

## IMPORTANT NOTICE

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This document may only be issued to persons who may lawfully receive it. This document has been delivered to you personally on a confidential basis for your information and must not be copied or distributed to any other person. Participating Shares in the Company are not available to the public in any jurisdiction. This document should be read in conjunction with the relevant Class Supplement(s) and (after their publication) the most recent accounts of the Company. Your attention is specifically drawn to the risk warnings set out in this document and the relevant Class Supplement(s).

IF YOU ARE IN ANY DOUBT ABOUT THE CONTENTS OF THIS DOCUMENT YOU SHOULD CONSULT YOUR ACCOUNTANT, TAX CONSULTANT, SOLICITOR, AND/OR OTHER INDEPENDENT PROFESSIONAL ADVISOR.

# LOM FUNDS SAC LTD.

Incorporated as a segregated accounts company under the laws of Bermuda

## INFORMATION MEMORANDUM

RELATING TO THE PRIVATE OFFERING OF PARTICIPATING SHARES

The securities described in this confidential Information Memorandum have not been approved for offer or sale in public under the securities laws of any country or jurisdiction. Please refer to the Restrictions on Distribution and the Disclaimer on page three.

Not for use or distribution in the United States of America.

Dated: December 2011

We hereby confirm that the contents of the prospectus complies with the requirements of the Companies Act 1981 Section 27(1).  
For and on behalf of the Directors:

\_\_\_\_\_  
Director

## IMPORTANT NOTICE TO INVESTORS

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**IF YOU ARE IN ANY DOUBT ABOUT THE CONTENTS OF THIS DOCUMENT YOU SHOULD CONSULT YOUR ACCOUNTANT, TAX CONSULTANT, SOLICITOR, OR OTHER INDEPENDENT PROFESSIONAL ADVISOR.**

This Information Memorandum has been prepared in connection with the private offering and sale of non-voting participating shares ("**Participating Shares**") by LOM Funds SAC Ltd. (the "**Company**"). The Company has been incorporated as a segregated accounts company and the Participating Shares will be issued in Classes, each of which (or a combination of which) will correspond to a Segregated Account. Participating Shares may not be offered to the public in any jurisdiction. This Information Memorandum should be read in conjunction with the relevant Class Supplements, each of which contains information particular to a class (or classes) of the Participating Shares (collectively, the "**Fund Documents**") and (after their publication) the most recent accounts and financial reports of the Company. This document is prepared in accordance with the laws of Bermuda.

Permission under the Exchange Control Act, 1972 of Bermuda (and regulations made there under) has been obtained from the Bermuda Monetary Authority for the free issuance and transfer of 1,000 Organisational Shares and up to 100,000,000 Shares in the Fund to residents and non-residents of Bermuda. In addition, a copy of this document has been delivered to the Registrar of Companies in Bermuda for filing pursuant to the Companies Act, 1981 of Bermuda, as amended. Authorisation by the Bermuda Monetary Authority does not constitute a guarantee by the Authority as to the performance of the Fund or its creditworthiness. Furthermore, in authorizing such Fund, the Authority shall not be liable for the performance of the fund or the default of its operators or service providers, nor for the correctness of any opinions or statements expressed in the prospectus. The Fund does not intend to be registered or licensed in any jurisdiction or with any supervisory or regulatory authority outside Bermuda.

The Company has been classified as a Standard Fund by the Bermuda Monetary Authority ("BMA") as under the Investment Funds Act 2006. Approvals received from the BMA do not constitute a guarantee by the BMA as to the performance of the Company or its creditworthiness. Furthermore, in giving such approvals the BMA shall not be liable for the performance or default of the Company or for the correctness of any opinions or statements expressed.

This Information Memorandum contains a summary of the Company's Memorandum and Articles of Association and the other documents referred to herein. The contents of this Information Memorandum do not purport to be complete and are subject to and qualified in their entirety by reference to the Company's Memorandum and Articles of Association and the Fund Documents and such other documents, copies of which will be provided to any prospective investor upon request and which should be reviewed for complete information concerning the rights, privileges and obligations of the Shareholders.

The Directors of the Company (the "**Directors**") are responsible for the accuracy of the information contained in the Fund Documents and confirm that to the best of their knowledge and belief, having made reasonable enquiry, there are no facts the omission of which would make any statement contained in the Fund Documents misleading.

### **RELIANCE ON THE FUND DOCUMENTS**

The Participating Shares are offered solely on the basis of the information and representations contained in the Fund Documents and any further information given or representations made by any person may not be relied upon as having been authorised by the Company or the Directors. Neither the delivery of the Fund Documents nor the issue of Participating Shares implies that there has been no change to the facts and representations contained in this Information Memorandum or any relevant Class Supplement(s) since the respective dates of such documents. The Fund Documents are based on the law and practice in force in Bermuda at the date hereof.

The terms of issue of Participating Shares of any Class contained in the Fund Documents including but not limited to the investment objectives, policies and restrictions (if any) or business purpose may be changed by the Company subject to 30 days written notice to each Shareholder of the relevant Class and any other rules relating to a specific Segregated Account as may be promulgated from time to time in the relevant Class Supplement.

Persons interested in acquiring Participating Shares should inform themselves as to:

- (i) the legal requirements within the countries of their nationality, residence, ordinary residence or domicile for such acquisition;
- (ii) any foreign exchange restrictions or exchange control requirements which they might encounter on acquisition or disposal of Participating Shares or disposal of any assets received upon redemption of Participating Shares; and
- (iii) the income tax and other taxation consequences which might be relevant to the acquisition, holding, or disposal of Participating Shares.

## **RESTRICTIONS ON DISTRIBUTION**

The distribution of the Fund Documents and the offering of Participating Shares in certain jurisdictions may be restricted and, accordingly, persons into whose possession any of the Fund Documents may come, must inform themselves about and observe any such restrictions. The Fund Documents do not constitute, and may not be used for the purposes of, an offer or solicitation by any person in any jurisdiction:

- (i) in which such offer or solicitation is not authorised; or
- (ii) in which the person making such offer or solicitation is not qualified to do so; or
- (iii) to any person to whom it is unlawful to make such offer or solicitation.

Applicants for Participating Shares are required to declare that they are Eligible Investors (as defined herein) and the Directors may, in their absolute discretion, reject any application, without providing any reasons. Holders of Participating Shares who cease to be Eligible Investors will be required to dispose of such Participating Shares either through redemption or by transfer to an Eligible Investor subject to applicable laws.

The following descriptions do not purport to be legal advice or an exhaustive statement of applicable rules and regulations in the referred-to jurisdictions. Applicants for Participating Shares are advised to seek appropriate advice from a qualified practitioner in the relevant jurisdiction.

### **United States**

The Participating Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), or any state securities laws, nor has the Company been registered as an investment company under the United States Investment Company Act of 1940, as amended, and, except for any transaction which does not violate the Securities Act, the Participating Shares may not be directly or indirectly offered or sold in the United States, or any of its territories or possessions or areas subject to its jurisdiction, or to or for the benefit of a US Person. The Manager is not registered under the United States Investment Advisors Act of 1940, as amended.

### **Bermuda**

No invitation may be made to the public in Bermuda to subscribe for the Participating Shares other than in compliance with the Investment Business Act 2003. The Fund will be promoted in Bermuda by LOM Asset Management Limited, the Manager, which is licensed to conduct investment business by the Bermuda Monetary Authority under the Investment Business Act 2003. "Public" for these purposes does not include any exempted or ordinary non-resident company registered under the Companies Act, 1981 (as amended). Participating Shares may be beneficially owned by persons resident, domiciled, established, incorporated or registered pursuant to the laws of Bermuda.

## **RISKS**

The value of Participating Shares of any class is subject to the performance of the investments of the Segregated Account to which such Class relates and, accordingly, may fall as well as rise. There can be no assurance that the investment objectives of the Company or of any particular Segregated Account will be achieved and past performance is not necessarily a guide to performance in the future. Investment in the Company is not intended to be a complete investment programme for any investor. Prospective investors should carefully consider whether an

investment in Participating Shares is suitable for them in light of their circumstances and financial resources (see further under the section below headed "**Risk Factors**").

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## DIRECTORY

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COMPANY	<b>LOM Funds SAC</b> The LOM Building 27 Reid Street Hamilton, HM 11 Bermuda
DIRECTORS	<b>Donald P. Lines</b> <b>Scott G. S. Lines</b> <b>Craig D. Lines</b> <b>William D. Thomson</b> <b>Michael J. Mello, Q.C., J.P.</b> <b>Grant H. Hopkins</b>
MANAGER	<b>LOM Asset Management Limited</b> The LOM Building 27 Reid Street Hamilton, HM11 Bermuda
ADMINISTRATOR	<b>Apex Fund Services Ltd.</b> 3 Burnaby Street, T.J. Pearman Building Hamilton, HM 12 Bermuda
CUSTODIAN	<b>Lines Overseas Management Limited</b> The LOM Building 27 Reid Street Hamilton, HM11 Bermuda
PRINCIPAL BANKER	<b>Bank of Butterfield</b> 65 Front Street Hamilton, HMAX Bermuda
LEGAL COUNSEL (as to Bermuda Law)	<b>Wakefield Quin Limited</b> Victoria Place 31 Victoria Street Hamilton, HM 10 Bermuda
AUDITORS	<b>Deloitte &amp; Touche Ltd.</b> Corner House 20 Parliament Street Hamilton, HM 12 Bermuda

## DEFINITIONS

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"Administrator"	means such person as may be engaged by the Directors as administrator on behalf of a Segregated Account from time to time in accordance with the Articles. Any Administrator engaged on behalf of a particular Segregated Account will be described in the relevant Class Supplement;
"Articles"	means the articles of association of the Company as may be amended from time to time in accordance with the laws of Bermuda;
"Auditors"	means Deloitte & Touche Ltd. or such firm of chartered accountants or certified public accountants appointed by the Directors and for the time being acting as the auditors of the Company;
"Base Currency"	means the currency in which the Net Asset Value of a particular Segregated Account is expressed as may be specified in the relevant Class Supplement;
"Business Day"	means a day which is a normal business day and on which banks are open for business in Bermuda;
"Class"	means each sub-division of Participating Shares representing a Segregated Account and "Classes" shall be construed accordingly;
"Class Supplement"	means each supplement to this Information Memorandum, issued by the Company from time to time, providing information and terms particular to a specific Class (or classes) of Participating Shares and the relevant Segregated Account established for such Class(es), as may be amended and supplemented from time to time in accordance with the laws of Bermuda;
"Company"	means LOM Funds SAC Ltd.;
"Custodian"	means any custodian as may be engaged by the Directors on behalf of a Segregated Account from time to time. Any Custodian engaged on behalf of a particular Segregated Account will be described in the relevant Class Supplement;
"Director"	means a member of the board of directors of the Company for the time being and any duly constituted committee thereof and any successor to such member as may be appointed from time to time, and "Directors" shall be construed accordingly;
"Eligible Investor"	means an investor who satisfies the criteria for being eligible to subscribe for, or to hold, Participating Shares of a Class as set out in the section headed "Eligible Investors";
"Financial Year End"	means 31 December;
"Front End Load"	means any front-end charge payable on each Participating Share by each investor upon subscription for such Participating Share, as the Directors may from time to time determine for a particular Class and specify in the relevant Class Supplement and "Placement Fee" or "Front End Load" shall be construed accordingly;

<b>"Fund Documents"</b>	means this Information Memorandum and all Class Supplements issued by the Company from time to time;
<b>"Initial Offering Period"</b>	means the period during which Participating Shares of each Class are offered for subscription at the Initial Offering Price as may be specified in the relevant Class Supplements;
<b>"Initial Offering Price"</b>	means the initial offering price for any Class during the Initial Offer Period for such Class as may be fixed in accordance with the relevant Class Supplement;
<b>"Information Memorandum"</b>	means this Information Memorandum as may be amended and supplemented from time to time in accordance with the laws of Bermuda;
<b>"Manager"</b>	means LOM Asset Management Limited or such other person as may be engaged by the Directors from time to time in accordance with the Articles. Any Manager engaged on behalf of a particular Segregated Account will be described in the relevant Class Supplement;
<b>"Memorandum"</b>	means the memorandum of association of the Company as may be amended from time to time in accordance with the laws of the Bermuda;
<b>"Net Asset Value"</b>	the net asset value of a Segregated Account as may be determined in accordance with the Articles;
<b>"Net Asset Value per Participating Share"</b>	in relation to a Class means the amount determined, if required to be determined pursuant to the relevant Class Supplement, as at each Valuation Day by dividing the Net Asset Value of the relevant Segregated Account by the number of Participating Shares in issue in such Class on the relevant Valuation Day. The Net Asset Value per Participating Share of the relevant Class is the resulting sum rounded to the nearest four decimals of the relevant Base Currency;
<b>"Organisational Shares"</b>	means voting shares in the capital of the Company of par value US\$0.001;
<b>"Participating Shares"</b>	means non-voting, non-redeemable participating shares in the capital of the Company of par value \$0.0001;
<b>"Performance Fee"</b>	means the performance fee (if any) payable by the Company to the Manager calculated in the manner as may be described in the relevant Class Supplement;
<b>"Segregated Account"</b>	means a segregated account established and maintained in respect of the assets and liabilities attributable to each Class in accordance with the Articles and with the provisions of the Segregated Accounts Companies Act 2000 (as amended) of Bermuda;
<b>"Shareholder"</b>	means a person recorded as a holder of shares of any Class in the register of members of the Company;
<b>"Subscription Day"</b>	means the day or days as the Directors may from time to time determine for a particular Class and specify in the relevant Class Supplement;
<b>"Subscription Application Deadline"</b>	means such time as the Directors may from time to time determine for a particular Class (or combination of Classes) and specify in the relevant Class Supplement;

<b>"Subscription Price"</b>	means the price per Participating Share calculated in the manner described in the relevant Class Supplement;
<b>"US Person"</b>	means (a) any natural person who is a resident or citizen of the United States; (b) any partnership or corporation organised or incorporated under the laws of the United States or a state of the United States; (c) any estate of which any executor or administrator is a US Person as defined in sub-paragraphs (a) and (b) herein; (d) any trust of which any trustee is a US Person as defined in sub-paragraphs (a) and (b) herein; (e) any agency or branch of a foreign entity located in the United States; (f) any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a US Person; (g) any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organised, incorporated or, if an individual, resident in the United States; or (h) any partnership or corporation if (i) organised or incorporated under the laws of any foreign jurisdiction and (ii) formed by a US Person principally for the purpose of investing in securities not registered under the United States Securities Act 1933, as amended (the "Act"), unless it is organised or incorporated, and owned, by accredited investors (as defined in Rule 501(a) under the Act) who are not natural persons, estates or trustees (whenever such term is used in this document it shall have the meaning given in the Act);
<b>"United States"</b>	means the United States of America (including the States and District of Columbia) and any of its territories, possessions and other areas subject to its jurisdiction;
<b>"US Dollars", "US\$" or "\$"</b>	means the lawful currency of the United States of America; and
<b>"Valuation Day"</b>	means as may be specified by the Directors in any Class Supplement.

## SUMMARY

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The information set forth below should be read in conjunction with, and is qualified in its entirety by, the full text of this Information Memorandum and the documents referred to herein.

<b>The Company</b>	<b>LOM Funds SAC Ltd.</b> is a segregated accounts company designed to permit investors to participate in professionally managed portfolios. The Company was incorporated under the laws of Bermuda as a segregated accounts company on 28 November 2011.
<b>The Participating Shares</b>	This Information Memorandum relates to the issue of Participating Shares by the Company in separate Classes.
<b>Classes of Participating Shares</b>	Each Class (or combination of Classes) of Participating Shares corresponding to a Segregated Account.
<b>Segregated Accounts</b>	Segregated Accounts have been created by the Company to segregate the assets and liabilities attributable to each Class (or combination of Classes) from the liabilities attributable to any other Segregated Account and from the general assets and liabilities of the Company.
<b>Investment Objective</b>	Investment Objectives for each Segregated Account will be specified in the relevant Class Supplement.
<b>Investment Policy</b>	The Company's investment policy applicable to a Segregated Account will be specified in the relevant Class Supplement.
<b>Business Purpose</b>	Should the Company so determine, a "business purpose" rather than an investment policy and an investment objective will be determined for one or more Segregated Accounts. In such case, the business purpose will be disclosed in the relevant Class Supplement.
<b>Offering of Participating Shares</b>	During the Initial Offering Period for any Class of Participating Shares as specified in the relevant Class Supplement, the Company will offer the Participating Shares at an Initial Offering Price as disclosed in the relevant Class Supplement. Thereafter Participating Shares may be offered as mandated by the Directors in each specific instance and as set out in the relevant Class Supplement.
<b>Minimum Subscription</b>	The minimum initial subscription and minimum additional subscription requirements, if any, applicable for each Segregated Account may be specified in the relevant Class Supplement issued for that Class.
<b>Eligible Investors</b>	Subscribers for Participating Shares must be, and continue to be, Eligible Investors (as defined herein) and the Directors may reject applications at their discretion.

<b>Manager</b>	LOM Asset Management Limited has been appointed as Manager with responsibility for the day to day management of the investment portfolio or business purpose of the Company for each Segregated Account and to monitor the performance of the investments or business purpose of each Segregated Account.
<b>Investment Advisor</b>	The Company on behalf of any of the Segregated Accounts may appoint an investment advisor to provide investment advisory services to either the Manager or the Directors. The details regarding such any appointment will be disclosed in the relevant Class Supplement.
<b>Custodian or Sub-Custodian</b>	The Directors may appoint a Custodian in respect of each Segregated Account and such Custodian may further appoint a Sub-Custodian in respect of such Segregated Account. Any change or appointment of a new or additional custodian may be made without notice to shareholders.
<b>Fees and Expenses</b>	Front End Load fees, if applicable, and other fees payable in relation to any Segregated Account may be specified in the relevant Class Supplement. The Company will also pay its operating expenses including the fees of any service provider (including the Administrator and Custodian) in respect of any Segregated Account which will be allocated to that Segregated Account in accordance with the Articles.
<b>Administrator and Registrar</b>	The Directors may appoint an Administrator and/or Registrar and Transfer Agent in respect of each Segregated Account. The details concerning such appointment will be disclosed in the relevant Class Supplement.
<b>Reporting Currency</b>	The Company will maintain its accounting records in US Dollars and will transact subscriptions in respect of the Participating Shares of each Class in the Base Currency as specified in the relevant Class Supplement.
<b>Financial Reports</b>	Shareholders will receive annual audited financial statements of the Company as soon as they are available after each financial year end of the Company after it has commenced investments in connection with any Segregated Account. The financial year end of the Company is 31 December of each year. The first audited financial period for the Company will be from the date of incorporation to 31 December 2012. Shareholders may also receive financial statements in respect of a particular Segregated Account as set out in the relevant Class Supplement applicable to that Segregated Account.

## **THE COMPANY**

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### **INCORPORATION**

The Company was incorporated in Bermuda as a segregated accounts company pursuant to the Companies Act of 1981 (as amended) and registered under the Segregated Accounts Companies Act 2000, as amended on 28 November 2011. The general provisions applying to all Segregated Accounts are set out in this Information Memorandum while details specific to each Segregated Account are set out in the relevant Class Supplement attributable to that Segregated Account.

As a segregated accounts company, the Company is permitted to create Segregated Accounts in order to segregate the assets and liabilities that are held within or on behalf of a particular Segregated Account from the assets and liabilities of any other Segregated Account and from the Company's general assets and liabilities. Segregated Account assets are only available and may only be used to meet liabilities to creditors in respect of a particular Segregated Account and are not available to meet liabilities to creditors in respect of other Segregated Accounts or to general creditors of the Company.

The proceeds of issue of each Class of Participating Shares will be included in the assets of the Segregated Account in respect of which such Participating Shares are issued.

The Company may issue additional Classes of Participating Shares in the future and will create Segregated Accounts corresponding to each such Class (or combination of Classes). Class Supplements will be published in respect of any additional Classes of Participating Shares.

### **INVESTMENT OBJECTIVES AND POLICIES OR BUSINESS PURPOSE AND BORROWINGS**

#### **Investment Objectives and Policies or Business Purpose**

Investment objectives, policies, business purpose and restrictions (if any) shall be determined for each Segregated Account and any such investment objectives, policies and restrictions will be stated in the relevant Class Supplement.

#### **Borrowings**

The Company may borrow from time to time at the sole and unfettered discretion of the Directors. The Company may use the proceeds of its borrowings for any purpose properly approved by the Directors in accordance with the Articles of Association. The relevant Segregated Account will bear the interest costs incurred for such borrowing, if any. Under certain circumstances, the Company may pledge the assets of the relevant Segregated Account as security for borrowings relevant to that Segregated Account. Details of any particular borrowing policies in relation to a Segregated Account will be set out in the relevant Class Supplement.

## **RISK FACTORS**

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Investors are warned that the nature of any proposed investment policy of each Class of Participating Shares involves considerable risk which may result in investors suffering significant losses. Prospective investors should consider, amongst others, the following factors before subscribing for Participating Shares.

The general risk factors applying to the Company as a whole are set out below while risk factors specific to each Segregated Account are set out in the relevant Class Supplement. Investors should note that the degree to which these risks affect investments in a Segregated Account varies depending on the investment objectives, approach and focus of each such Segregated Account and they should consider risks specific to each Segregated Account as set out in the relevant Class Supplement.

### **General Considerations**

An investment in the Company involves a high degree of risk and may not be suitable for all investors. There is no guarantee that any Class will achieve its investment objective and investors should recognise that investing in the Company involves special considerations not typically associated with investing in other securities. Investing in the Company should not be considered a complete investment programme by any investor. Prospective Investors should seek professional advice prior to making any investment and note that they may not recover their total investment amount.

### **Global Financial Crisis**

Global credit markets have been experiencing marked difficulties and heightened volatility since the second half of 2008. The market uncertainty that started from the U.S. residential housing market further expanded to other markets such as those for leveraged finance, collateralized debt obligations and other structured products. These developments have resulted in significant contraction, de-leveraging and reduced liquidity in the global credit markets, as well as bankruptcy or acquisition of, and government assistance to, several major U.S. and European financial institutions. As liquidity and credit concerns increased significantly, there can be no assurance that the Company will have access to the optimum level of leverage and at the desired financing rate. Further, with the volatility in the general economy brought on by the global financial crisis, there can be no assurance that the Company will be able to return all the capital invested or will achieve the intended return on its investments.

### **Lack of Operating History**

The Company is recently formed. There can be no assurance that the Company will achieve its investment objective.

### **Business Dependent Upon Key Persons**

The success of the Company is significantly dependent upon the expertise of the Manager and the Directors and any investment advisor appointed thereby and their ability to attract and retain suitable staff. Any future unavailability of their services could have an adverse impact on the Company's performance.

### **Start-up Period**

The Company may experience certain risks and costs associated with its start-up period. Investment may commence at an inappropriate time and funds initially available for investment in a Segregated Account may be limited resulting in concentrated investment strategies. Additional costs may be incurred in moving to a fully invested position and this may be exaggerated by the substantial increase in net assets after the issue of further Participating Shares of each Class.

## **Compulsory Transfers and Redemptions**

In certain circumstances the Directors may, in their absolute discretion, effect the compulsory transfer and/or redemption of Participating Shares registered in the name of a Shareholder.

## **Possible Limitations on Redemptions**

Under certain circumstances the Directors may find it necessary to limit the right of Shareholders to have their Participating Shares redeemed (see “Redemptions” and “Suspension of Valuations”).

## **Restrictions on Transfer**

Investors should be fully aware of the restrictions on transfer of their Participating Shares. Participating Shares will not be registered under the securities laws of any jurisdiction and there will be no ready market for them. It is not anticipated that an active secondary market will develop in the Participating Shares.

## **Foreign Jurisdictions and Recognition of Segregated Accounts**

The Company has been incorporated as an exempt segregated account company under Bermuda law. As a matter of Bermuda law, the assets of one Segregated Account will not be available to meet the liabilities of another. However, the Company is a single legal entity which may operate or have assets held on its behalf or be subject to claims in other jurisdictions which may not necessarily recognise such segregation and in such circumstances the assets of one Segregated Account may be exposed to the liabilities of another. At the date hereof, the Directors are not aware of any existing contingent or actual liabilities. The Directors may in certain instances minimise the risk of co-mingling of assets by conducting the trading activity of a Segregated Account (or a part thereof) through a separate trading subsidiary.

## **Segregated Account Specific Risks**

Any specific risks applicable to any Segregated Account will be detailed in the Class Supplement prepared in respect of the relevant class of Participating Shares corresponding to that Segregated Account.

## **Investment and Trading Risks in General**

All securities investments present a risk of loss of capital. The Company may utilise such investment techniques as option transactions, limited diversification, margin transactions, short sales and futures and forward contracts and other leveraged or derivative transactions which practices can, in certain circumstances, increase any losses.

## **Lack of Segregation of Assets and Exposure to Counterparties**

Investments may not be segregated by the Custodian or such other counterparty from its/their own investments and may be available as a result to the creditors of the Custodian or such other counterparty. Accordingly, such assets of the Company may be exposed to the creditworthiness of the Custodian or such other counterparty which could ultimately result in loss to the Company.

## **Currency Exchange Risk**

Participating Shares in respect of each Segregated Account will be issued in the Base Currency of the relevant Participating Share. The Company's assets may be invested in investments that are denominated in other currencies. Accordingly, the value of an investment may be affected favourably or unfavourably by fluctuations in exchange rates, notwithstanding any efforts made to hedge such fluctuations. In addition, prospective investors whose assets and liabilities are primarily denominated in currencies other than the currency in which the Participating Shares held by them are denominated should take into account the potential risk of loss arising from fluctuations in the rate of exchange between the currency in which such Participating Shares are denominated and such other currency. The Company may enter into back-to-back currency borrowing or utilise derivatives such as forwards, futures, options and other derivatives to hedge against currency fluctuations, but there can be no assurance that such hedging transactions will be effective or beneficial.

## **Leverage, Interest Rates and Margin**

The Company may borrow funds from brokerage firms and banks in order to increase the amount of capital available for investment. Consequently, the level of interest rates at which the Company can borrow will affect the operating results of the Company. In addition, the Company may in effect borrow funds through entry into repurchase agreements and may "leverage" its investment return with options, futures contracts, swaps, forwards and other derivative instruments.

The Company's use of borrowings results in certain additional risks. For example, should the securities pledged to brokers to secure the Company's margin accounts decline in value, the Company could be subject to a "margin call" and need to deposit additional funds with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden drop in the value of the Company's assets, the Company might not be able to liquidate assets quickly enough to pay off its margin debt. In addition, leveraged investment increases the loss to investors of any depreciation in value of investments (while potentially increasing any gains). In the futures markets, margin deposits are typically low. Low margin deposits mean that a relatively small price movement in a futures contract may result in immediate and substantial losses. For example, if at the time of purchase 10% of the price of a futures contract is deposited as margin, a 10% decrease in the price of the futures contract would, if the contract is then closed out, result in a total loss of the margin deposit before any deduction for the brokerage commission.

## **Securities and Other Investments May be Illiquid**

Certain investment positions may be illiquid. The Company may invest in securities representing investments in property and property developments, illiquid over-the-counter securities and non-publicly traded securities. Futures positions may be illiquid because, for example, some exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits". Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. Similar occurrences could prevent the Company from promptly liquidating unfavourable positions and subject the Company to substantial losses. In addition, the Company may not be able to execute futures contract trades at favourable prices if little trading in the contracts involved is taking place. It is also possible that an exchange may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract, or order that trading in a particular contract be conducted for liquidation only.

## **Closure to Investment**

Performance may be affected by the size of the Company and of any Segregated Account. With this in mind and depending upon market conditions, the Directors may without explanation consider the imposition of periods closed to new investors and/or further investment where they consider in their absolute discretion this will be beneficial to the Company as a whole.

## **OTC Derivative Instrument Transactions**

The Company may invest a substantial portion of its assets in investments which are not traded on organised exchanges and as such are not standardised. Such transactions are known as over-the-counter ("OTC") transactions and may include forward contracts or options. Whilst some OTC markets are highly liquid, transactions in OTC derivatives may involve greater risk than investing in exchange traded derivatives because there is no exchange market on which to close out an open position. It may be impossible to liquidate an existing position, to assess the value of the position arising from an off-exchange transaction or to assess the exposure to risk. Bid and offer prices need not be quoted and, even where they are, they will be established by dealers in these instruments and consequently it may be difficult to establish what is a fair price. In respect of such trading, the Company is subject to the risk of counter-party failure or the inability or refusal by a counter-party to perform with respect to such contracts. Market illiquidity or disruption could result in major losses to the Company.

The instruments, indices and rates of underlying derivative transactions that may be entered into by the Company may be extremely volatile in the sense that they are subject to sudden fluctuations of varying magnitude, and may be influenced by, among other things, government trade, fiscal, monetary and exchange control programmes and policies, national and international political and economic events, and changes in interest rates. The volatility of such instruments, indices or rates, which may render it difficult or impossible to predict or anticipate fluctuations in the value of instruments traded by the Company, could result in losses.

## **Availability of Investment Strategies**

The success of the Company's (and of each Segregated Account's) investment activities will depend on the Manager's ability, in co-ordination with the Directors or, in certain cases, the Directors in co-ordination with any investment advisor, to identify investment opportunities as well as to assess the import of news and events that may affect the financial markets. Identification and exploitation of the investment strategies to be pursued by the Company in respect of each Segregated Account involves a high degree of uncertainty. No assurance can be given that the Manager, or in certain cases, the Directors will be able to locate suitable investment opportunities in which to deploy all of the Company's assets.

## **Investments in Unlisted Securities**

The Company may invest in unlisted securities. Because of the absence of any trading market for these investments, it may take longer to liquidate, or it may not be possible to liquidate, these positions than would be the case for publicly traded securities. Although these securities may be resold in privately negotiated transactions, the prices realised on these sales could be less than those originally paid by the Company. Further, companies whose securities are not publicly traded will generally not be subject to public disclosure and other investor protection requirements applicable to publicly traded securities.

## **Highly Volatile Markets**

The prices of financial instruments in which the Company may invest in respect of any Segregated Account can be highly volatile. Price movements of forward and other derivative contracts in which the Company's assets may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The Company is subject to the risk of failure of any of the exchanges on which its positions trade or of its clearing houses.

## **Highly Volatile Instruments**

The prices of derivative instruments, including options, are highly volatile. Price movements of forward contracts and other derivative contracts in which the Company's assets may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies and financial instrument options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction

because of, among other things, interest rate fluctuations. The Company also is subject to the risk of the failure of any of the exchanges on which its positions trade or of their clearing houses.

### **Concentration of Investments**

The Company and/or any Segregated Account may at certain times hold relatively few investments. The Company and/or any Segregated Account could be subject to significant losses if it holds a large position in a particular investment that declines in value or is otherwise adversely affected, including default of the issuer.

### **Leverage and Financing Risk**

The Company may leverage its capital. The leverage will take place at the level of the Segregated Accounts. Accordingly, a Segregated Account may pledge its securities in order to borrow additional funds for investment purposes. A Segregated Account may also leverage its investment return with options, short sales, swaps, forwards and other derivative instruments. The amount of borrowings which any Segregated Account may have outstanding at any time may be substantial in relation to its capital.

While leverage presents opportunities for increasing a Segregated Account'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 a Segregated Account would be magnified to the extent the Segregated Account is leveraged. The cumulative effect of the use of leverage by a Segregated Account in a market that moves adversely to a Segregated Account's investments could result in a substantial loss to the Segregated Account which would be greater than if the Segregated Account was not leveraged.

In general, the anticipated use of short-term margin borrowings results in certain additional risks. For example, should the securities pledged to brokers to secure a Segregated Account's margin accounts decline in value, the Segregated Account could be subject to a "margin call", pursuant to which the Segregated Account must either deposit additional funds or securities with the broker, or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden drop in the value of a Segregated Account's assets, the Segregated Account might not be able to liquidate assets quickly enough to satisfy their margin requirements.

### **Hedging Transactions**

The Company may utilise financial instruments such as forward contracts, currency options, caps and floors both for investment purposes and to seek to hedge against fluctuations in the relative values of the Company's positions. Hedging against a decline in the value of portfolio positions does not eliminate fluctuations in the values of portfolio positions nor prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments, thus moderating the decline in the positions' value. Such hedge transactions also limit the opportunity for gain if the value of the portfolio position should increase. Moreover, it may not be possible for the Company to hedge against an exchange rate or interest rate fluctuation that is so generally anticipated if it is not able to enter into a hedging transaction at a price sufficient to protect the Company from the decline in value of the portfolio position anticipated as a result of such a fluctuation.

While the Company may enter into such transactions to seek to reduce currency, exchange rate and interest rate risks, unanticipated changes in currency, interest rates and equity markets may result in a poorer overall performance of the Company. For a variety of reasons, the Manager (or, in certain cases, the Directors) may not seek to establish (or may not otherwise obtain) a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent the Company from achieving the intended hedge or expose the Company to risk of loss.

## Derivatives

The Company may use a variety of exchange traded and "over-the-counter" derivative instruments in its investment program, including, without limitation, call options, put options, fixed income index options, credit default swaps, asset swaps, interest rate swaps, forward contracts and future contracts. Each derivative product bears various risks, including counterparty credit risk, liquidity risk, market risk, operations risk, structural risk and legal risk, which affect the price and liquidity of each derivative and may affect the volatility of the Segregated Accounts. Derivatives are designed to provide exposure to the credit risk of an entity or entities, interest rates, foreign currency values, corporate borrowing rates, or other assets without owning such assets. Although elements of all derivatives are similar, individual derivatives can differ markedly. Certain derivative instruments may be more or less sensitive to various types of risks. Important determinants of the value associated with a derivative include the volatility of the referenced or underlying asset, interest rates, the market value of the underlying asset when the derivative is entered into, the duration of the derivative contract and the credit risk of the counterparty, among other factors. As such, there are many factors upon which market participants may have divergent views and there is a risk that the Manager (or, in certain cases, the Directors) may incorrectly value the derivative. Derivatives can involve considerable economic leverage and may, in some cases, involve significant risk of loss. Therefore, if a derivative contract calls for payments by the Company, the Company must be prepared to make such payments when due. The Company is not limited to any particular form of derivative if consistent with the Company's investment objective and policies.

## Swap Agreements

The Company may enter into swap agreements. Swap agreements can be individually negotiated and structured to include exposure to a variety of different types of investments or market factors. Depending on their structure, swap agreements may increase or decrease the Company's exposure to long-term or short-term interest rates, currency values, corporate borrowing rates, or other factors such as security prices, baskets of equity securities or inflation rates. Swap agreements can take many different forms and are known by a variety of names. The Company is not limited to any particular form of swap agreement if consistent with the Company's investment objective and approach.

Swap agreements tend to shift the Company's investment exposure from one type of investment to another. For example, if the Company agrees to exchange payments in US Dollar for payments in EURO, the swap agreement would tend to decrease the Company's exposure to US Dollar interest rates and increase its exposure to non-US Dollar currency and interest rates. Depending on how they are used, swap agreements may increase or decrease the overall volatility of the Company's portfolio. The most significant factor in the performance of swap agreements is the change in the specific interest rate, currency, individual security values or other factors that determine the amounts of payments due to and from the Company. If a swap agreement calls for payments by the Company, the Company must be prepared to make such payments when due. In addition, if a counterparty's creditworthiness declines, the value of swap agreements with such counterparty can be expected to decline, potentially resulting in losses by the Company.

## Credit Default Swaps

The Company may also enter into credit default swaps. A credit default swap is a contract between two parties which transfers the credit risk of an entity (the "**Reference Entity**") for a defined period whereby if there is a Credit Event then the seller of protection pays a predetermined amount to the buyer of protection. A "Credit Event" is commonly defined as the Reference Entity (a) failing to pay principal or interest on time, (b) restructuring its debt, (c) accelerating its debt, or (d) entering bankruptcy. The buyer of credit protection pays a premium to the seller of credit protection until the earlier of a Credit Event or the scheduled termination date of the credit default swap. Credit default swaps can be used to implement the Manager's view that a particular credit, or group of credits, will experience credit improvement. In the case of expected credit improvement, the Company may sell credit default protection in which it receives a premium to take on the risk. In such an instance, the obligation of the Company to make payments upon the occurrence of a Credit Event creates leveraged exposure to the credit risk of the referenced entity. The Company may also buy credit default protection with respect to a reference entity if, in the judgment of the Manager, there is a high likelihood of credit deterioration. In such instance, the Company will pay a premium regardless of whether there is a Credit Event. The credit default swap market in high yield securities is comparatively new and rapidly evolving compared to the credit default swap market for more seasoned and liquid

investment-grade securities creating the risk that the newer markets will be less liquid and it may be difficult to exit or enter into a particular transaction.

### **Equity Default Swaps**

The Company may also enter into equity default swaps. Equity default swaps share some similarities with credit default swaps because they are derivatives in which one party is buying protection against the risk of an event occurring to one or more designated entities during a defined period. However, with respect to equity default swaps, the payment obligation for the seller of protection is triggered by the share price of an entity falling during the period of the transaction by more than a predetermined percentage. If the share price falls below this percentage, the seller of protection will have to pay a settlement amount to the buyer of protection. The settlement amount payable may be either a fixed amount or determined by reference to the final value of the share or by another method agreed upon between the parties. The buyer of protection pays the seller of protection a premium in exchange for the potential of receiving a settlement amount. As with credit default swaps, depending upon whether the Company is buying or selling protection based upon the judgment of the Manager (or, in certain cases, the Directors) with respect to an entity's credit, the Company either (a) if it is selling protection, assumes the leveraged exposure to the credit risk of the referenced entity and (b) if it buying protection, assumes a loss of premium payments in the event that the share price does not fall below the predetermined percentage. Equity default swaps are very new to the derivatives market and there is currently no standardised documentation. This may mean that the terms of an equity default swap that the Company has entered into are outdated quickly and are no longer market standard and it may be harder to liquidate a transaction.

### **Total Return Swaps**

Total return swaps are another form of derivative that the Company may utilise to achieve its investment objective. A total rate of return swap allows the total return receiver to receive the change in market value of an asset (whether a security, interest rate, form of debt, currency or other asset) from the total return payor in return for paying a floating or fixed interest-rate on a predetermined amount. The total return payor is synthetically short and the total return receiver is synthetically long. This may create a highly leveraged exposure to such underlying asset.

### **Interest Rate Swaps and Asset Swaps**

The Company may also enter into interest rate swaps and asset swaps. An interest rate swap is a derivative where the parties exchange interest payments on a specific principal amount per payment period, typically exchanging a fixed amount for a floating amount (an amount equal to a variable interest rate (such as LIBOR) multiplied by the principal amount). In the event that the Company enters into an interest rate swap and is paying a fixed amount, the Company risks that the variable interest rate will decrease and therefore it is paying more than it is receiving. Alternatively, in the event that the Company is paying a floating amount, it risks that the variable interest rate will increase and therefore it is paying more than it is receiving. An asset swap has similar risks. An asset swap is an exchange of two assets, such as one currency for another or an interest rate for another. In such a derivative, the Company bears the risk that the asset or interest rate that it is paying will be greater than the asset or interest rate that it is receiving.

Swaps and certain options and other custom instruments are subject to the risk of non-performance by the swap counterparty, including risks relating to the creditworthiness of the swap counterparty, market risk, liquidity risk and operations risk.

### **Forward Contracts**

Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardised; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or securities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain

participants in these markets have refused to quote prices for certain currencies or securities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any market traded by the Company due to unusually high trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward trading to less than that which the Manager (or, in certain cases, the Directors) would otherwise recommend, to the possible detriment of the Company or the relevant Segregated Account. Market illiquidity or disruption could result in major losses to the Company.

### **Other Derivatives**

The Company (and/or any Segregated Account) may also take advantage of opportunities with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available, but that may be developed, to the extent such opportunities are both consistent with the investment objectives of and are legally permissible for the Company. Special risks may apply to instruments that are invested in by the Company in the future that cannot be determined at this time or until such instruments are developed or invested in by Company.

### **Convertible Securities**

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

The value of a convertible security is a function of its "investment value" (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its "conversion value" (the security's worth, at market value, if converted into the underlying common stock). The investment value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors may also have an effect on the convertible security's investment value. The conversion value of a convertible security is determined by the market price of the underlying common stock. If the conversion value is low relative to the investment value, the price of the convertible security is governed principally by its investment value. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the price of the convertible security will be increasingly influenced by its conversion value. A convertible security generally will sell at a premium over its conversion value by the extent to which investors place value on the right to acquire the underlying common stock while holding a fixed-income security. Generally, the amount of the premium decreases as the convertible security approaches maturity.

A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security held by the Company is called for redemption, the Company will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party. Any of these actions could have an adverse effect on the Company's ability to achieve its investment objective or the investment objective of the relevant Segregated Account(s).

### **Fixed Income Securities**

The Company may invest in bonds or other fixed income securities, including, without limitation, Corporate, Asset Backed and Mortgage Backed Securities. The Company will therefore be subject to credit, liquidity and interest rate risks. Evaluating credit risk for debt securities involves uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult. Also, the market for credit spreads is often inefficient and illiquid, making it difficult to accurately calculate discounting spreads for valuing

financial instruments. It is likely that a major economic recession could disrupt severely the market for such securities and may have an adverse impact on the value of such securities. In addition, it is likely that any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default for such securities.

### **Counterparty Risk**

The Company will be subject to counterparty risk with respect to transactions, whether due to the insolvency or bankruptcy of counterparties or brokers or other causes. The insolvency or other adverse actions affecting the Company, any custodian, any sub-custodian or a clearing broker may impact the ability of the Board of Directors to recover or deal expeditiously with the assets of the Company.

### **Repurchase and Reverse Repurchase Agreements**

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

The financing used by the Company to leverage any Segregated Account will be extended by securities brokers and dealers in the marketplace in which the relevant Segregated Account invests. While the Company will attempt to negotiate the terms of these financing arrangements with such brokers and dealers, its ability to do so will be limited. The Company is therefore subject to changes in the value that the broker-dealer ascribes to a given security or position, the amount of margin required to support such security or position, the borrowing rate to finance such security or position and/or such broker-dealer's willingness to continue to provide any such credit to the Company. Because the Company currently has no alternative credit facility which could be used to finance its Segregated Accounts, in the absence of financing from broker-dealers, it could be forced to liquidate the relevant portfolio on short notice to meet its financing obligations. The forced liquidation of all or a portion of the Company portfolio at distressed prices could result in significant losses to the Company and/or any Segregated Account.

### **Performance Fees**

Performance Fees may be payable by the Company to the Manager and Performance Fees may be paid on unrealised gains that are not subsequently realised. Such fees may create an incentive to undertake investments carrying greater risks.

### **Lack of Overseas Regulation**

Apart from its registration with the Bermuda Monetary Authority as a registered mutual fund, the Company is not registered with, or regulated by, any securities or other governmental authority in the United States of America or any other jurisdiction. Thus the benefit of such registration or regulation is not, and will not be, available to Shareholders.

### **Fees and Expenses**

Whether or not the Company is profitable, it is required to meet certain fixed costs, including start-up and organisational expenses including regulatory expenses, ongoing administrative, custody and operating expenses, and in certain cases, management fees.

**THE FOREGOING LIST OF RISK FACTORS DOES NOT PURPORT TO BE A COMPLETE ENUMERATION OF THE RISKS INVOLVED IN AN INVESTMENT IN ANY CLASS OF PARTICIPATING SHARES. PROSPECTIVE INVESTORS SHOULD READ THIS MEMORANDUM, THE ARTICLES AND ANY RELEVANT CLASS SUPPLEMENT IN THEIR ENTIRETY AND CONSULT WITH THEIR OWN ADVISERS BEFORE DECIDING TO SUBSCRIBE FOR PARTICIPATING SHARES.**

## MANAGEMENT OF THE COMPANY

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### THE DIRECTORS

The Directors are responsible under the Articles for managing the business of the Company and have a statutory duty to establish and maintain procedures to segregate, and keep segregated, assets of each Segregated Account separate and separately identifiable from the assets of any other Segregated Account and from the general assets of the Company. In connection therewith the Directors must ensure that all contracts or other arrangements which are to be binding on or to take effect for the benefit of a Segregated Account must be executed by the Company for and on behalf of the relevant Segregated Account which must be identified or specified in the relevant contractual or other documents.

The Directors determine the overall investment objectives and policies or business purpose of each Segregated Account and will supervise and review the activities of the Manager. The Directors also determine whether to establish a particular Class of Participating Shares and the characteristics of each such Class.

The Directors may at their discretion retain responsibility for the day to day management of the investment portfolio or business purpose and selection and monitoring of the performance thereof for any particular Segregated Account. The details concerning any such retention of responsibility will be outlined in the relevant Class Supplement.

Details of the Directors are set out below:

#### **Donald P. Lines**

Position: Chairman, LOM Group

Nationality: British (Bermudian)

Business Address: LOM Group, The LOM Building, 27 Reid Street, Hamilton, HM 11 Bermuda.

Donald Lines is Chairman of the LOM Group of Companies and President of Millpoint Limited. Prior to forming Millpoint Limited, Mr. Lines was President and Chief Executive Officer of The Bank of Bermuda Limited until he retired in 1994 after 25 years of service. He is a Director and board member of several Bermuda-based investment and trading companies as well as a director of several companies listed on the London and Dublin Stock Exchanges. Mr. Lines has a distinguished record of community service and in 1989 was awarded an OBE by Her Majesty Queen Elizabeth II in recognition of his service to Bermuda.

#### **Scott G. S. Lines**

Position: Managing Director, LOM Group

Nationality: British (Bermudian)

Business Address: LOM Group, The LOM Building, 27 Reid Street, Hamilton, HM11, Bermuda.

Scott Lines is Managing Director of the LOM Group of Companies and responsible for overall management of the LOM group. Mr. Lines has 18 years experience in the global financial markets. Prior to co-founding Lines Overseas Management Limited in 1992 he worked for The Bank of Bermuda Limited in fund management. Mr. Lines is on the Board of Directors of the Bermuda International Business Association. He is a member of the governing council of the Bermuda Stock Exchange and sits on the Executive Committee. He is also a director of the Financial Planning Association of Bermuda.

#### **Craig D. Lines**

Position: General Manager, Director, LOM Securities (Bahamas) Limited

Nationality: British (Bermudian)

Business Address: c/o LOM Securities (Bahamas) Limited, Centre of Commerce, Suite 309, Nassau, The Bahamas  
Craig Lines has over 15 years experience in the global financial markets. Prior to LOM he worked at Everest Capital Limited, an institutional hedge fund, and Canaccord (Adams), a Canadian investment dealer. Craig runs the Private Client Investment Team in the Bahamas office and has an extensive financial background in wealth management.

**William D. Thomson**

Position: Retired

Nationality: British (Bermudian)

Address: "North Winds" 10 Burgess Point Road, Warwick, WK04, Bermuda

Educated in Bermuda and Canada, Mr. Thomson retired as Executive Vice President of The Bank of Bermuda Limited in October 1994 after 40 years of service. Prior to joining the Bank of Bermuda, he was associated with the investment banking firm of Dominion Securities Corporation in Montreal, Canada and England. Mr. Thomson was appointed an Officer of the Bank of Bermuda in 1964 and Executive Vice President in 1990. He was responsible for the Bank's investment division, international activities both in Bermuda and abroad, as well as for developing and maintaining relations with the Bank's major customers, correspondent banks and regulatory authorities. He is a director of a number of insurance, shipping, investment and mutual fund companies. He is a past Chairman of the Bermuda International Business Association, a former Director of the Bermuda Monetary Authority, and a Fellow of the Institute of Directors.

**Michael J. Mello, Q.C., J.P.**

Position: Senior Partner, Mello Jones and Martin

Nationality: British (Bermudian)

Address: 31 Pitts Bay Road, Pembroke, Bermuda.

Educated in Canada and England, Mr Mello was called to the bar of England and Wales in 1972, enrolling as a Barrister and Attorney in Bermuda in 1973. He was later appointed Justice of the Peace in 1987 followed by Queen's Counsel in 1990. He has held many professional appointments of great standing during his career incorporating Magistrate, Arbitrator for the Bermuda Government, Chairman of the Price Control Commission and he was the Expert witness in several cases of note, one being on the law of Bermuda in the Federal Court of Canada in the case of Indalex Limited v Her Majesty The Queen in 1985. His career has led him also to be appointed on the Board of Directors for Bermuda Commercial Bank and The Bermuda Telephone Company (now Keytech) together with Chairman of the Commission for Unity and Racial Equality (C.U.R.E.) in 1995 and 1996. Mr Mello has been a senior partner in the firm of Mello Jones and Martin since inception in 1990.

**Grant H. Hopkins, CFA**

Position: Portfolio Manager, LOM Asset Management Limited

Nationality: American

Business Address: LOM Group, The LOM Building, 27 Reid Street, Hamilton, HM11, Bermuda.

Grant Hopkins is a Portfolio Manager for LOM Asset Management Limited, the investment subsidiary of LOM (Holdings) Limited. Mr. Hopkins is the lead manager for the LOM Money Market Fund, the LOM Balanced Fund, and co-manages the LOM Fixed Income Fund and discretionary accounts. As part of the portfolio management team, he is accountable for monitoring risk levels for all aspects of the portfolios which include: equities, fixed income, currencies and commodities. Prior to joining LOM, Mr. Hopkins was an Equity Research Analyst at Ferris, Baker Watts in Baltimore, Maryland, a subsidiary of Royal Bank of Canada. He holds licenses for NASD Series 7, 86, and 87, is a CFA charterholder and a member of the CFA Society of Bermuda. Mr. Hopkins is also a member of LOM Group's Investment Policy Committee.

**ADMINISTRATOR**

The Directors may appoint an Administrator on behalf of each Segregated Account. The details concerning any such Administrator will be outlined in the relevant Class Supplement.

**MANAGER**

LOM Asset Management Limited has been appointed as Manager pursuant to the Investment Management Agreement (the "IMA").

LOM Asset Management Limited is the portfolio management subsidiary of the LOM Group. The LOM Asset Management team is primarily concerned with growing and preserving clients' capital. They manage assets on a fully discretionary basis for private and institutional clients.

Services include:

- Investment Research
- Mutual Fund Management
- Private Client Asset Management
- Institutional Asset Management
- Investment Consulting
- Captive Insurance Investment Management

LOM Asset Management Limited is licensed to conduct investment business by the Bermuda Monetary Authority.

The Manager reserves the right to change any of its personnel who are involved in the day-to-day management of any Segregated Account.

The Manager may terminate the IMA any time with 90 days' notice in writing to the Directors.

The Company may terminate the appointment of the Manager without cause at any time upon giving three months' prior written notice to the Manager after the third anniversary of the signing of the IMA, but not before. Termination may only be effected by written notice from the Directors.

The Directors retain the right to assume direct responsibility for the day to day management of the investment portfolio or business purpose and selection and monitoring thereof for any particular Segregated Account.

The details concerning any such retention of responsibility by the Directors will be outlined in the relevant Class Supplement.

## **CUSTODIAN**

Lines Overseas Management Limited ("**LOML**") has been appointed custodian to each of the Segregated Accounts pursuant to a Custodian Agreement.

LOML has provided custody, execution and administration services to its customers and the rest of the LOM Group since it was founded in 1992. LOML is licensed to conduct investment business by the Bermuda Monetary Authority.

## **AUDITORS**

Under the Bermuda Investment Funds Act 2006 (as amended) the Company is required to appoint an independent auditor. Deloitte & Touche Ltd. has been appointed independent auditors of the Company.

## **POWERS OF DELEGATION**

Any Administrator or Custodian and the Manager shall each have the power to delegate at their own respective expense or as agreed with the Company the whole or any part of their respective functions, powers, discretion, privileges and duties (or any of them) to any person, firm or company (and any such delegation may be on such terms and conditions (including the ability to sub-delegate) as each of the Manager, Administrator and Custodian (as the case may be), with the prior written consent of the Directors, thinks fit.

## **INDEMNIFICATION AND LIMITATION OF LIABILITY**

To the fullest extent permitted by law, the Directors, the Manager and any of their respective permitted delegates, partners, officers, employees, directors and shareholders (each an "**Indemnitee**") will be indemnified by the Company against any liabilities, losses, claims, damages, costs and expenses that are incurred and arise out of

or in the course of the business of the Company, provided that (i) the Indemnitee acted in good faith in a manner reasonably believed by the Indemnitee to be in or not opposed to the best interests of the Company and (ii) the conduct did not constitute bad faith, wilful misconduct, gross negligence or criminal wrongdoing. The Manager shall not be liable to the Company or any Shareholder or otherwise for any error of judgement or mistake of law or for any loss suffered in connection with its responsibilities and duties as manager and in particular (but without limitation) for any loss which may be sustained in the purchase, holding or sale of any investment or asset or for any loss which may be sustained by the Company or on any of the assets of the Company as a result of loss, delay, mis-delivery or error in transmission of any cable, telex, telegraphic or other communication or for any loss arising as a result of any forged transfer or request for redemption of Participating Shares, provided that the Manager shall remain liable to the extent that any loss arises from the Manager's own wilful default, bad faith or gross negligence.

To the fullest extent permitted by law, no Indemnitee will be liable to the Company or any Shareholder for any losses due to any act or omission of such Indemnitee in connection with the conduct of the business of the Company that is determined in good faith by such Indemnitee to be in or not opposed to the best interest of the Company, unless the act or omission constitutes bad faith, wilful misconduct, gross negligence or criminal wrongdoing by such Indemnitee. In addition, no Indemnitee will be liable to the Company or any Shareholder for any losses due to the mistakes, gross negligence or wilful misconduct of any broker or other agent of the Company selected by such Indemnitee with reasonable care. Moreover, the Manager assumes no responsibility for losses to the Company or any Shareholder due to the acts or omissions of any other agent of the Company not appointed by the Manager. An Indemnitee may consult with legal counsel or accountants selected by it, and any act or omission by it on behalf of the Company or in furtherance of the business of the Company in good faith, in reliance on and in accordance with the advice of such counsel or accountants, will be full justification for the act or omission and such Indemnitee will be fully protected in so acting or omitting to act if the counsel or accountants were selected with reasonable care.

The Company agrees to hold harmless and indemnify any Administrator on its own behalf and on behalf of its permitted delegates, servants and agents against all actions, proceedings and claims (including claims of any person purporting to be the beneficial owner of any part of the Investments or Shares) and against all costs, demands and expenses (including legal and professional expenses) arising therefrom which may be brought against, suffered or incurred by the Administrator, its permitted delegates, servants or agents in the performance or non-performance of its obligations and duties hereunder, and from and against all taxes on profits or gains of the Company which may be assessed upon or become payable by the Administrator or its permitted delegates, servants or agents provided that such indemnity shall not be given where the Administrator, its permitted delegates, servants or agents is or are guilty of negligence, fraud, bad faith or wilful default, in the performance or non-performance of its duties hereunder.

## **FEES AND EXPENSES**

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### **FRONT END LOAD**

The Company reserves the right to charge, at the discretion of the Directors, a Front End Load in respect of each Participating Share subscribed and details of such fees, if applicable shall be set out in the relevant Class Supplement.

### **REMUNERATION OF DIRECTORS**

The Articles provide that the remuneration of the Directors in respect of services provided to the Company shall be determined by a resolution of the Directors. Each of the non-executive Directors (Messrs. Thomson, D. Lines, and Mello) is currently entitled to a per annum fee of US\$15,000.

There are no directors fees paid to Directors who are also Directors or management of LOM Asset Management Limited or LOML (C. Lines, S. Lines, Hopkins). Each of the Directors is entitled to the reimbursement of expenses incurred in carrying out their duties.

The Company may take out Directors' and Officers' liability insurance coverage.

### **OTHER OPERATING EXPENSES**

In addition to the fees referred to above, and unless otherwise noted in the relevant Class Supplement each Segregated Account will bear all other expenses incidental to its operations and business such as Manager's fees, any Administrator's fee, any Custodian fee, and including, but not limited to: (i) banking charges; (ii) brokerage commissions; (iii) fees of legal advisers and independent auditors; (iv) any income tax, withholding taxes, transfer taxes, value-added taxes and other governmental charges and duties occurring in respect of a Segregated Account. In addition the Directors have complete discretion under the Articles to allocate among the Segregated Accounts expenditure and liabilities not directly attributable to a Segregated Account; (v) the costs of printing and distributing any information memoranda, offering documents, reports as well as notices to the Shareholders; and (vi) licensing, registration and other fees payable to the Bermuda government.

Fees and expenses which relate to one Segregated Account only will be borne by that Segregated Account. Fees and expenses which relate to the Company as a whole will be apportioned between the Segregated Accounts on a *pro rata* basis according to the assets attributable to each Segregated Account unless otherwise determined by the Directors.

### **SOFT COMMISSION ARRANGEMENTS**

The Manager may effect transactions or arrange for the effecting of transactions through brokers and business introducers with whom it has soft commission agreements so long as, in the good faith judgment of the Manager, the amount of the commission is reasonable in relation to the value of the brokerage, business referral and other services provided or paid for by such business introducer. The benefits provided under such agreements will assist the Manager in the provision of investment management services to the relevant Segregated Account and to other third parties. The Manager will only effect a transaction with any person pursuant to a soft commission agreement where such person has undertaken to provide best execution and otherwise in compliance with the laws and regulations applicable to such broker/business introducer.

## SHARES OF THE COMPANY

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### SHARE CAPITAL

The authorised share capital of the Company is \$10,001 divided into 100,000,000 Participating Shares of \$0.0001 par value each and 1000 Organisational Shares of par value \$0.001 each. The rights attached to each class of shares pursuant to the Articles are summarised below.

#### Participating Shares

The Directors have power to issue Participating Shares in separate Classes corresponding to a Segregated Account from time to time up to the limit of the authorised capital. The assets and liabilities of each Class of Participating Shares will be maintained and accounted for in its own Segregated Account. A Class Supplement will be issued in respect of each such Class or Classes.

The Participating Shares have no voting rights and the holder of a Participating Share is not entitled to receive notice of, attend nor vote at general meetings of Shareholders (except in connection with the variation of class rights). The Participating Shares of each Class have the right to participate equally in any dividends declared by the Company in respect of the Segregated Account to which such Participating Shares relate and are redeemable. In the event of a winding-up of the Company, each holder of a Participating Share is entitled to return of the paid-up par value and a pro-rata share in surplus assets of the relevant Segregated Account after return of the paid-up par value of the Organisational Shares.

#### Organisational Shares

Organisational Shares may be issued at par value and to such person as the Directors may determine. Organisational Shares do not, while any Participating Shares are in issue, carry any right to participate in dividends declared by the Company and are not redeemable. The holder of an Organisational Share has the right to receive notice of, attend and vote at general meetings of the Company. In the event of a winding-up of the Company, the holder of an Organisational Share is entitled only to the return of its paid-up par value after the paid-up par value of Participating Share has been returned. All of the Organisational Shares have been issued fully paid to the Manager.

#### Variation of Class Rights

If at any time the authorised share capital is divided into classes of shares, the rights attached to any existing class (unless otherwise provided by the terms of issue of that class) may, whether or not the Company is being wound up, be varied only with the consent in writing of the holders of not less than three-fourths of the issued shares of any such class of shares which may be affected by such variation or by a special resolution passed at a separate class meeting of the holders of the shares of such class. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith. Moreover, the Directors may at any time and from time to time confer on the holders of Participating Shares of any Class such rights and privileges in addition to those herein contained as it may think fit without conferring such rights or privileges generally on the holders of all Classes of Participating Shares provided that by so doing the rights of holders of any other Class of Participating Shares as to return of capital on a winding up or the application of the assets of the Segregated Account relating to such Class are not thereby reduced or abrogated.

## **SUBSCRIPTIONS**

### **Initial Offer**

Participating Shares of each available Class may be offered during an Initial Offering Period for such Class at the Initial Offering Price as may be specified in the relevant Class Supplement together with any Front End Load or other initial fee as may be set out in the relevant Class Supplement. The Directors may change, extend or shorten any such Initial Offering Period for any class of shares at their absolute discretion at any time. Minimum aggregate subscription commitments for any Initial Offering Period required for each Class prior to the acceptance by the Company of initial subscriptions for that Class and the commencement of investments for that Class shall be specified in the relevant Class Supplement.

### **Subsequent Subscriptions**

Subject to any specific terms as specified in a Class Supplement and provided that the terms of such Segregated Account allow for subsequent subscriptions, following the close of the Initial Offering Period, Participating Shares of each Class may be available for subscription at the discretion of the Directors on each Subscription Day at the Subscription Price calculated as at the immediately following Valuation Day. In such circumstances, subject to the terms of the relevant Class Supplement, if subscription applications are received following the close of the Initial Offering Period but prior to the first Valuation Day in respect of a Segregated Account, then at the discretion of the Directors Participating Shares may be issued at the Initial Offering Price for the Class, together with any Front End Load or other initial fees as set out in the relevant Class Supplement. The Subscription Price will be determined in the Base Currency as set forth in the next paragraph. In all cases any terms for subsequent subscriptions, if any, will be specified in the relevant Class Supplement.

Subject to the above, the Subscription Price in the relevant Base Currency will be equal to the Net Asset Value per Participating Share for such Class of Participating Shares, on the Valuation Day immediately following the Subscription Day on which Participating Shares are issued pursuant to a subscription application, together with any premium mandated by the Directors, such premium to exclude any relevant Front End Load.

### **Minimum Subscription**

Any applicable minimum subscription and minimum additional subscription requirements for the subscription of Participating Shares of each Class will be specified in the relevant Class Supplement.

### **Fractions of Participating Shares**

The Company may issue fractions of a Participating Share of any Class (up to  $1/100^{\text{th}}$  of a whole Participating Share) where any subscription monies received, after deduction of any applicable initial and other charges, are not an exact multiple of the applicable Subscription Price per Participating Share. Such fractions shall be subject to and carry the corresponding fraction of liability (whether with respect to nominal or par value, premium, contribution, calls or otherwise howsoever), limitations, preferences, privileges, qualifications, restrictions, rights and other attributes of a whole Participating Share of that Class. Any subscription moneys received representing fractions less than  $1/100^{\text{th}}$  of a whole Participating Share will be retained for the benefit of the relevant Segregated Account.

### **Procedure**

Applications for Participating Shares of any available Class during any Initial Offering Period or otherwise outlined in the relevant Class Supplement for such Class must be made using the subscription application form and delivery instructions and/or terms relevant to and set out in that Class Supplement ("Subscription Application").

The acceptance of subscriptions is subject to confirmation of the prior receipt of subscription monies in cleared funds credited to the relevant subscription account of the Company (details of which are set out in the Subscription Application relevant to that Class Supplement) or receipt of *in specie* assets, as the case may be, on or before the last day of the Initial Offering Period or the Subscription Application Deadline, as the case may be. Any delay in receipt of a duly completed Subscription Application or of cleared funds may result in the relevant

application being treated as invalid. The Directors reserve the right to reject applications for Participating Shares of any available Class in their absolute discretion, without assigning any reason therefore.

### **Subscription Proceeds**

Subscription monies may be paid by applicants for Participating Shares in any Class in the relevant Base Currency. Any gains earned in such currency conversions will belong to that Segregated Account. In specie subscription assets, (if permitted in the relevant Class Supplement) must be transferred in accordance with the instructions of the Manager and will be valued by the Director, in the relevant Base Currency. The Manager will normally only process applications upon receipt of cleared funds or receipted transfer of assets by the appropriate deadline as may be set out in the relevant Class Supplement. See further, "**Currency Exchange Risk**" under the section above headed "**Risk Factors**". Subscription monies shall be remitted by telegraphic transfer to the relevant subscription account specified for the relevant currency of payment in the Subscription Application Form attached to the relevant Class Supplement. All bank collection or other charges imposed for such telegraphic transfer payments by an applicant shall be borne by and charged to that applicant.

### **ELIGIBLE INVESTORS**

Due to the risk factors inherent in the investment policies to be followed by the Company, investment in the Company is suitable only for knowledgeable investors for whom an investment in the Company does not represent a complete investment programme and are capable of assuming the risks of an investment in the Company. Each prospective investor will be required to represent in his application for Participating Shares that he understands the risks associated with investment in the Company and is willing to accept such risks.

Only persons who satisfy the requirements of the Articles, the relevant Class Supplement(s) and this Information Memorandum including this section (each referred to herein as an "Eligible Investor") may subscribe for or hold Participating Shares in the Company. The Directors have the right to request the compulsory redemption of all Participating Shares held by a Shareholder who is not an Eligible Investor (see "Compulsory Redemptions").

For these purposes an Eligible Investor is a person to whom the issue, holding or transfer of Participating Shares would not constitute a breach of the laws of any jurisdiction or contrary to the regulations of any government authority or would not give rise to circumstances (whether taken alone or in conjunction with other persons or any other circumstances appearing to the Directors to be relevant) which, in the opinion of the Director, might result in the Company and/or its Shareholders as a whole incurring any liability to taxation or suffering any other regulatory, pecuniary, legal or material administrative disadvantage that the Company might not otherwise have suffered or incurred. For the avoidance of doubt, a US Person is not an Eligible Investor.

The offer and issuance of the Participating Shares in certain jurisdictions, in addition to those referred to above, may be restricted by law. Prior to purchasing Participating Shares, prospective investors should inform themselves as to the relevant securities laws, foreign exchange regulations and other legal requirements within the countries of their citizenship, residence, domicile or place of business.

### **REDEMPTIONS AND REPURCHASE**

The redemption or repurchase of Participating Shares of any Segregated Account shall only be made by agreement between the Directors and the applicant on such Business Day or days as may be agreed and as set out in the relevant Class Supplement.

## **Suspension Of The Calculation Of The Net Asset Value And Of The Issue, Redemption Of Shares**

The Directors are authorised to temporarily suspend the calculation of the Net Asset Value of one or more Segregated Accounts, as well as issues and redemptions of Participating Shares in the following instances:

- (i) During any period when any of the principal stock exchanges, regulated market on which a substantial plan of the Company's investments attributable to such Segregated Account is quoted, or when one or more foreign exchange markets in the currency in which a substantial portion of the assets of the Segregated Account is denominated, are closed otherwise than for ordinary holidays or during which dealings are substantially restricted or suspended; or
- (ii) When political, economic, military, monetary or other emergency events beyond the control, liability and influence of the Company make the disposal of the assets of any Segregated Account impossible under normal conditions or such disposal would be detrimental to the interests of the Shareholders; or
- (iii) During any breakdown in the means of communication network normally employed in determining the price or value of any of the relevant Segregated Account's investments or the current price or value on any market or stock exchange in respect of the assets attributable to such Segregated Account; or
- (iv) During any period when the Company is unable to repatriate funds due to default by counterparties, legal procedure, or for any other significant reasons, for the purpose of making payments on the redemption of Shares of such Segregated Account or during which any transfer of funds involved in the realization or acquisition of investments or payments due on redemption of Shares cannot, in the opinion of the Board of Directors, be effected at normal rates of exchange; or
- (v) During any period when for any other reason the prices of any investments owned by the Company cannot promptly or accurately be ascertained; or
- (vi) During any period when the Board of Directors so decides, provided all Shareholders are treated on an equal footing and all relevant laws and regulations are applied (1) as soon as an extraordinary general meeting of Shareholders of the Company or a Segregated Account has been convened for the purpose of deciding on the liquidation or dissolution of the Company or a Segregated Account or (2) when the Board of Directors is empowered to decide on this matter, upon its decision to liquidate or dissolve a Segregated Account; or
- (vii) Whenever exchanging or capital movements' restrictions prevent the execution of transactions on behalf of the Company; or
- (viii) When exceptional circumstances might adversely affect Shareholders' interests or in the case that significant requests for subscription or redemption are received, the Board of Directors reserves the right to set the value of Shares in one or more Segregated Account only after having sold the necessary assets, as soon as possible on behalf of the Segregated Account(s) concerned. In this case, subscriptions and redemptions that are simultaneously in the process of execution will be treated on the basis of a single net asset value in order to ensure that all Shareholders having presented requests for subscription or redemption are treated equally.

Subscribers and Shareholders tendering Participating Shares for subscription and redemption shall be advised of the suspension of the calculation of the Net Asset Value at the time of the filing of their written request for such subscription or redemption.

Suspended subscription and redemption applications may be withdrawn by means of a written notice, provided the Administrator receives such notice before the suspension ends.

Suspended subscription and redemption applications shall be taken into consideration on the first Valuation Day after the suspension ends.

## **Deferral Of Redemptions**

In addition to measures listed in the section headed "**Suspension of the Calculation of the Net Asset Value and of the Issue, Redemption of Shares**" above, available to the Directors, if it is not possible for any Segregated Account to dispose of investments of sufficient value, in a timely and orderly manner, in order to process redemptions or the Segregated Account has not received all or part of the proceeds from the disposal of investments, the Directors may elect to suspend redemptions or restrict the total number of Participating Shares to be redeemed, in which case all redemption requests will be scaled down pro rata to the size of the request. The balance of the Participating Shares in respect of which redemption requests have been received will be redeemed on the next succeeding Redemption Day in priority to any requests received thereafter.

Shareholders tendering Participating Shares for redemption shall be advised of the deferral procedure no later than 30 calendar days after the relevant Redemption Day.

## **COMPULSORY REDEMPTION OR REPURCHASE**

The Directors may redeem at any time at its discretion, Participating Shares, by notice to the holders of Participating Shares of any Segregated Account or any proportion thereof pro rata to the number of Participating Shares held by each Shareholder.

The Directors may, by notice to any Shareholder, redeem that Shareholder's entire holding of Participating Shares in any Segregated Account or Segregated Accounts if it comes to the attention of the Directors that such holding is in breach or puts the Company or the Administrator in breach of any applicable law, causes or may cause any fiscal, regulatory or other disadvantage or expense to the Company, any of its Segregated Accounts, its other Shareholders or the Administrator.

Any compulsory redemption or repurchase provisions specific to a particular Class will be as set out in the Articles and/or the relevant Class Supplement.

## **VALUATIONS OF ASSETS**

The Directors will establish a fund for each Segregated Account and the assets of each Segregated Account shall constitute segregated account assets under the Segregated Accounts Companies Act 2000, as amended. The Directors will maintain all the assets, income, earnings, liabilities, expenses and costs of each such Segregated Account separate and separately identifiable from all other assets, income, earnings, liabilities, expenses and costs of the Company and of the other Segregated Accounts.

### **General Principles Applicable To Valuations Of Assets Of Each Segregated Account**

The principles below apply as a generality to the valuation of the assets of the Company. Specific rules applying to a Segregated Account may be detailed in the relevant Supplement.

#### *Aggregate Net Asset Value*

The aggregate Net Asset Value of each Segregated Account as of a particular Valuation Day is computed by subtracting from the total value of the assets of the Segregated Account an amount equal to all accrued debts, liabilities and obligations (including but not limited to management and professional fees) and any contingencies for which the Administrator determines that reserves or accruals should be made.

#### *Net Asset Value*

The Net Asset Value of a particular Class on any Valuation Day is equal to the portion of the aggregate Net Asset Value of the relevant Segregated Account attributable to that Class. In determining Net Asset Values, the Administrator will use currency exchange rates effective as of the applicable Valuation Day.

The Net Asset Value per Share is calculated by dividing the Net Asset Value of a particular Class by the total number of Shares of such Class or outstanding on the Valuation Day, calculated prior to the recording of sales and redemption of Shares. The Net Asset Value per Share will be rounded to four (4) decimal places.

### *Foreign Exchange Rates*

The accounts of a Segregated Account are maintained in the base currency of such Segregated Account. Assets and liabilities denominated in other currencies are converted to the Segregated Account's base currency at the rate of exchange in effect on the relevant Valuation Day and translation adjustments are reflected in the results of operations. Segregated Account transactions and income and expenses are converted at the rates of exchange in effect at the time of each transaction.

### *Accounting Practices*

The accounts of the Company will be kept and the financial statements will be prepared on the basis of U.S. Generally Accepted Accounting Principles ("**US GAAP**"), except that, with regard to the amortisation of the set-up costs, the Directors reserve the right to amortise these aggregate amounts over a period of 5 years. To this extent only, the Company's accounting practices may not comply with US GAAP. The Directors have determined that to comply with US GAAP in this regard could impose an unfair and inequitable burden upon the existing/initial investors in the Company, to their disadvantage and to the advantage of subsequent investors.

The basis of any specific policies relating to the valuation of assets in respect of different Segregated Accounts may be as described in the Class Supplement relating to such Segregated Account.

## **REGISTRATION AND TRANSFER OF PARTICIPATING SHARES**

Participating Shares of the Company will be issued in registered form and no share certificates will be issued. The Company maintains a register of the names and addresses of the Shareholders and an entry in such register is conclusive evidence of ownership.

Where Participating Shares are permitted to be transferred under applicable laws, the following conditions shall apply:

- (i) Transfers must be to an Eligible Investor and made in writing using the form of share transfer that may be obtained on request from the Company (or, where an administrator has been appointed for the Segregated Account, the Administrator);
- (ii) The share transfer form must be signed by the transferor and the transferee and returned to the Company (or, where an administrator has been appointed for the Segregated Account, the Administrator);
- (iii) All transfers shall be subject to the provisions of the Articles and compliance with all applicable laws by the transferor and the transferee; and
- (iv) Any transferee will have to furnish the same information which would be required in connection with a direct subscription in order for a transfer application to be processed by the Company (or, where an administrator has been appointed for the Segregated Account, the Administrator).

In any case, the violation of applicable ownership and transfer restrictions may at the discretion of the Directors result in compulsory redemption (see "**Redemptions**") of the Participating Shares to be transferred. The Company may charge a fee to cover costs incurred in handling the administration and transfer of the said Participating Shares, and any such fee will be detailed in the relevant Class Supplement.

## **DIVIDEND AND DISTRIBUTION POLICY**

Each Segregated Account will have the relevant dividend and distribution policy as set out in the relevant Class Supplement.

## **TAXATION**

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### **SHAREHOLDERS**

Shareholders and potential investors should inform themselves as to any tax consequences particular to their circumstances arising in the jurisdiction in which they are resident or domiciled for tax purposes in connection with the acquisition, ownership, redemption or disposition of Participating Shares.

Each Shareholder or potential investor should consult a tax adviser as to his own tax position.

The summary below is based on advice received by the Company with regard to current law and practice in the jurisdiction of incorporation of the Company and is necessarily general in nature. Moreover, while the summary below is based on laws in effect as at the date of this Information Memorandum, such laws are subject to change. The Directors and other parties involved in the issuance of shares do not accept any responsibility for any adverse tax liabilities which may accrue to holders of Participating Shares.

### **COMPANY**

#### **Bermuda Tax Considerations**

At the date of this Memorandum, there is no Bermuda income, corporation, or profits tax, withholding tax, capital tax, capital transfer tax, estate duty or inheritance tax payable by the Company or its shareholders, other than shareholders ordinarily resident in Bermuda. The Company is not subject to stamp duty on the issue, transfer or redemption of its Shares.

The Company has obtained from the Minister of Finance of Bermuda under the Exempted Undertakings Tax Protection Act 1966 an assurance (the "Tax Assurance") that, in the event of there being enacted in Bermuda any legislation imposing tax computed on profits or income, or computed on any capital assets, gain or appreciation or any tax in the nature of estate duty or inheritance tax, such tax shall not, until March 28, 2035, be applicable to the Company or to any of its operations, or to the shares, debentures or other obligations of the Company except in so far as such tax applies to persons ordinarily resident in Bermuda and holding such shares, debentures or other obligations of the Company or any land leased or let to the Company.

As an exempted company, the Company is liable to pay in Bermuda an annual registration fee based upon its authorized share capital and share premium account (if any), the amount of which is currently, subject to an annual review, \$1,995.00. The Company will be liable to pay an annual fee to the Bermuda Monetary Authority, the amount of which will be \$1,490.00 for the year commencing 31st March 2012.

The Company has been classified as a non-resident of the Bermuda exchange control area by the Bermuda Monetary Authority whose permission for the issue of Participating Shares in the Company has been obtained. The Company, by virtue of being non-resident of Bermuda for exchange control purposes, is free to acquire, hold and sell any foreign currency and securities without restriction. Permission under the Exchange Control Act, 1972 or Bermuda (and regulations made there under) has been obtained from the Bermuda Monetary Authority for the free issuance and transfer of up to 100,000,000 Shares in the Company to residents and non-residents of Bermuda.

## **ADDITIONAL INFORMATION**

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### **REPORTING**

The annual accounts, the auditor's reports on the annual accounts and the annual report of each Segregated Account will be prepared and sent to the holders of Participating Shares as soon as reasonably practicable after their preparation. The details of any additional reporting for each Segregated Account may be given in the relevant Class Supplement.

All notices and reports will be sent by the Administrator to the Shareholders whose names are recorded in the register of members on the Business Day immediately preceding the date the notices are sent out and will be sent to the address provided in the Subscription Application submitted by each Shareholder or such other address as the Shareholder may notify to the Administrator in writing from time to time.

### **REGULATION**

The Company has been classified as a Standard Fund by the Bermuda Monetary Authority under the Investment Funds Act 2006. Authorisation by the Bermuda Monetary Authority does not constitute a guarantee by the Authority as to the performance of the Company or its creditworthiness. Furthermore, in authorizing such Company, the Authority shall not be liable for the performance of the fund or the default of its operators or service providers or for the correctness of any opinions or statements expressed in the prospectus. The Company does not intend to be registered or licensed in any jurisdiction or with any supervisory or regulatory authority outside Bermuda.

### **ANTI-MONEY LAUNDERING**

As part of the Company's responsibility for the prevention of money laundering, the Company or an Administrator on the Company's behalf will require detailed verification of a subscriber's identity and source of payment. Measures aimed towards prevention of money laundering will require a subscriber to verify his identity (and the identity of authorised signatories and/or directors and/or senior management and/or any beneficial owner on whose behalf the subscriber intends to hold the interests in the Company) to the Company or an Administrator.

The Company or an Administrator will obtain necessary know-your-client information and notify applicants if proof of identity is required. The Company or an Administrator reserves the right to request such documentation as it deems necessary to verify the identity of the applicant and to verify the source of the relevant money. Failure to provide the necessary evidence may result in applications being rejected or in delays in the despatch of documents and/or issue of Participating Shares. The Administrator will be held harmless by a potential subscriber against any loss arising as a result of a failure to process a subscription or redemption request if such information as has been requested by the Administrator has not been provided by the applicant.

The Company or the Administrator on the Company's behalf also reserve the right to refuse to make any payment to a Shareholder if the Company or the Administrator suspect or are advised that such payment 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 Company with any such laws or regulations in any relevant jurisdiction.

If any person who is resident in Bermuda (including the Administrator) knows or suspects that another person is engaged in money laundering, such person is required to report such knowledge or suspicion pursuant to the Proceeds of Crime Act 1997 of Bermuda and such report shall not be treated as a breach of any restriction upon the disclosure of information imposed by any enactment or otherwise.

Each applicant for subscription of the Participating Shares acknowledges that the Administrator, any placing agent and the Company shall be held harmless against any loss arising as a result of a failure to process his, her or its application for Participating Shares or request for redemption if such information and documentation as has been requested by the Administrator has not been provided by the applicant or Shareholder.

## NOTICES

Notices to be served by the Company on any Shareholder shall be in writing and may be given personally or by sending the notice by post, cable, telex, facsimile transmission, electronic means or any other method of written communication; and:

- (a) when sent by post the notice shall be deemed given sixty hours after posting the notice, postage pre-paid, properly addressed (by airmail if overseas);
- (b) a notice sent by cable, telex, facsimile transmission or electronic means shall be deemed given on the day the notice is despatched by the Company properly addressed; and
- (c) in any other case (other than delivery in person) the notice shall be deemed given at such time as the Director estimate the notice should reach the addressee in the ordinary course.

A notice to a Shareholder may be addressed to him at his address (including email address) shown in the register of members. In the case of joint holders of a Participating Share, notice may be given to the holder first named in the register of members in respect of the Participating Share, but notice to any of the joint holders shall be deemed notice to all.

Notices to Shareholders may also be given by advertisement published in such newspaper or other publication and in such manner as the Director shall think fit and a notice by such advertisement shall be deemed to have been given to all Shareholders on the day on which such publication is effected.