fiduciary capacity, for the beneficiary), notwithstanding the clear and substantial risks inherent in investing in or holding the Participating Shares.

### **Nature of Investments**

The Fund's business will involve a high degree of financial risk. Markets in which the Fund is anticipated to invest are subject to a high degree of volatility and therefore the Fund's performance may be volatile. There can be no assurance that the Fund's investment objective will be realised or that Participating Shareholders will receive any return on their investment. There are no limitations on the types of investments the Fund may make. The Investment Manager in its sole discretion may employ such investment and trading strategies and methods as it determines to adopt. The Fund may also invest in securities for which no active trading market exists and the value of any such securities shall be determined by the Investment Manager. As a result of these investment risks, an investor may lose all or a substantial amount of his investment in the Fund.

### **Short Selling, Options and Futures Trading**

The Fund's investment program may include short selling and trading in options and futures (upon the receipt of any necessary regulatory exemptions or approvals). Such investments can be extremely

volatile and substantially increase the impact of adverse price movements on the sale of Participating Shares. There can be no assurance that the strategy adopted for investing in options will be profitable or that a Participating Shareholder will not lose some or all of his investment.

### **Futures**

The Fund is authorised to engage in transactions in futures contracts, options on futures contracts and in other products which may be traded on regulated exchanges.

Trading in futures and options on futures involves significant risks, including the following: (i) futures contracts and options on futures are volatile in price; (ii) futures trading is highly leveraged; (iii) futures trading may be illiquid; and (iv) futures trading involves high transaction costs.

The purchase and sale of futures contracts is generally subject to high risk. Price movements of futures are caused by many unpredictable factors such as general economic and financial conditions, governmental policies, national and international political and economic events and technical trading factors. The foregoing factors may cause prices to be highly volatile which can increase the risk of loss.

Most futures contracts are subject to daily price limitations, which mean that the exchanges have prohibited the trading of futures contracts if the price fluctuates by a certain amount. If this occurs, it may be impossible to liquidate a position. Futures prices have occasionally moved the daily limit for several consecutive days with little or no trading. Similar occurrences in markets in which the Fund may hold positions at that time could prevent the Fund from promptly liquidating unfavourable positions and subject it to substantial losses.

The CFTC and the regulated exchanges have established limits on the maximum net long or net short futures positions which any person or group of persons acting together may hold or control. Any accounts owned or managed by a trader or the principals thereof, including the Fund's account must be combined for position limit purposes. The Investment Manager believes that the current limits will not adversely affect the Fund's trading. However, it is possible that trading decisions may have to be modified and positions held by the Fund may have to be liquidated in order to avoid exceeding such limits.

### **Leveraging**

The Fund may leverage its capital because the Investment Manager believes that the use of leverage may enable the Fund to achieve a higher rate of return. Accordingly, the Fund may pledge its securities in order to borrow additional funds for investment purposes. The Fund may also leverage its investment return with options, short sales, swaps, forwards and other derivative instruments. The amount of borrowings which the Fund may have outstanding at any time may be substantial in relation to its capital.

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

### **No Participation in Management**

The management of the Fund's operations is vested in the board of directors of the Fund who will receive investment management advisory services from the Investment Manager, and the subscription terms do not grant the holders of the Participating Shares any right to take part in the conduct or control of the business of the Fund. Accordingly, no potential purchaser of Participating Shares should purchase such Participating Shares unless such purchaser is willing to entrust all aspects of the management of the Fund to the Investment Manager.

## **Reliance on Investment Manager**

Although the Directors have the ultimate authority and responsibility for the management of the Fund, all decisions relating to the investment of the Fund's assets has been delegated to, and will be made by, the Investment Manager, who will therefore have total trading authority over the Fund. The Fund's expertise in trading is therefore largely dependent on the continuation of an agreement with the Investment Manager and the services and skills of its officers and employees. The loss of the Investment Manager's services (or that of one of its key personnel) could materially and negatively impact the value of the Fund as it may lead to the loss of the use of any proprietary investment methodology developed by the Investment Manager.

The Investment Manager and/or its Affiliates manage investments for other clients, and neither the Investment Manager nor any of its Affiliates nor any of their respective personnel are required to (or will) devote all of their time to the Fund's affairs. See the section entitled "Conflicts of Interest" and the Investment Management Agreement.

## **Effect of Redemptions**

If significant redemptions of Participating Shares are requested, it may not be possible to liquidate the Fund's investments at the time such withdrawals are requested or may be able to do so only at prices which the Directors believe do not reflect the true value of such investments, resulting in an adverse effect on the return to the investors. In addition, although it is expected on termination of the Fund to liquidate all of the Fund's investments and distribute only cash to the Participating Shareholders, there can be no assurance that this objective will be attained.

## **Performance Fee**

The performance fee payable to the Investment Manager may create an incentive for the Investment Manager to make investments that are riskier or more speculative than would be the case in the absence of a performance fee. Prospective investors should note that the management fee and performance fee payable to the Investment Manager is based in part upon unrealised gains (as well as unrealised losses), and that such unrealised gains and losses may never be realised by the Fund.

## **Counterparty Default**

The Fund will, in certain circumstances, be fully subject to the default of a counterparty.

## **Absence of Secondary Market**

Currently there is no public market for the Participating Shares and it is unlikely that any active secondary market for any of the Participating Shares will develop. Participating Shares are not being registered to permit a public offering under the securities laws of any jurisdiction. The Participating Shareholders might be able to dispose of their Participating Shares only by means of redemptions on the relevant Redemption Day at the Redemption Price, in the absence of an active secondary market. The risk of any decline in the Net Asset Value during the period from the date of notice of redemption until the Redemption Day will be borne by the Participating Shareholder(s) requesting redemption. In addition, the Directors have the power to compel redemptions. There are also restrictions on transferring Participating Shares.

## **Operating Deficits**

The expenses of operating the Fund (including the fees payable to the Investment Manager, the Administrator and other service providers) may exceed the Fund's income, thereby requiring that the difference be paid out of the Fund's capital, reducing the value of the Fund's investments and potential for profitability.

## **Economic Conditions**

Changes in economic conditions, including, for example, interest rates, inflation rates, employment conditions, competition, technological developments, political and diplomatic events and trends, and

tax laws can affect substantially and adversely the business and prospects of the Fund. None of these conditions is within the control of the Investment Manager and no assurances can be given that the Investment Manager will anticipate these developments.

### **Calculation of Net Asset Value**

There is no assurance that the determination of the Net Asset Value as described above reflects the actual sales prices of the securities, even when such sales occur very shortly after the Valuation Day. If sales of investments result in fewer proceeds than estimated, the remaining Participating Shareholders will see the Net Asset Value of the Fund reduced.

### **Conflicts of Interest**

The Investment Manager, the Directors and the Administrator may from time to time act in a similar capacity to, or otherwise be involved in, other funds or collective investment schemes, some of which may have similar investment objectives to those of the Fund. Thus, each may be subject to conflicting demands in respect of allocating management time, services and other functions between the activities each has undertaken with respect to the Fund and the activities each has undertaken or will undertake with respect to other investors, commodity pools, managed accounts and/or trading advisers. It is therefore possible that any of them may, in the course of their respective businesses, have potential conflicts of interest with the Fund or the Participating Shareholders. Each will at all times have regard to its obligations to the Fund and/or the Participating Shareholders and, in the event that a conflict of interest arises they will endeavour to ensure that such conflicts are resolved fairly.

### **Regulations**

With the exception of registration under SIBA, the Fund is not registered pursuant to any other applicable law, rule or regulation. Consequently, Participating Shareholders will not benefit from certain of the protections afforded by such other laws or regulations.

### **Dividends and Distributions**

The Fund does not intend to pay dividends or other distributions, but intends instead to reinvest all of the Fund's income and gain. Accordingly, an investment in the Fund may not be suitable for investors seeking current returns for financial or tax planning purposes.

### **Market Risk**

Any investment made in a specific group of securities is exposed to the universal risks of the securities market. However, there can be no guarantee that losses equivalent to or greater than the overall market will not be incurred as a result of investing in such securities.

### **Exchange Fluctuations**

Fluctuations in the Euro or US Dollar exchange rate against the Participating Shareholder's domestic currency are unpredictable and can have a significant impact on the return on investment to each investor. Also, investments in foreign securities involve the risks of currency fluctuations between the Euro or US Dollar and the currency in which such investment is made.

### **International Investing**

A portion of the trades executed for the Fund may take place on foreign exchanges. Additional risks of international investing include political or economic instability in the country of issue, and the possible imposition of exchange controls or other laws or restrictions. In addition, prices of securities in non US markets are generally subject to different economic, financial, political and social factors than are the prices of securities in US markets. With respect to some countries there may be the possibility of expropriation or confiscatory taxation, limitations on liquidity of securities, or political or economic developments which could affect the non US investments of the assets held by the Fund. Moreover, securities of foreign issuers generally will not be registered with the US Securities and Exchange Commission (the "**SEC**"), and such issuers will generally not be subject to the SEC's reporting

requirements. Accordingly, there is likely to be less publicly available information concerning certain of the non US issuers of securities held by the Fund than is available concerning US companies. Non US companies are also generally not subject to uniform accounting, auditing or financial reporting standards, or to practices and requirements comparable to those applicable to US companies. There may also be less government supervision and regulations of foreign broker-dealers, financial institutions and listed companies than exist in the US. These factors could make investments made by the Fund, especially those made in developing countries, more volatile than investment in US companies. All of the above issues should be considered before investing in Participating Shares. Some emerging markets countries may have fixed or managed currencies that are not free floating against the US Dollar. Further, certain currencies may not be traded internationally. Certain of these currencies have experienced a steady devaluation relative to the US Dollar. This could have an impact on Participating Shares.

### **Limitation of Liability and Indemnification**

The Investment Management Agreement and the Investment Advisory Agreement provide that the Investment Manager and the Investment Advisor will, subject to applicable law, be indemnified against and will not be liable for, any loss or liability incurred in connection with the affairs of the Fund, so long as such loss or liability arose from acts performed in good faith and not involving any gross negligence or wilful misconduct. Therefore, the holders of the Participating Shares may have more limited rights of action against the Investment Manager or the Investment Advisor, as the case may be, than the holders of the Participating Shares would have had absent these provisions in the Investment Management Agreement or the Investment Advisory Agreement, as the case may be.

### **No Guarantee**

There is no guarantee that implementation of the investment objective or strategy with respect to the assets of the Fund will not result in losses to holders of Participating Shares.

**THE FOREGOING RISK FACTORS DO NOT PURPORT TO BE A COMPLETE EXPLANATION OF THE RISKS INVOLVED IN THIS OFFERING. POTENTIAL INVESTORS MUST READ THE ENTIRE MEMORANDUM INCLUDING ALL ATTACHMENTS AND MUST CONSULT THEIR OWN PROFESSIONAL ADVISERS, BEFORE DECIDING TO INVEST IN THE FUND.**

## SUBSCRIPTION INSTRUCTIONS

### Subscription Applications

Applications may be made only by using the accompanying Subscription Form. All applications should be directed to the Administrator at the address shown on the Subscription Form. The Fund reserves the right to require additional information and certification to comply with money laundering regulations or to reject subscriptions in whole or in part, in which event subscription payments will be refunded at the applicant's risk, without interest. The minimum initial subscription for investors in Participating Shares is US\$100,000 (or equivalent in Euros). A properly completed and signed copy of a Subscription Form may be submitted to the Administrator by fax on +44.1481.723.162 in advance of submitting the original in order to expedite processing of the application. The signed original, however, must be submitted as soon as possible and in any event within seven days thereafter.

### Subscription Payments

Payments in full for the amount subscribed should be made by bank telegraphic transfer as follows:

Euro Account:	
BANK	Banca Zarattini&CO
Account Name:	Trident Fund Services (Guernsey) Ltd - client account EUR
IBAN:	CH44 0860 9105 0004 4000 0
SWIFT:	EUBACH22

Any and all interest earned in the above accounts is payable to the Administrator.

Any and all interest accrued in respect of cash held by the Fund, including any interest and income generated from currency swap contracts in respect of such cash, will be paid to the Investment Manager. The Investment Manager may, at its discretion, invest any or all monies payable to it into the Fund, at the relevant Net Asset Value.

In order to facilitate prompt and accurate credit of subscription payments, subscribers must notify the Administrator, prior to remitting payment, of the details of the subscription payment, indicating the:

11. name of the subscriber;
12. Euro amount subscribed;
13. subscriber's address (included a fax number if available);
14. name and address of the financial institution remitting the subscription payment; and
15. approximate date as of which the payment is being wired to the Fund's account.

(Separate notification is not required if the Subscription Form is received prior to the payment date).

### Confirmations

Confirmations will be sent to subscribers showing the details of each subscription and redemption. Any investor who has not given the necessary status and residence declarations and confirmations will be required to complete and return a form of Subscription Form to the Administrator as soon as possible and in any event within fourteen days thereafter. Confirmations of faxed Subscription Forms will be deemed provisional and will be subject to cancellation unless the Administrator has received the original within seven days.

COPY NUMBER: \_\_\_\_\_

**APPENDIX A**

\* Obtain copy number from front cover of Offering Memorandum.

**SUBSCRIPTION FORM  
THE 1.2 FUND LTD.  
(The "Fund")**

This form duly completed should be sent to:

Trident Fund Services (Guernsey) Limited  
P.O.Box 287  
4<sup>th</sup> Floor, West Wing  
Trafalgar Court  
Admiral Park  
St Peter Port, Guernsey  
GY1 3RL  
Channel Islands  
Tel: +44.1481.727.571  
Fax: +44.1481.723.162

I/We the undersigned, having received and read a copy of the Memorandum of the Fund dated 4<sup>th</sup> April 2016 (the "**Offering Memorandum**") hereby apply for the following Participating Shares:

.....(amount in figures)

.....(amount in words)

or such number of .....Participating Shares in the Fund as may be subscribed for with

.....(amount in figures)

..... (amount in words)

and undertake to have settled therefor in full by telegraphic transfer, for value by

.....(insert value date).

The Participating Shares in the Fund hereby subscribed for are herein referred to as the "Shares".

Account Name: [            ]  
Sub Account Name: [            ]  
Sub Account No: [            ]  
[Wire Instructions:] [            ]

I / We acknowledge that an intermediary/sales fee of \_\_\_% will be deducted from the subscription amount in determining the number of participating shares in the Fund to be subscribed, and issued, and such intermediary / sales fee will be payable to the agent with my / our consent:

Agent Name \_\_\_\_\_  
Agent Address \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Agent's Bank account details for remitting intermediary/sales fee are as follows:

Bank \_\_\_\_\_

Address \_\_\_\_\_  
SWIFT \_\_\_\_\_  
Account No. \_\_\_\_\_  
IBAN \_\_\_\_\_  
Account name \_\_\_\_\_

I/We acknowledge that due to money laundering requirements operating within its jurisdiction and/or the requirements of the Money Laundering Regulations, (as amended) of the British Virgin Islands and the Guidance Notes issued pursuant thereto and the Handbook for Financial Services Business in Countering Financial Crime and Terrorist Financing dated 15 December 2007 issued by the Guernsey Financial Services Commission, the Administrator may require further identification of the applicant(s) before the application can be processed and the Administrator shall be held harmless and indemnified against any loss arising as a result of a failure to process the application if such information has been requested by the Administrator and has not been provided by me/us.

I/We hereby agree to be bound by the Offering Memorandum, as amended 4<sup>th</sup> April 2016 and the Memorandum and Articles of Association of the Fund ("**Articles of Association**").

In consideration of the Administrator processing this Subscription Form and the Fund making a provisional allotment of Shares, I/we hereby agree to indemnify and hold harmless the Fund, the Administrator, the Directors of the Fund and the Investment Manager against any loss, costs or expenses incurred by it or them as a result of my/our failure to pay the required subscription monies for the application of Shares within the time required by the Administrator.

I/We confirm that I am/we are 18 years of age or over (natural persons only).

I/We confirm as a Qualified Investor (as defined under the section titled Guernsey Qualifying Investor Fund) as per the protection of investors (bailiwick of Guernsey) law 1787, as amended.

I/We confirm that I/we am/are not a Restricted Person (as such term is defined in the Offering Memorandum) and am/are not acquiring Shares on behalf of, nor for the benefit of, a Restricted Person nor do I/we intend selling or transferring any Shares which I/we may purchase to any person who is a Restricted Person.

I/We warrant that (a) I/we have the knowledge, expertise and experience in financial matters to evaluate the risks of investing in the Fund; (b) I am/we are aware of the risks inherent in investing in the Shares and the method by which the assets of the Fund are held and/or traded; and (c) I/we can bear the risk of loss of my/our entire investment.

I/We warrant that I am/we are able to acquire Shares without violating applicable laws.

I/We hereby declare that in subscribing for Participating Shares in the Fund I am/ we are [a] Professional Investor(s) within the meaning of SIBA, in that [tick one box]:

My/our ordinary business involves, whether for my/our own account or the account of others, the acquisition or disposal of property of the same kind as the property, or a substantial part of the property of the Fund, or which will be owned by the Fund, as detailed in the [Memorandum]; or

My/our net worth (in the case of a natural person, whether individually or jointly with my spouse) exceeds one million dollars in United States currency (US\$1,000,000) or its equivalent in any other currency, and I/we consent to being treated as a Professional Investor.

I/We acknowledge and warrant that I/we have received, understood and accepted the investment warning set out in the section of the Offering Memorandum entitled "Investment Warning to Investors and Potential Investors".

I/We hereby accept such lesser number of Shares, if any, than may be specified above in respect of which this application may be accepted.

I/We having received and considered a copy of the Offering Memorandum, hereby confirm that this application is based solely on the Offering Memorandum and any supplemental Memorandum current at the date of this Subscription Form, the material contracts therein and the Articles of Association, together (where applicable) with the most recent financial statements of the Fund.

I/We request that the Shares issued pursuant to this application be registered in the name(s) and address set out below.

I/We acknowledge and agree that redemption proceeds will only be paid to the account in the name of the investor from which the initial subscription monies were remitted.

The Administrator is hereby authorised and instructed to accept and execute any instructions in respect of the Shares to which this application relates given by me/us in written form [including by email to the email address: fundsguernsey@tridenttrust.com]. If the instructions are given by me/us by facsimile or other electronic means, I/we undertake to confirm them in writing.

I/We hereby agree to indemnify the Administrator and agree to keep it indemnified against any loss of any nature whatsoever arising to any of them as a result of it acting upon instructions received by facsimile or other electronic means. The Administrator may rely conclusively upon and shall incur no liability in respect of any action taken upon any notice, consent, request, instruction or other instrument believed in good faith to be genuine or to be signed by properly authorised persons.

I/We hereby acknowledge and agree that neither the Fund nor the Administrator shall be responsible for any mis-delivery or non-receipt of any facsimile or email if they have not acknowledged receipt of the facsimile, email or original document. Facsimiles or emails sent to the Fund or the Administrator shall only be effective when actually acknowledged by the Fund or the Administrator. In the event that no acknowledgement is received from the Administrator within five (5) days of submission of the request, I/we agree that I/we should contact the Administrator on telephone number +44.1481.727.571 to confirm receipt by the Administrator of the request. I/We agree that the foregoing shall also apply to any subscription request made using the short form subscription application form.

I/We are fully empowered and have authority to make this investment whether the investment is on my/our own behalf or on the behalf of another person or institution.

I/We confirm that I/we have the right and authority to request a redemption of Shares and confirm that I/we will comply with the redemption procedures set out in the Offering Memorandum. All redemption instructions must be made in writing.

I/We agree that the issue and allotment to me/us of Shares is subject to the provisions of the Offering Memorandum and the Articles of Association, that subscription for Shares will be governed and construed in accordance with British Virgin Islands law and I/we confirm that by subscribing for Shares, I/we are not relying on any information or representation other than such as may be contained in the Offering Memorandum.

I/We hereby agree to indemnify and keep indemnified the Fund and the Administrator against any loss arising to either of them as a result of any breach of any representation, warranty, covenant or confirmation by me/us in this Subscription Form or of my/our failure to disclose any relevant details or provide them with all information requested by either of them.

In the case of delay or failure to provide satisfactory information, the Administrator may take such action (including declining to accept an application) as it thinks fit.

I/We agree to notify the Administrator immediately if I/we become aware that any of these confirmations are no longer accurate and complete in all respects and agree immediately either to sell or to tender to the Administrator for redemption a sufficient number of Shares to allow the confirmation to be made.

I/We acknowledge and agree that pursuant to the Articles of Association, the Directors shall, if lawfully required to do so under the laws of any jurisdiction to which the Fund, or any service provider to the

Fund is subject, be entitled to disclose any information regarding the affairs of the Fund including without limitation information contained in the Register of Members of the Fund and books of the Fund. The Directors, any person acting as a service provider to the Fund and any other person authorised by the Directors shall have the right to access all information belonging to the Fund.

In accordance with the preceding paragraph, I/we acknowledge and agree that each of the Fund, the Administrator and/or the Investment Manager may disclose to each other, to any affiliate, to any other service provider to the Fund and third parties such as auditors and regulators where necessary or advisable to facilitate the acceptance and management of this subscription including, but not limited to, in connection with anti-money laundering purposes or for compliance with foreign regulatory requirements copies of the subscriber's subscription application/documents and any information concerning me/us in their respective possession, whether provided by the subscriber to the Fund, the Administrator and/or the Investment Manager or otherwise, including details of the my/our holdings in the Fund, historical and pending transactions in the Fund's Shares and the values thereof, and any such disclosure shall not be a breach of any restriction upon the disclosure of information imposed on any such person by law or otherwise.

I/We consent to the Administrator, its delegates, authorised agents and associated or affiliated companies using, disclosing, processing and transferring outside the European Union (to countries which may not have equivalent data protection legislation in place) my/our personal data which is revealed on this form or is disclosed by the me/us subsequently.

I/We agree to provide the above confirmations to the Administrator at such times as the Administrator may request, and to provide on request such certifications, documents or other evidence as the Administrator may reasonably require to substantiate such representations.

*(In respect of joint applicants only)* We direct that on the death of one of us the Shares for which we hereby apply be held in the name of and to the order of the survivor or survivors of us or the executor or manager of such survivor or survivors.

This Subscription Agreement shall be governed by and construed in accordance with the laws of the British Virgin Islands.

(COMPLETE IN BLOCK LETTERS PLEASE)

Applicant's name(s) (in full).....

Applicant's name(s) (in full) (if joint Applicants) .....

.....

Address

.....

.....

Telephone No .....Fax No .....

Email Address .....

Applicant's Bank Account details (for settlement of redemption of Shares):

Bank .....

Address .....

SWIFT address .....

Account number .....

Account name .....

Applicant's signature .....

Applicant's signature (if joint Applicants).....

.....

#### NOTES

1. This Subscription Form must be received by the Administrator during the Initial Offer Period or 3 days prior to the relevant Subscription Day, as the case may be, as set out in the Offering Memorandum.
2. To be valid, Subscription Forms must be signed by each applicant.
3. In the case of a firm (not a limited company) applications should be in the name(s) of and signed by the proprietor(s).
4. A corporation should complete this Subscription Form under seal or under the hand of a duly authorised official who should state his capacity and furnish a certified copy of the authority pursuant to which such official is authorised.
5. If this Subscription Form is signed under a power of attorney, such power of attorney or a duly certified copy thereof and confirmation from a local lawyer as to the validity of such power of attorney under its proper or governing law must accompany this Subscription Form.
6. If this Subscription Form is not fully completed to the satisfaction of the Administrator, the application may not be accepted.

# Statement of Introduced Business

## *Place on Introducer's Letterhead*

[Date]

Trident Fund Services (Guernsey) Ltd.  
4<sup>th</sup> Floor, West Wing, P.O. Box 287  
Trafalgar Court, Admiral Park  
St Peter Port, Guernsey GY1 3RL  
Channel Islands

Dear Sirs,

Name of Investor

Please accept this as our letter of introduction regarding (*insert name of investor*)'s subscription to the above fund. We hereby certify that our customer due diligence processes are complete.

The beneficial owner has been identified as:

Name -  
Nationality -  
Date of Birth -  
Residential Address -

We confirm we hold the following due diligence on the investor:

*For corporate investors (delete if not held and add if additional documents held)*

- Certificate of Incorporation or equivalent
- Register of Shareholders
- Register of Directors
- Authorised Signatories
- Memorandum of Articles and Memorandum of Association

For the beneficial owner as detailed above we hold (*delete if not held and add if additional documents held*):

- Passport
- National identification card
- Utility bill
- References
- Other (*specify*)

We do not consider the beneficial owner to be a politically exposed person.

Certified copies of the above detailed documentation will be made available to Trident Fund Services (Guernsey) Limited upon request without delay.

Yours sincerely  
NAME OF INTRODUCER

**AUTHORISED SIGNATORY**

Name

Title

**AUTHORISED SIGNATORY**

Name

Title



## NOTE

1. The Administrator shall not process this Redemption Notice unless and until the original signed Subscription Form has been received (rather than a fax copy) in respect of the Participating Shares which are the subject of this Redemption Notice.
2. To be valid, joint Redemption Notices must be signed by each shareholder if more than one shareholder.
3. In the case of an investor which is a partnership, Redemption Notices should be in the name(s) of and signed by all the partners.
4. Investors which are corporations must submit certified corporate resolutions authorising the redemption and identifying the corporate officer empowered to sign this Redemption Notice. Partnerships must submit a certified copy of the partnership certificate (in the case of limited partnerships) or partnership agreement identifying the partners if such documents have changed since the partnership's subscription to the Fund. Employee benefit plans must submit a certificate of an appropriate officer certifying that the redemption has been authorised and identifying the individual empowered to sign the redemption documents.
5. If this Redemption Notice is signed under a power of attorney, such power of attorney or a duly certified copy thereof must accompany this application form.
6. If this Redemption Notice is not fully completed to the satisfaction of the Administrator, the notice may not be accepted.