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## OFFER BY

### **QCP ALPHA SOURCES FUND Ltd**

(A limited company established under the laws of Vanuatu)  
ISIN #VU000A1JVQS9

relating to an offering of Participating Shares each at an initial  
offering price of USD 100 per Share  
payable in full upon application

A copy of this Offering Memorandum has been registered in Vanuatu with the Vanuatu Financial Services Commission (“VFSC”) and approved by the Finance Minister in connection with the offering of the Shares.

[        ], 2013

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This Offering Memorandum is distributed on a confidential basis in connection with a private offering of Shares of QCP ALPHA SOURCES FUND Limited, none of which will be issued to any person other than a person to whom a copy of this Offering Memorandum is sent. No person receiving a copy of this Offering Memorandum in any territory may treat the same as constituting an offer to him, unless in the relevant territory such an offer could lawfully be made to him without compliance with any registration or other legal requirements.

The contents of this Offering Memorandum are not to be construed as a recommendation or advice to any prospective investor in relation to the subscription, purchase, holding or disposition of Shares. Prospective investors should consult their professional advisers accordingly.

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**QCP**  
P A R T N E R S

This document contains certain particulars of the Fund for the purpose of giving information to the recipients hereof. The Participating Shares are offered on the basis of the information and representations contained in this Offering Memorandum. Any other information given or representations made by any person must be regarded as unauthorised. Any distribution or reproduction of all or any part of this Offering Memorandum, or the divulgence of its contents other than as specifically set forth herein, is unauthorized.

The Directors of the Fund, collectively and individually, accept full responsibility for the accuracy of the information contained in this Offering Memorandum and confirm having made reasonable enquiry, which to the best of their knowledge and belief there are no facts the omission of which would make any statement within this Offering Memorandum misleading.

### **SIGNIFICANT INFORMATION**

Capitalized terms not otherwise defined herein have the meanings ascribed to them in the articles and memorandum of association, copies of which will be made available to each prospective investor upon request. This Offering Memorandum does not purport to be, and should not be construed as, a complete description of the articles and memorandum of association. The articles and memorandum of association should be reviewed for complete information concerning the rights, privileges and obligations of the Shareholders.

The Shares being offered hereby have not been approved by the United States Securities and Exchange Commission (“SEC”), or any other governmental authority and neither the SEC, nor any such other authority has passed upon the accuracy or adequacy of this Offering Memorandum. Any representation to the contrary is a criminal offense. It is anticipated that the offering and sale of the Shares will be exempt from registration under the United States Securities Act of 1933, as amended and the various state securities laws and that the Fund will not be registered as an investment company under the United States Investment Company act of 1940, as amended.

Investment in the Shares is speculative and involves significant risk. Investors should understand such risks and have the financial ability and willingness to accept them for an extended period of time. An investment should form only a part of a complete investment program and an investor must be able to bear the loss of its entire investment. See “Investment Considerations and Risks Factors.”

Certain information contained in this Offering Memorandum may constitute “forward-looking statements”, which can be identified by the use of forward-looking terminology such as “may”, “will”, “should”, “expect”, “anticipate”, “estimate”, “intend”, or “believe” or the negatives thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties, including those described in “Investment Considerations and Risks Factors”, actual events or results or the actual performance of the Fund may differ materially from those reflected or contemplated in such forward-looking statements.

Potential subscribers of Shares should inform themselves as to (a) the possible tax consequences, (b) the legal requirements and (c) any foreign exchange restrictions or exchange control

requirements which they might encounter under the laws of the countries of their citizenship, residence, incorporation or domicile and which might be relevant to the subscription, holding or disposal of Shares. In making a decision whether to invest in Shares of the Fund, investors must rely on their own examination of the person or entity creating the securities and the terms of the offering, including the merits and risks involved. No information or advice herein contained shall constitute advice to a prospective shareholder in respect of his personal position.

No action has been taken to permit the distribution of this Offering Memorandum or the offering of Shares in any jurisdiction where action would be required for such purpose. The distribution of this Offering Memorandum and the offering of Participating Shares may be wholly or partly restricted in certain jurisdictions. It is the responsibility of any persons in possession of this Offering Memorandum and any persons wishing to make application for Participating Shares on the basis of or pursuant to this Offering Memorandum to inform themselves of and to observe fully the applicable laws and regulations of any relevant jurisdiction.

This Offering Memorandum does not constitute an offer or solicitation to anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation or is unlawful without compliance with additional registration or filing requirements. In particular, the Participating Shares have not been registered under the United States Securities Act of 1933 and, other than in certain circumstances, may not be directly or indirectly offered or sold in the United States or to or for the benefit of U.S. persons (except for Permitted U.S. Persons who are Accredited Investors), or to others purchasing the Participating Shares for re-offering, resale or delivery directly or indirectly in the United States, or to or for the benefit of any such persons. Ownership of Shares by any such person may cause the Fund to redeem compulsorily any Shares held.

The Directors accept no responsibility for, and are not obliged to ascertain whether or not such any person owning any Participating Shares would result in breach of any such law or requirement or bring about any such disadvantage.

Statements made in this Offering Memorandum are based on the law and practice in force at the date hereof and are subject to changes therein. During the course of this offering and prior to sale, each offeree of Shares and its offeree representative(s), if any, are invited to question the Fund concerning the terms and conditions of the offering and to obtain additional information, to the extent the Fund has such information or can acquire it without unreasonable expense or effort, concerning this offering or to verify the accuracy of information contained in this Offering Memorandum. Any information given or representation made by any dealer, salesman or other person and not contained herein should be regarded as unauthorized and, accordingly, should not be relied upon. Neither the delivery of this Offering Memorandum nor the offer, issue or sale of Shares shall, under any circumstances, constitute a representation that the information contained in this Offering Memorandum is correct as of any time subsequent to the date hereof. There will not be any public market for the Shares, and there is no obligation on the part of any person to register the Shares under any securities laws. The articles and memorandum of association provide for restrictions on dealing with Shares.

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## CORPORATE DIRECTORY

### **Fund Administrator (Vanuatu):**

C/- SPAFS Ltd  
PO Box 1061  
Port Vila  
Vanuatu

### **Investment Manager:**

QCP Partners Ltd  
Anchor House  
Lini Highway  
PO Box 1041  
Port Vila  
Vanuatu

### **Sub-Administrator (Australia):**

Apex Fund Services (Australia)  
Level 9, 440 Collins Street  
Melbourne,  
VIC 3000  
Australia

### **Prime Broker/Clearing:**

Interactive Brokers  
Grosvenor Place  
Level 42, 225 George Street  
Sydney, NSW, Australia 2000

### **The Directors of the Fund:**

Fabrice QUEGUINEUR  
Laurent CLERGET  
PO Box 1041  
Port Vila  
Vanuatu

### **Promoter:**

QCP Partners Ltd  
Anchor House  
Lini Highway  
PO Box 1041  
Port Vila  
Vanuatu

### **Auditor:**

Ernst & Young (Australia)  
Ernst & Young Centre,  
680 George Street, Sydney  
NSW 2000  
Australia

### **Custodian:**

Westpac Banking Corporation  
P.O. Box 32  
Port Vila,  
Vanuatu

## DEFINITIONS

For the purposes of this Offering Memorandum, the following expressions have the following meanings:

“Accredited Investor”

in reference to a Permitted U.S. Person means:

(A) An employee benefit plan within the meaning of Title 1 of United States Employee Retirement Income Security Act of 1974, as amended (“ERISA”):

(i) Whose investment decisions are made by a plan fiduciary, as defined in Section 3(21) of ERISA, which is either a bank, insurance company or registered investment advisor;

(ii) Having total assets in excess of US\$5 million; or

(iii) If self-directed, the investment decisions are made solely by natural persons, each of whom either:

(1) Currently has a net worth in excess of US\$1 million, and/or

(2) Has individual income in excess of US\$200,000 in each of the two most recent years or joint income with that person’s spouse in excess of US\$300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year; OR

(B) A trust, which is a tax-exempt entity with assets in excess of US\$5 million, not formed for the specific purpose of acquiring Shares, whose investment decisions are made by a person or persons who have such knowledge and experience in financial and business matters that such person or persons is or are capable of evaluating the merits and risks of the prospective investment; OR

(C) A tax-exempt entity in which all of the equity owners are natural persons each of whom either (i) currently has a net worth in excess of US\$1 million, and/or (ii) had individual income in excess of US\$200,000 in each of the two most recent years or joint income with that person’s spouse in excess of US\$300,000 in each of those years and has a reasonable expectation of reaching the same income

level in the current year; OR

(D) A plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees if such plan has total assets in excess of US\$5 million; OR

(E) A tax-exempt organization under Section 501(c)(3) of the U.S. Internal Revenue Code of 1986, as amended having total assets in excess of US\$5 million, which was not formed for the specific purpose of acquiring Shares.

“Administration Agreement”

means the administration agreement by which the Fund has appointed the Administrator to provide administrative services to the Fund.

“Administrator”

means SPAFS Ltd (South Pacific Administration & Fund Services Ltd), in its capacity as administrator of the Fund.

“Business Day”

means a day on which banks and securities houses are open for business in the Republic of Vanuatu and such other places as the Directors may from time to time determine.

“Class”

means classes of Shares.

“Custodian”

means Westpac Banking Corporation, Port Vila Branch, in their capacity as custodian of the Fund’s assets.

“Custodian Agreement”

means the resolution of the board by which the Fund has appointed the Custodian to act as the custodian of the assets of the Fund.

“Directors”

means the persons named as the directors of the Fund in this Offering Memorandum and any successors.

“Fiscal Year”

means a calendar year ending November, 30.

“Fund”

means QCP ALPHA SOURCES FUND Ltd, a Vanuatu Limited company.

“Fund assets”

means the assets of the Fund.



“High Watermark Amount”	means with respect to each Class of Shares, the larger of: (i) the highest Net Asset Value of such Class at the end of any previous calculation period when a Performance Fee was payable (after the deduction of any such Performance Fees); or (ii) the initial Net Asset Value of such Class. For the purposes of the first date on which the Performance Fee is calculated with respect to the Shares, the High Watermark Amount shall be the initial Net Asset Value of such Shares.
“Initial Offer Period”	means the period commencing from _____, 2013 to _____, 2013 (or such later date as the Directors may determine).
“Investment Management Agreement”	means the agreement by which the Fund has appointed the Investment Manager to manage the Fund’s investments and affairs.
“Investment Manager”	means QCP Partners Ltd, in its capacity as investment manager of the Fund’s assets and investments.
“Management Fee”	means the Management Fee payable to the Investment Manager as described in this Offering Memorandum.
“Articles and memorandum of association”	means the articles and memorandum of association of the Fund.
“Net Asset Value”	means the net asset value of the Fund or the particular Class of Shares (as the case may be) calculated as described in this Offering Memorandum.
“Performance Fee”	means the Performance Fee payable to the Investment Manager as described in this Offering Memorandum.
“Permitted U.S. Persons”	means (i) U.S. pension and profit sharing trusts, charities and any other entity organized under the laws of the United States that is generally exempt from Federal income taxation, or (ii) any other U.S. entity which is approved by the Board of Directors and which does not require any U.S. income tax information reporting or compliance with the United

States Employee Retirement Income Security Act of 1974, as amended. Currently, the Directors intend to limit investment by Permitted U.S. Persons to 25% of the Net Asset Value of the Fund;

- “Redemption Date” means the last Business Day in each calendar week or such other day or days as the Investment Manager may from time to time prescribe.
- “Shareholder” means a person who is registered on the Register of Shareholders of the Fund as the holder of a Share or other Class of Shares as the context requires.
- “Shares” or “Participating Shares” mean the non-voting participating shares or “Class A” in the Fund offered pursuant to this Offering Memorandum.
- “M Shares” or “Management Shares” mean the voting non-participating shares in the Fund.
- “Subscription Agreement” means, with respect to each Shareholder, the executed Subscription Agreement entered into between such Shareholder and the Fund with respect to the purchase of Shares.
- “Subscription Date” means the first Business Day in each calendar week or such other day or days as the Investment Manager may from time to time prescribe.
- “Subscription Price” means the price at which the Shares will be issued.
- “United States, US or U.S.” means the United States of America, each state thereof, its territories and possessions and all areas subject to its jurisdiction.
- “US Dollar(s)” and “US\$” means the lawful currency of the United States of America.
- “Vatu(s)” and “VUV” means the lawful currency of the Republic of Vanuatu.
- “U.S. person” means, with respect to individuals, any US citizen (and certain former US citizens) or “resident alien” within the meaning of US income tax laws as in effect from time to time. Currently, the term “resident alien” is defined under US income tax laws to generally include any individual who (i) holds an

Alien Registration Card (a “green card”) issued by the US Immigration and Naturalization Service, or (ii) meets a “substantial presence” test. The “substantial presence” test is generally met with respect to any current calendar year if (i) the individual was present in the US on at least 31 days during such year, and (ii) the sum of the number of days on which such individual was present in the US during the current year, 1/3 of the number of such days during the first preceding year, and 1/6 of the number of such days during the second preceding year, equals or exceeds 183 days. With respect to persons other than individuals, the term “US Person” means (i) a corporation or partnership created or organized in the United States or under the laws of the United States or any state or (ii) a trust or estate which is subject to US tax on its worldwide income from all sources. “US Person” shall also include a “US Person” as defined by Rule 902 of Regulation S under the Securities Act and shall not include any “Non-United States person” as used in Rule 4.7 promulgated under the US Commodity Exchange Act (as amended).

“Valuation Date”

means the last Business Day of each month or such other day or days as the Investment Manager may from time to time determine.

## **SUMMARY OF OFFERING MEMORANDUM**

The following is a summary only and is qualified in its entirety by the more detailed information appearing elsewhere in this Offering Memorandum and in the Fund's articles and memorandum of association, a copy of which is available upon request.

### **The Fund**

The Fund was incorporated as a Vanuatu limited company on 15<sup>th</sup> October 2012 under the company number 39881, and has established a class of shares called Participating Shares for investors to subscribe for. The Shares shall participate on a pro rata basis in the Fund's portfolio. The structure of the Fund and the Shares being offered is described further herein.

The Fund has issued one class of voting non-participating shares (the "Management Shares" or "Class M"), to be held by QCP Partners Ltd and South Pacific Administration & Fund Services Ltd. Pursuant to this Offering Memorandum, the Fund is offering Shares of the Fund in a private placement to certain "qualified" investors. The Fund may establish multiple classes of Shares, which may have terms that differ from those governing the Shares, without obtaining the consent of Shareholders.

### **Minimum Investment**

Shares will be issued at a price of USD 100 per Share. The minimum initial subscription amount per investor must be USD 100,000 (subject to the discretion of the Directors to accept a lesser amount). Subsequent purchases by existing Shareholders will be subject to a minimum purchase requirement of USD 25,000, or such lesser amount as may be approved by the Directors in their sole and absolute discretion. Shares are issued in Class as described below under "Issue and Redemption of Shares" The per Share price and minimum investment and holding amounts set forth in this Offering Memorandum may be adjusted by the Directors from time to time, in their sole discretion, to account for currency alterations or similar changes.

### **Summary of Investment Objectives**

The investment objective of the Fund is to achieve long term capital appreciation which the Fund seeks to achieve by buying shares and bonds as well as other types of assets. The Fund may hedge its long investments by selling futures and other types of assets. The manager can put together a portfolio capable of producing a positive return whether the expectations of the equity market are positive, neutral or negative.

### **Subscriptions**

This Offering Memorandum relates both to an initial offering during the Initial Offer Period and to subsequent issues of Shares.

Shares will be available for issue on any Subscription Date (normally the first Business Day of each week) at the Subscription Price. Applications received before 2:00 p.m. (Vanuatu time) on the last Business Day prior to a Subscription Date will be dealt with on that Subscription Date. Applications received after such time will be dealt with on the next following Subscription Date.

Applications should be made on the Subscription Agreement. Subscription Agreements, duly completed, should be sent to the Fund at the address set out in the Subscription Agreement.

All the Shares or Participating Shares will be registered and will only be issued in book or bookstock form, meaning that a Shareholder's entitlement will be evidenced by an entry in the Fund's register of shareholders and not by a share certificate.

At the discretion of the Fund's Directors, the Fund may accept securities in lieu of cash for a part or the whole of an application to subscribe for Shares. Any securities which are accepted in lieu of cash will be valued in accordance with the principles in determining Net Asset Value.

Notification in writing will be dispatched to applicants within on or before the fifteenth (15) Business Day of receipt of the Subscription Agreement of the acceptance or rejection of such application. If the application is successful, Shareholders will be notified of the number of the Shares issued to them. No Share Certificate will be issued.

**U.S. PERSONS (EXCEPT FOR PERMITTED U.S. PERSONS WHO ARE ACCREDITED INVESTORS) MAY NOT SUBSCRIBE EITHER DIRECTLY OR INDIRECTLY FOR SHARES.**

## **Redemptions**

Shareholders will have the right to require all or a portion of their Shares to be redeemed on a Redemption Date (normally the last Business Day in each calendar week) at the Redemption Price then prevailing.

The Redemption Price will be based on the Net Asset Value per Share of the relevant Series of Shares, calculated as at the close of business in the relevant market or markets on the relevant Redemption Date. In order for a redemption request to take effect on a particular Redemption Date, a written redemption request must be received by the Administrator not later than 2:00 p.m. (Vanuatu time) on the last Business Day preceding the relevant Redemption Date or such later day as the Directors in its discretion may decide. Redemption requests received after such time will be processed on the next following Redemption Date.

A Shareholder may be charged a redemption fee, at the sole and absolute discretion of the Directors, if a Shareholder redeems any portion of its Shares. The redemption fee shall be limited to any amounts incurred by the Fund to liquidate proceeds, including without limitation, reasonable legal, accounting and administrative costs and redemption fees associated with the Shareholder's redemption, sufficient to remit redemption proceeds to the Shareholder and shall be

calculated separately for each redemption. Any redemption fees will accrue exclusively to the Fund.

If compliance with a Shareholder's request for redemption would result in the Shareholder holding Shares with an aggregate Net Asset Value of less than USD 100,000 or such other minimum as the Directors may determine, at the option of the Directors, the Shareholder's request may be rejected or the whole of his holding redeemed.

Requests for redemption once made may not be withdrawn (except with the written consent of the Directors) or unless there has been a suspension of determination of the Net Asset Value of the Fund.

In addition, the Fund reserves the right, upon not less than thirty days (30)' prior written notice, to mandatorily redeem any or all of a Shareholder's Shares at any time, for reasons including if the Shareholder (or any beneficiary thereof) is a U.S. Person (except for Permitted U.S. Persons who are Accredited Investors). The redemption price in the event of any such mandatory redemption will be the Net Asset Value per Share as of the applicable Redemption Date.

Any amount payable to a Shareholder in connection with requests for redemption will be paid by wire transfer (in accordance with written details to be supplied by the Shareholder) at the Shareholder's expense and risk. The Fund will normally ensure that it has sufficient liquid assets available to enable redemption proceeds to be forwarded forthwith to a Shareholder who has requested redemption of all or part of his holding of Shares and in any event redemption proceeds will be forwarded not later than the fifteenth (15) days after the relevant Redemption Date. The details of where such monies are to be forwarded must be set out in the Subscription Agreement. This may be changed from time to time by written instructions of the Shareholder. Failure to complete that section of such Subscription Agreement may result in delays in the receipt of redemption proceeds since the Fund will reserve the right to insist on instructions with regard to payment being received by the Fund in writing under the verified signature of the Shareholder.

Notwithstanding the previous paragraph, the Fund may defer payment of the Redemption Price if it is unable to do so because of circumstances beyond its control, in which case it will pay such Redemption Price as soon as possible. The Fund may pro-rate all redemption requests on any Redemption Date to limit total redemptions to 30% of the Shares in issue on the relevant Redemption Date. Any outstanding redemption requests will be carried forward to the next following Valuation Date where they will be dealt with prior to any subsequent requests.

**SINCE THE REDEMPTION PRICE OF SHARES IS TIED TO THE VALUE OF THE UNDERLYING ASSETS OF THE FUND, IT SHOULD BE NOTED THAT THE PRICE AT WHICH AN INVESTOR MIGHT REDEEM HIS SHARES MAY BE MORE OR LESS THAN THE PRICE AT WHICH HE SUBSCRIBED FOR THEM DEPENDING ON WHETHER THE VALUE OF THE UNDERLYING ASSETS HAS APPRECIATED OR DEPRECIATED BETWEEN THE SUBSCRIPTION DATE AND THE REDEMPTION DATE.**

## **Fees and Expenses**

The Investment Manager shall receive a management fee (the “Management Fee”) equal to 1.95% per annum of the Net Asset Value, payable monthly in advance.

The Fund will also pay the Investment Manager, a performance fee (“Performance Fee”) equal to 15% of the amount, if any, by which the Net Asset Value (before deduction of the Performance Fee, if any, paid or payable for the applicable period) exceeds the High Watermark Amount applicable.

The Fund will be responsible to pay the costs associated with its investment activities, including brokerage commissions, custody fees, interest on debit balances and borrowings, taxes, exchange, and governmental fees, in connection with the execution and clearance of transactions on behalf of the Fund.

The Fund will also bear the costs associated with its ongoing administrative, financial services and operational expenses, including annual audit and tax reports, as well as any legal and extraordinary expenses. These expenses are anticipated to be incurred by the Fund at prevailing market rates.

The Fund will pay the Administrator and Custodian fees in accordance with their prevailing rates.

## **Suitability**

An investor must not be considered a “U.S. Person”, except for Permitted U.S. Persons who are Accredited Investors.

The circulation and distribution of this Offering Memorandum and offering of Shares in certain countries is restricted by law. Persons into whose possession this Offering Memorandum may come are required to inform themselves of and to observe any restrictions and/or any additional requirements as to suitability or investor qualification.

## **Dividend Policy**

The Fund does not expect to pay dividends or other distributions with respect to the Shares.

## **Transfer of Shares**

Shares are freely transferable upon submission to the Fund of an instrument of transfer in any usual or common form together with the relevant share certificate(s) (if in issue) or such other evidence as the Directors may reasonably require to show the right of the transferee to transfer the Shares, except in particular circumstances as described in the Memorandum and Articles of Association. There is not a public market (primary or secondary) for the sale or transfer of Shares and it is not anticipated that any such market will develop in the future.

## **“Master-feeder” Structure**

The Fund may, in the future, reorganize into a “master-feeder” fund structure. The reorganization would be effected by the Fund transferring all of its assets to a master fund (the “Master Fund”) which would be a separate vehicle. All of the Fund’s portfolio investments would be held at the Master Fund level and the Fund would be allocated shares of the Master Fund. If the Master Fund structure were to proceed, investment activities will be carried out at the Master Fund level. However, the Master Fund would be managed by adopting the same investment strategies and by the same group of managers.

## **Reports to Shareholders**

Shareholders will receive annual financial statements of the Fund. Shareholders will also receive quarterly unaudited reports concerning their investment in the Fund.

## **The Administrator**

South Pacific Administration & Fund Services “SPAFS” Ltd is acting as administrator of the Fund. South Pacific Administration & Fund Services is a licensed company service provider (CSP) and fund administrator registered with the Vanuatu Financial Services Commission (VFSC) providing expertise to financial, institutional and business clients on the corporate laws of the Republic of Vanuatu.

SPAFS Limited entered a sub-administration agreement with Apex Fund Services (Australia). Apex currently has approximately USD 24 billion under administration.

## **The Custodian**

Westpac Banking Corporation, Port Vila Branch will serve as custodian of the Fund. Westpac Banking Corporation (Westpac) was founded in 1817 and was the first bank established in Australia. As at 30 September 2012, the Westpac Group employed approximately 36,000 people (full time equivalent basis) in Australia, New Zealand and around the world, and had global assets of A\$675 billion.

## **The Auditor**

Ernst & Young will serve as auditor of the Fund. Ernst & Young is a global leader in assurance, tax, transactions and advisory services. They are operating in 29 regions globally with 167,000 employees.



## **Risk Factors**

**Investment in the Fund involves significant risks. Each Shareholder should understand that all investments have a risk factor. Therefore, there can be no guarantee against loss resulting from an investment in the Fund and there can be no assurance that the Fund's investment policy will be successful or that its investment objective will be attained. These risks are outlined in the section headed "*Investment Considerations and Risk Factors*" and Shareholders are urged to read this section carefully prior to investing**

## **INVESTMENT OBJECTIVES**

The investment objective of the Fund is to achieve long term capital appreciation which the Fund seeks to achieve by buying shares, bonds, funds and other types of assets. The Investment Manager can put together a diversified portfolio capable of producing a positive return whether the expectations of the equity market are positive, neutral or negative. In order to do so, the Investment Manager will opportunistically sell index futures and might use single-stocks and index options.

### **Investment Strategy**

The Fund is a diversified fund focused on highly speculative strategies across various asset classes (corporate bonds, equities, index and commodities futures, options) and its purpose is to grow capital using high financial leverage. The objective of the Fund is to generate high returns, and, over time, exhibit low correlation to the global equity markets. To achieve this result the Investment Manager will seek to exploit the Fund's investment flexibility, which - subject to the conditions laid down for its activities - offers the possibility to initiate various trade instructions using auto-trades technology platforms.

### **Investment Restrictions**

#### ***Investment Policy and Borrowing Restrictions***

The Investment Objective of the Fund, as described above, will be implemented through (i) investment, including the taking of long and short positions, in equity securities (including common and preferred stocks), and/or rights and warrants to purchase equity securities, American Depository Receipts, debt securities convertible into equity, debt securities and/or (ii) long or short positions in exchange-traded stock and bond index and individual stock and bond futures and options contracts, and/or (iii) other equity-linked and debt-linked instruments (including, but not limited to, equity and debt securities lending, equity-linked and debt-linked swaps, over-the-counter options and other derivatives) (collectively "equity and debt instruments").

#### ***Leverage and Concentration Limits***

The Fund may invest an amount of up to three hundred percent (300%) of its net assets in any of the instruments listed in (i) to (iii) above, although the Fund may not invest more than 30% of its net assets in the securities of any one issuer and/or its related or affiliated companies. The Fund may also enter into repurchase ("repo") and stock-lending agreements using some or all of the equity or debt instruments in order to achieve a leverage effect whereby cash received as collateral for equity and debt securities is re-invested in equity and debt instruments, or whereby securities held by the Fund are loaned to one or more counterparties, at the discretion of the Investment Manager. The leverage achieved in the use of such techniques and instruments is subject to the overall leverage limit for the Fund of three hundred percent (300%) of its net assets.

The Fund may, at the discretion of the Investment Manager, be less than fully invested in equity

and debt instruments and may, for the purpose of diversification, engage in hedging, in order to ensure the Fund's liquidity, or as a means of executing a particular investment strategy, invest in instruments including but not limited to (i) derivative instruments such as futures and options contracts, swaps, options on swaps, repurchase agreements, reverse repurchase agreements and stock-lending (based on underlying instruments including, but not limited to, interest rates, foreign exchange, shares, and indices) or collective investment schemes which invest primarily in derivative instruments, (ii) money market instruments (or collective investment schemes which invest primarily in money market instruments) and (iii) other liquid financial instruments such as commercial paper, bonds, notes, bills, deposits, certificates of deposit and cash, or collective investment schemes which invest primarily in such liquid financial instruments. Such schemes may be domiciled in any jurisdiction, whether regulated or unregulated.

While it is the intention of the Investment Manager to invest primarily in equity and debt instruments, the Investment Manager shall have the ability to fully invest the Fund in cash and derivative instruments (such as, but not limited to, deposits, bonds, and other money market instruments) issued by credit institutions or banks authorised primarily in OECD countries and large corporations (principally with a credit rating of A3 (Moody's)/A- (Standard & Poor's) or better), which instruments shall be denominated in American dollars (USD) or such other currency as it may determine.

**NO ASSURANCE CAN BE GIVEN THAT THE FUND WILL ACHIEVE ITS INVESTMENT OBJECTIVE.**

**NO ASSURANCE CAN BE GIVEN THAT ANY OF THESE DISCIPLINES WILL BE PROFITABLE OR THAT ANY FUND INVESTMENT SELECTED BY THE INVESTMENT MANAGER WILL ACHIEVE ITS INVESTMENT OBJECTIVES.**

## **INVESTMENT MANAGER**

QCP Partners Ltd (the “Investment Manager”), serves as the Fund’s investment manager and is responsible for investment management decisions.

The Investment Manager will be responsible for all investment activities with respect to the Fund. This process shall include identifying, evaluating, and monitoring existing investments and potential investments. See “Potential Conflicts of Interest” regarding certain potential conflicts of interest involved in management of the Fund.

Recognizing the importance of the different elements of the investment process, the Investment Manager relies on the experience and background of its key investment professionals whose backgrounds are provided below.

### ***Laurent CLERGET – Chairman QCP Partners Ltd***

Laurent Clerget is the Chairman of QCP Partners Ltd. He has been working for almost 13 years as a Senior European Equity Sales for top tier banking institutions in Europe (Paribas, Citigroup, ING) over several locations (Frankfurt, London, Paris, Brussels). Laurent brings a significant international experience and has developed over the years a very diversified and loyal clientele amongst traditional institutional asset managers, private banks and hedge funds. Ranked #1 Sales for alpha generation in 2010 in the European Extel survey, he has a proven track record as a stock picker. QCP Partners Ltd will benefit from Laurent’s Institutional network in Europe to insure our asset under management development. Laurent has also set up over the last couple of years a privately owned real estate development business in Brussels. He holds a diploma from ESCP Europe and the German Diplom-Kaufman.

### ***Fabrice QUEGUINEUR – CEO QCP Partners Ltd***

Fabrice Queguineur is the CEO of QCP Partners Ltd. Until 2010, he was the Chief Financial Officer and Hedge Fund Manager of Athamas SA, Luxembourg. Previously, Fabrice was a Director at UBS Investment Bank in London, UK where he was in charge of US Equity Sales (and Account Manager) for the French, Belgian and Luxembourg markets. Prior to UBS, he joined Groupama Asset Management (\$100bn AUM) in Paris, France as an International Equity Portfolio Manager. Ranked first decile Europerformance, he constantly over-performed its benchmarks. He also has a richly diversified banking experience between SG Securities (Japanese Equity desk), Barclays Bank (Cash Management), Societe Generale (Wealth Management) and Credit Mutuel de Bretagne (Retail Banking – Corporate). Fabrice received a Postgraduate degree in Finance from the University of Paris Panthéon-Assas, France and is approved by the Financial Services Authority, UK (Accreditations Financial Regulation & Securities).

## **INVESTMENT CONSIDERATIONS AND RISK FACTORS**

All investments risk the loss of capital. No guarantee or representation is made that the Fund will achieve its investment objective. The Fund may utilize high risk securities including low credit quality and distressed securities, which may be illiquid, and may utilize highly speculative investment techniques including short-selling, investing in non-US securities, high leverage, futures, swaps and notional principal contracts, currency speculation, short-sales and uncovered option transactions. Accordingly, an investment in the Fund is speculative and involves considerations and risk factors which prospective investors should consider before subscribing. An investment in the Fund should form only a part of a complete investment program and an investor must be able to bear the loss of its entire investment. In addition, prospective investors should consult their own tax advisors regarding the potential tax consequences of the Fund's activities and investments.

### **Investment Practices and Portfolio Risks**

#### **INVESTMENT RISKS IN GENERAL**

The Fund may use transactions involving swaps and notional principal contracts, commodity futures and commodity option contracts and may utilize such investment techniques such as short-sales, leverage, uncovered option transactions, workouts, illiquid securities, non-US securities and attendant currency exchange transactions and highly concentrated portfolios, among others, which present substantial investment risks and could in certain circumstances magnify the impact of any market or investment developments. In general, neither the Fund nor the Investment Manager will have the ability to direct or influence the management of these assets or the investment of their assets. If the Fund receives distributions in kind from any of the assets, it will incur additional costs and risks to dispose of such assets.

#### **BUSINESS RISKS**

The Fund will invest substantially all of its available capital (other than capital the Investment Manager determines to retain in cash or cash equivalents) in securities and other intangible investment instruments. While most of these instruments are traded in public markets, markets for such instruments in general are subject to fluctuations and the market value of any particular investment may be subject to substantial variation. In addition, such securities may be issued by unseasoned companies and may be highly speculative. No assurance can be given that the Fund's investment portfolio will generate any income or will appreciate in value.

#### **ECONOMIC CONDITIONS**

Changes in economic conditions, including, for example, interest rates, inflation rates, industry conditions, competition, technological developments, political and diplomatic events and trends, tax laws and innumerable other factors, can affect substantially and adversely the business and prospects of the Fund. None of these conditions are within the control of the Investment

Manager, and no assurances can be given that the Investment Manager will anticipate these developments.

#### NO CONTROL OVER PORTFOLIO ISSUERS

The Fund may from time to time acquire substantial positions in the securities of particular companies. Nevertheless, the Fund is not likely to obtain representation on the board of directors and will not take any control over the management of any company in which the Fund may invest and the success of each investment will depend on the ability and success of the management of the issuers in addition to economic and market factors.

#### LIMITED DIVERSIFICATION

No minimum level of capital is required to be maintained by the Fund. As a result of subsequent losses or redemptions, the Fund may not have sufficient funds to diversify its investments to the extent desired or currently contemplated by the Investment Manager. More generally, the Investment Manager does not intend or expect to diversify the Fund's portfolio over various asset classes. No standards have been established to limit the concentration of the Fund's portfolio. The degree of the market risk to which the Fund is exposed will be inversely proportional to the degree to which the Fund's portfolio is diversified.

#### PORTFOLIO VALUATION

Interests in Fund assets will generally be valued in accordance with accepted methods for securities and instruments included in the Fund asset. These valuations may be provided based on interim unaudited financial statements. Accordingly, these figures may be subject to an upward or downward adjustment following the auditing of such financial records. If a Shareholder redeems Shares from the Fund, subsequent valuation adjustments to Fund assets may occur and there is a risk that such Shareholder may receive an amount upon redemption which is greater or less than the amount such Shareholder would have been entitled to have received on the basis of the adjusted valuation.

#### LOW CREDIT QUALITY SECURITIES

The Fund may invest in particularly risky investments that also may offer the potential for correspondingly high returns. As a result, the Fund may lose all or substantially all of its investment in any particular instance, which would have an adverse effect on the Fund. In addition, there is no minimum credit standard which is a prerequisite to the Fund's acquisition of any security, and the debt securities in which the Fund is permitted to invest will be less than investment grade and may be considered to be "junk bonds." Securities in which the Fund may invest may rank junior to other outstanding securities and obligations of the issuer, all or a significant portion of whose debt securities may be secured by substantially all of the issuer's assets. Moreover, the Fund may invest in securities which are not protected by financial covenants or limitations on additional indebtedness.

## DERIVATIVES

The Fund may utilize derivative instruments. These investments are all subject to additional risks that can result in a loss of all or part of an investment. Such risks include interest rate risk, credit risk, volatility risk, world and local market price and demand, and general economic factors and activity.

## CONCENTRATION

Because the Fund has the ability to concentrate its investments by investing an unlimited amount of its assets in a single issuer or industry, the overall adverse impact on the Fund of adverse movements in the value of the securities of a single issuer or industry will be considerably greater than if the Fund were not permitted to concentrate its investments to such an extent.

## ILLIQUID INVESTMENTS

The Fund may make investments which are subject to legal or other restrictions on transfer or for which no liquid market exists. The market prices, if any, of such investments tend to be more volatile and the Fund may not be able to sell them when they desire to do so or to realize what they perceive to be their fair value in the event of a sale. Moreover, securities in which the Fund may invest include those that are not listed on a stock exchange or traded in an over-the-counter market. As a result of the absence of a public trading market for these securities, they may be less liquid than publicly traded securities. The Fund may encounter substantial delays in attempting to sell non-publicly traded securities. Although these securities may be resold in privately negotiated transactions, the prices realized from these sales could be less than those originally paid by the Fund. Further, companies whose securities are not publicly traded are not subject to the disclosure and other investor protection requirements which would be applicable if their securities were publicly traded.

## LEVERAGING BY FUND

The Fund may engage in various forms of leverage, and the Fund does not limit the use of leverage by individual Fund assets or Fund assets in the aggregate. Leverage may include both investments in derivatives as well as direct borrowings. To the extent that the Fund uses leverage, the value of its net assets will tend to increase or decrease at a greater rate than if no leverage were employed. If income and appreciation on investments made with borrowed funds are less than the required interest payments on the borrowings, the value of the Fund's net assets will decrease. Accordingly, any event which adversely affects the value of an investment by the Fund would be magnified to the extent that such investment is leveraged. Leverage has a similar effect on investments themselves to the extent the issuer is leveraged, and can also affect their cash flow and operating results.

The cumulative effect of the use of leverage by the Fund in a market that moves adversely to the Fund could result in a substantial loss to the Fund which would be greater than if the Fund were not leveraged. As a result, if the Fund's losses were to exceed the amount of capital invested, the

Fund could lose its entire investment. In addition, the Fund itself may use leverage to manage its liquidity needs. These leverage transactions by the Fund would be in addition to any leverage transactions of Fund assets and are not limited by the amount, if any, by which Fund assets are leveraged or by leverage incurred by the Fund in connection with its hedging transactions.

## SHORT-SELLING

The Fund may engage in short-selling. Short-selling involves selling securities which may or may not be owned and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short-selling allows the investor to profit from declines in market prices to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. However, since the borrowed securities must be replaced by purchases at market prices in order to close out the short position, any appreciation in the price of the borrowed securities would result in a loss. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

## OPTION TRANSACTIONS

The Fund may engage in option transactions. The purchase or sale of an option involves the payment or receipt of a premium payment by the investor and the corresponding right or obligation, as the case may be, to either purchase or sell the underlying security or other instrument for a specific price at a certain time or during a certain period. Purchasing options involves the risk that the underlying instrument does not change price in the manner expected, so that the option expires worthless and the investor loses its premium. Selling options, on the other hand, involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the underlying security in excess of the premium payment received. Over-the-counter options also involve counterparty solvency risk.

## CURRENCY EXCHANGE RISK EXPOSURE

The capital subscriptions to Shares and the Fund assets may be denominated in different currencies. Accordingly, movements in the currency exchange rate may adversely affect the Fund's Net Asset Value.

## CURRENCY EXCHANGE SPECULATION

Certain of the Fund assets may engage in currency exchange rate speculation. Exchange rates among countries have been highly volatile in recent years. The combination of volatility and leverage gives rise to the possibility of large profit and large loss. In addition, there is counterparty risk since currency trading is done on a principal to principal basis.

## FAILURE OF FUTURES COMMISSION MERCHANTS

Under the United States Commodity Exchange Act (the "Commodity Exchange Act"), futures commission merchants are required to maintain customers' assets in a segregated account. To the extent that the Fund engages in futures and options contract trading and the futures commission merchants with whom the Fund maintains accounts fail to so segregate the assets of the Fund, the



Fund will be subject to a risk of loss in the event of the bankruptcy of any of its futures commission merchants. In certain circumstances, the Fund might be able to recover, even in respect of property specifically traceable to the Fund, only a pro rata share of all property available for distribution to a bankrupt futures commission merchant's customers.

#### STOCK INDEX OPTIONS

The Fund may purchase and sell call and put options on stock indices listed on exchanges or traded in the over-the-counter market for the purpose of realizing their investment objectives or for the purpose of hedging their portfolios. Successful use by the Fund of options on stock indices is subject to a manager's ability to predict correctly movements in the direction of a relevant stock market generally or of a particular industry or market segment. This requires different skills and techniques than predicting changes in the price of individual stocks.

#### LENDING PORTFOLIO SECURITIES

The Fund may lend their portfolio securities to brokers, dealers and financial institutions. In general, these loans will be secured by collateral (consisting of cash, government securities or irrevocable letters of credit) maintained in an amount equal to at least 100% of the market value, determined daily, of the loaned securities. The Fund would be entitled to payments equal to the interest and dividends on the loaned security and could receive a premium for lending the securities. Lending portfolio securities would result in income to the Fund, but could also involve certain risks in the event of the delay of return of the securities loaned or the default or insolvency of the borrower.

#### COMMODITIES

The Fund may invest in commodity futures contracts and in options thereon. Commodity markets are highly volatile. The profitability of such an investment depends on the ability of the portfolio manager to analyze correctly the commodity markets, which are influenced by, among other things, changing supply and demand relationships, weather, governmental, agricultural, commercial and trade programs and policies designed to influence commodity prices, world political and economic events, and changes in interest rates. Moreover, investments in commodities futures and options contracts involve additional risks including, without limitation, leverage (margin is usually only 5-15% of the face value of the contract and exposure can be nearly unlimited). The CFTC and futures exchanges have established limits referred to as "speculative position limits" on the maximum net long or net short position which any person may hold or control in particular commodities. All of the positions held by all accounts owned or controlled by the Fund will be aggregated for the purpose of determining compliance with position limits. It is possible that positions held by the Fund may have to be liquidated in order to avoid exceeding such limits. Such modification or liquidation, if required, could adversely affect the operations and profitability of the Fund.

#### SYNTHETIC PARTICIPATION IN ABSOLUTE RETURN STRATEGIES

The Investment Manager may utilize customized derivative instruments, including swaps, options, forwards, notional principal contracts or other financial instruments, to replicate, modify or replace the economic attributes associated with an investment in a security (including interests in collective investment vehicles and other Fund assets). The Fund may be exposed to certain additional risks should the Investment Manager use derivatives as a means to synthetically implement the Fund's investment strategies. If the Fund enters into a derivative instrument whereby it agrees to receive the return of a security or financial instrument or a basket of securities or financial instruments it will typically contract to receive such returns for a predetermined period of time. During such period, the Fund may not have the ability to increase or decrease its exposure. In addition, such customized derivative instruments will likely be highly illiquid and it is possible that the Fund will not be able to terminate such derivative instruments prior to their expiration date or that the penalties associated with such a termination might impact the Fund's performance in a material adverse manner. Furthermore, derivative instruments typically contain provisions giving the counterparty the right to terminate the contract upon the occurrence of certain events. Such events may include a decline in the value of the reference securities and material violations of the terms of the contract or the portfolio guidelines as well as other events determined by the counterparty. If a termination were to occur, the Fund's return could be adversely affected as it would lose the benefit of the indirect exposure to the reference securities and it may incur significant termination expenses.

In the event the Fund seeks to participate in a collective investment vehicle or other similar Fund asset through the use of such synthetic derivative instruments, the Fund will not acquire any voting interests or other shareholder rights that would be acquired with a direct investment in the underlying Fund asset. Accordingly, the Fund will not participate in matters submitted to a vote of the shareholders. In addition, the Fund may not receive all of the information and reports to shareholders that the Fund would receive with a direct investment in such collective investment vehicle. Further, the Fund will pay the counterparty to any such customized derivative instrument structuring fees and ongoing transaction fees, which will reduce the investment performance of the Fund.

Derivative instruments generally have counterparty risk, i.e., the risk that the counterparty fails to fulfill its contractual obligations under the terms of the instrument, and such instrument may not perform in the manner expected by the counterparties, thereby resulting in greater loss or gain to the investor. The Investment Manager will seek to minimize the Fund's exposure to counterparty risk by entering into such transactions with counterparties the Investment Manager believes to be creditworthy at the time it enters into the transaction. Certain transactions in such derivative instruments may require the Fund to provide collateral to secure its performance obligations under a contract.

## **DISTRESSED SECURITIES**

The Fund may invest in companies that are in poor financial condition, lack sufficient capital or that are involved in bankruptcy or reorganization proceedings. Investments in securities of these types of companies face the unique risks of lack of information with respect to the issuer, the effects of applicable federal and state bankruptcy laws and regulations and greater market volatility than is typically found in other securities markets. As a result, investments in securities

of distressed companies involve significant risks which could result in the Fund incurring losses with respect to such investments.

#### ABSENCE OF REGULATION CONCERNING FUND ASSETS

The Fund assets are expected to be subject to varying levels of regulation. Fund assets may not be registered as investment companies under the United States Investment Company Act of 1940, as amended (the “Investment Company Act”) with the consequence that many of the protections afforded to investors by those laws will not be applicable. Similarly, certain investments in funds and accounts formed and operated outside the United States may not be subject to comprehensive government regulation.

#### BROKERAGE COMMISSIONS AND TRANSACTION COSTS

In selecting brokers or counterparties to effect portfolio transactions, the Fund will likely consider such factors as price, the ability to effect the transaction, the reliability and financial responsibility and any research products or services provided. Accordingly, if the Investment Manager determines in good faith that the amount of commissions or transaction fees charged by the entity is reasonable in relation to the value provided, the Fund may pay an amount greater than that charged by another entity.

#### EFFECT OF REDEMPTIONS ON DIVERSIFICATION

Although the Fund plans to seek diversification in the investment of its assets, to the extent a significant number of Shareholders elect to redeem their Shares at any one time, the Fund may not be able to satisfy such redemption requests from a variety of its Fund assets and be required to make disproportionate redemptions from select Fund assets, resulting in a temporary imbalance to its diversification strategy.

#### “NEW ISSUE” INVESTMENTS

The rules of the US National Association of Securities Dealers, Inc. (“NASD”) prohibits restricted persons from participating in any new issue of equity securities, provided that an exemption is available for restricted persons who own a beneficial interest in a pooled investment vehicle such as the Fund. Under this exemption, restricted persons may participate in up to 10% of the gains or losses of a pooled investment fund’s investments in new issues. The definition of “*restricted person*” includes any member firms of NASD and any other broker-dealers, any officer, director, Investment Manager, associated person or employee of an NASD member or other broker-dealer, any agent of broker-dealers to the extent the agents are engaged in investment banking business, owners of broker-dealers, certain family members of persons who work in the financial services industry, finders and fiduciaries of managing underwriters for offerings in which they are acting in such capacities, and certain portfolio managers including persons who have authority to buy or sell securities for a bank, savings and loan institution, insurance company, investment company, investment adviser or collective investment account. To the extent that a Shareholder is “restricted,” an investment in the Fund may produce lower performance than that experienced by Shareholders who are not restricted. Any Shareholder who

does not provide the Fund with information sufficient to show that the Shareholder is not restricted will be presumed to be restricted and will not be allocated new issue profits (if any are received) in excess of those permitted under the then applicable NASD rules of conduct.

#### GENERAL MARKET DEVELOPMENTS

Regulations have been recently adopted and others are currently pending with the SEC and other governmental entities both domestic and foreign might increase regulation efforts still further. These events have led to speculation that some banks and dealers will alter lending practices to hedge funds on a permanent basis; that US and non-US governments will increase the regulation of hedge funds and that hedge funds will experience large redemptions and inability to raise new capital, all of which would be problematic for the Fund.

#### **Management Risks**

#### NO OPERATING HISTORY AND DEPENDENCE ON MANAGEMENT

The Fund has no operating history. There can be no assurance that the Fund will achieve its investment objective. The past performance of the Investment Manager may not be indicative of the future performance of the Fund. Although the overall supervision of the Fund is vested in the Board of Directors of the Fund, the Fund's investment performance could be materially affected if certain key people were to die, become ill or disabled or otherwise cease to be involved in the active management of the Fund.

#### RELIANCE ON KEY INDIVIDUALS

The success of the Fund is dependent on the expertise of the Investment Manager. The loss of one or more individuals could have a material adverse effect on the performance of the Fund. In addition, one or more of the Fund assets may be managed by only one or several key individuals. The loss of one or more key individuals could have a material adverse effect on such Fund assets.

#### PERFORMANCE-BASED PROFIT ALLOCATIONS

The fees paid to the Investment Manager include performance-based fees, if any, subject to a high water mark. These fees may create an incentive for the Investment Manager to make Fund investments that are riskier or more speculative than would be the case in the absence of such performance-based arrangements.

#### RELIANCE ON THE INVESTMENT MANAGER

If the Investment Manager is removed, resigns or otherwise no longer serves as the Investment Manager of the Fund, or if the Investment Manager is no longer serving in such capacity, certain Fund assets may be terminated or otherwise no longer available to the Fund, which may have an adverse impact on the Fund's investment performance.

## **Fund Risks**

### **DIVIDENDS AND DISTRIBUTIONS**

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

### **LACK OF TRANSFERABILITY OF FUND SHARES**

The Shares offered hereby have not been registered under United States Federal or state securities laws and are subject to restrictions on transfer contained in such laws and in the Memorandum and Articles of Association. There will not be any market for the Shares.

### **REDEMPTION RISKS OF FUND ASSETS**

The Fund's redemption policies may allow redemption notices and redemption of assets in a substantially shorter period than the redemption notice and any payment terms of underlying Fund assets. Accordingly, a redeeming Shareholder may be subject to risk until such time that the Fund has actually received its assets from the Fund asset. Furthermore, the terms and conditions applicable to Fund assets may permit the underlying Fund asset to distribute assets in kind rather than pay redemptions in cash. In addition, as a result of the difference between redemption policies of the Fund and of Fund assets, the Investment Manager may be required to select Fund assets for liquidation on the basis of the redemption policies of Fund assets rather than other investment considerations, which may result in the remaining portfolio of Fund assets being less diverse in terms of investment strategies, number of investment managers or Fund assets, liquidity or other investment considerations than would otherwise be the case. In addition, the redemption of the Fund from a Fund asset could also involve expense to the Fund under the terms of the Fund's investment.

The Fund may pay redemption proceeds in kind. To the extent the Fund meets a Shareholder redemption request with a distribution in kind of one or more Fund assets such Shareholder will continue to be subject to the investment risks associated with such Fund assets and will be subject to any limitations or notice requirements imposed by the terms of such Fund assets on redemption or liquidation. In addition, the terms of such Fund assets may prohibit or impose significant limitations on the holders of Fund assets to sell or otherwise transfer interests in such Fund assets. Thus, although the Fund's obligations to meet a Shareholder's redemption request are fulfilled on the date the Fund distributes Fund assets with a value equal to the redemption value owed to such Shareholder, the Fund assets distributed in kind to such Shareholder will continue to fluctuate in value after redemption, will be subject to any management or performance fees and expenses of such Fund asset and the Shareholder's ability to realize the cash value of such Fund assets may be significantly delayed or limited. Distributions in kind of Fund assets are subject to the valuation risks associated with such Fund assets.

### **LEVERAGING BY THE FUND**

The Fund may leverage directly by borrowing money or indirectly by entering into various forms of derivative transactions. Leverage may be used for the purpose of managing the Fund's liquidity needs (e.g., making investments in Fund assets or meeting redemption requests). The use of leverage entails risks. While such leverage may facilitate redemptions by the Fund, if the Fund is not able to repay the borrowings or meet interest or other expenses relating to the leverage transactions, it may be forced to redeem investments at disadvantageous times in order to meet these obligations. Also, as with any use of leverage, the Fund's use of leverage will tend to increase or decrease the value of the Fund's net assets at a greater rate than if no leverage were employed. Furthermore, any use of leverage by the Fund, is in addition to, and is not restricted by, use of leverage by Fund assets.

#### FUND NOT REGISTERED

The Fund is not registered under the United States Investment Company Act. The United States Investment Company Act provides certain protection to investors and imposes certain restrictions on registered investment companies (including limitations on the ability of registered investment companies to incur debt), none of which will be applicable to the Fund.

However, the fund is registered as a Mutual Fund under the Mutual Fund Act No5 in Vanuatu.

#### REDEMPTION RESTRICTIONS

Redemption restrictions imposed by Fund assets or the provisions of the governing documents of Fund assets that permit suspension of redemptions may delay or preclude portfolio adjustments the Investment Manager would otherwise implement. Fund assets could depreciate in value during the time a redemption is delayed and the Fund would be precluded from redeploying its capital to more advantageous investment opportunities.

#### TURNOVER

The Fund's activities involve investment in the Fund assets which may invest on the basis of certain short-term market considerations. The turnover rate within these Fund assets is expected to be significant, potentially involving substantial brokerage commissions and fees.

#### RISK OF INVESTING IN FUND ASSETS

Fund assets could be the subject of lawsuits or legal proceedings, and the expenses or liabilities which arise from any such suits or proceedings, will be borne by the Fund asset, and indirectly by the Fund as an investor in the Fund asset.

#### MULTIPLE LEVELS OF EXPENSE

Both the Fund and Fund assets may impose investment management fees. The existence of a performance fee may create an incentive for the Investment Manager to make riskier and more speculative investments than would otherwise be the case in the absence of such performance-based compensation.

## HEDGING

There can be no assurance that any hedging transactions, if any, will achieve their objective. In addition, the Fund may concentrate its hedging activities with one counterparty and the Fund is subject to the risk that a counterparty may fail to fulfill its obligations under a contract. To the extent that a counterparty fails to fulfill its obligations, the Fund's performance could be negatively impacted.

## CROSS LIABILITY

Although the assets and liabilities of each Series of the Shares and other Classes will be tracked, for bookkeeping purposes, separately from the assets and liabilities of any other Series of each such Class, for legal purposes there is cross liability between the Series within and between the Shares. Thus, the assets of one Series of Shares can be used to satisfy the liabilities of any other Series of such Class, or to satisfy the liabilities of any other Series of any other Class. There is no guarantee that the assets of any particular Series of a Class will not be used to satisfy the liabilities of any other Series of that Class or another Class.

## SOPHISTICATED INVESTORS

The Participating Shares are a suitable investment only for sophisticated investors for whom an investment in the Fund does not constitute a complete investment program and who fully understand and who are willing to assume and have the financial resources necessary to withstand the risks involved in the Fund's specialized investment program.

## ISSUE AND REDEMPTION OF SHARES

### Offering

Shares are being offered to investors at the price of US\$ 100 per Share. Applications to purchase Shares should be made by completing the Subscription Agreement and sending such Subscription Agreement to SPAFS Ltd in accordance with the instructions set forth therein.

### Issue

Following the close of the Initial Offer Period, Shares may be issued by the Fund on any Subscription Date in respect of applications which are received together with application monies in cleared funds before 2:00 p.m. (Vanuatu time) on the last Business Day prior to that Subscription Date. Subscription Dates are the first Business Day in each week and/or such other day or days as the Investment Manager may from time to time determine. Applications to purchase Shares should be made by completing the Subscription Agreement and sending such Subscription Agreement to SPAFS Ltd in accordance with the instructions set forth therein. Applications received after 2:00 p.m. (Vanuatu time) on the last Business Day prior to a Subscription Date will be dealt with on the next following Subscription Date.

The Subscription Price will be equal to the Net Asset Value per Share as at the Valuation Date immediately preceding the Subscription Date on which the application is effective.

The initial minimum subscription amount per investor is US\$ 100,000 (subject to the discretion of the Directors to accept a lesser amount). Application monies representing smaller fractions of a Share will be retained by the Fund. The per Share price and minimum investment and holding amounts as set forth in this Offering Memorandum may be adjusted by the Directors from time to time in their discretion, to account for currency alterations or similar changes.

No Shares will be issued unless and until the relevant application monies have been received in cleared funds by or on behalf of the Fund. Application monies must be paid by telegraphic or wire transfer to the Fund's account maintained by the Administrator. Unless the Investment Manager otherwise determines in its discretion, the Fund will not issue any Shares unless, as of the last Business Day prior to the applicable Subscription Date, the Fund has received the application for Shares and the subscription amount.

Shares may not be issued during the period of any suspension of the determination of the Net Asset Value (for details see the section headed "Valuation and Prices").

Shares will be in registered form and certificates representing Shares will not be issued (no issue of bearer shares). A confirmation notice will be sent as soon as practicable to successful applicants on acceptance of their application (including provision of all information needed to verify the applicant's identity) and receipt in cleared funds of their application monies.

The Fund reserves the right to reject any application for Shares in whole or in part. If any application is not accepted in whole or in part, the application monies or (where an application is



accepted in part only) the balance thereof will be returned (without interest) by wire to the applicant (or, in the case of joint applicants, the first named), at the expense of the applicant.

In addition, the Fund may at any time at its discretion temporarily discontinue, cease definitively or limit the issue of Shares to persons or corporate bodies resident or established in certain countries or territories. The Fund may also prohibit certain persons or corporate bodies from acquiring Shares if such a measure is necessary or desirable for the protection of the Shareholders.

All instructions received by facsimile or email from investors or Shareholders in respect of the subscription, transfer and redemption of Shares (whether or not the original written applications or requests, as the case may be, are also required by the Investment Manager to follow such instructions sent by facsimile) will generally be acted upon by the Investment Manager and the Administrator subject to the Investment Manager's absolute discretion not to, and instructing the Administrator not to do so until the original written instructions are received. The Investment Manager and Administrator may take any appropriate action to carry out such instructions upon receipt thereof notwithstanding any error, misunderstanding or lack of clarity in the instructions. None of the Investment Manager or the Administrator is obliged to verify the identity of the person sending the instructions.

None of the Investment Manager or the Administrator will be liable for any loss which the relevant investor or Shareholder may suffer arising from (a) their acting on any instructions sent by facsimile which purport to be (and which they believe in good faith to be) from the relevant investor or Shareholder; or (b) the Investment Manager exercising its absolute discretion not to act, and instructing the Administrator not to act on such instructions sent by facsimile; or (c) any instructions sent by facsimile which are not received by the Investment Manager or the Administrator due to failed transmission thereof. The relevant investor or Shareholder will keep the Fund, the Investment Manager and the Administrator fully indemnified on demand against all actions, losses and expenses brought against, or incurred by, the Investment Manager, or the Administrator resulting from any of them acting, or failing to act, on such instructions or from the non-receipt of instructions sent by facsimile due to failed transmission thereof.

## **Redemption**

Shares may be redeemed at their Redemption Price on any Redemption Date at the request of the holder of such Shares. The Redemption Price will consist of the Net Asset Value of the Shares.

Redemption Dates are the last Business Day in each calendar week and/or such other day or days as the Investment Manager may from time to time determine.

Each request should be made on a Redemption Form and sent to the Administrator in accordance with the instructions contained in the Subscription Agreement. The Redemption Form is included within the Subscription Agreement. In order for a redemption request to take effect on a particular Redemption Date, the original redemption request bearing authorized signature(s) must be received by the Administrator not later than 12:00 p.m. (Vanuatu time) on or before the last Business Day preceding the relevant Redemption Date or such later day as the Investment

Manager in its discretion may decide. Redemption requests received after such time will be processed on the next following Redemption Date.

A Shareholder may be charged a redemption fee, at the sole and absolute discretion of the Investment Manager, if a Shareholder redeems any portion of its Shares. The redemption fee shall be limited to any amounts incurred by the Fund to liquidate proceeds, including without limitation, reasonable legal, accounting and administrative costs and redemption fees associated with the Shareholder's redemption, sufficient to remit redemption proceeds to the Shareholder and shall be calculated separately for each redemption. Any redemption fees will accrue exclusively to the Fund.

In addition, the Fund reserves the right, upon not less than fifteen (15) calendar days' prior written notice, to mandatorily redeem any or all of a Shareholder's Shares at any time, for reasons including if the Shareholder (or any beneficiary thereof) is a U.S. Person, except for Permitted U.S. persons who are Accredited Investors. The redemption price in the event of any such mandatory redemption will be the Net Asset Value per Share as of the applicable Redemption Date.

Except for redemption payments made in kind, and, except where the redeeming Shareholder gives alternative payment instructions, redemption proceeds will be paid by telegraphic or wire transfer at the cost and risk of the redeeming Shareholder to the bank account specified in the Shareholder's Subscription Agreement. Under normal market conditions, payment of redemption proceeds will generally be paid within fifteen (15) days after the relevant Redemption Date. The Fund may, in its discretion and subject to applicable law, make payment in respect of any redemption in kind by transferring title in certain of the Fund's assets to the relevant Shareholder(s).

No redemption of part of a holding of Shares may be made which would result in the Shareholder retaining Shares which have a value of less than the applicable minimum subscription amount unless the Directors, in their discretion, determines to permit the redemption.

No redemption of Shares may be affected during the period of any suspension of the determination of the Net Asset Value (for details see the section headed "Valuation and Prices").

### **Transfer**

The Articles and memorandum of association provides that the Shares are freely transferable.

## **REGULATORY MATTERS**

### **The Republic of Vanuatu Anti-Money Laundering Regulations**

In order to comply with regulations aimed at the prevention of money laundering, the Fund will require verification of identity from all prospective investors. Depending on the circumstances of each subscription, a detailed verification might not be required where:

- (a) a prospective Shareholder makes the payment for his investment from an account held in the prospective Shareholder's name at a recognized financial institution;
- (b) the prospective Shareholder is regulated by a recognized regulatory authority and is based or incorporated in, or formed under the law of, a recognized jurisdiction; or
- (c) the subscription is made through an intermediary which is regulated by a recognized regulatory authority and is based or incorporated in, or formed under the law of, a recognized jurisdiction.

For the purposes of these exceptions, recognition of a financial institution, regulatory authority or jurisdiction will be determined in accordance with the Regulations by reference to those jurisdictions recognized by the Republic of Vanuatu as having sufficient anti-money laundering regulations.

The Fund reserves the right to request such information as is necessary to verify the identity of a prospective Shareholder. In the event of delay or failure by the prospective Shareholder to produce any information required for verification purposes, the Fund may refuse to accept the subscription for Shares and, if so, any funds received will be returned without interest to the account from which the monies were originally debited.

### **Anti-Money Laundering Regulations of Other Jurisdictions**

The Fund and its affiliates may need to comply with the USA Patriot Act and other applicable US and non-US anti-money laundering laws. In addition, many jurisdictions are in the process of changing or creating anti-money laundering, embargo and trade sanctions, or similar laws, regulations, requirements (whether or not with force of law) or regulatory policies and many financial intermediaries are in the process of changing or creating responsive disclosure and compliance policies (collectively, the "Requirements") and the Fund could be requested or required to obtain certain assurances from investors subscribing for Shares, disclose information pertaining to them to governmental, regulatory or other authorities or to financial intermediaries or engage in due diligence or take other related actions in the future. It is the Fund's policy to comply with the Requirements to which they are or may become subject and to interpret them broadly in favor of disclosure.

To achieve this objective, each investor will be expected to represent its compliance with the applicable anti-money laundering laws. Each investor will be required to agree in the Subscription Agreement, and will be deemed to have agreed by reason of owning any Shares in the Fund, that it will provide additional information or take such other actions as may be necessary or advisable for the Fund (in the discretion of the Directors) to comply with any Requirements, related legal process or appropriate requests (whether formal or informal) or otherwise. Each investor by executing the Subscription Agreement consents, and by owning Shares is deemed to have consented, to disclosure by the Fund and its agent to relevant third parties of information pertaining to it in respect of the Requirements or information requests related thereto. Failure to honor any such request may result, in the discretion of the Investment Manager, in redemption by the Fund or a forced sale to another investor of such investor's Shares.

## MANAGEMENT AND ADMINISTRATION

### The Directors

The Directors are:

#### ***Laurent CLERGET – Chairman QCP Partners Ltd***

Laurent Clerget is the Chairman of QCP Partners Ltd. He has been working for almost 13 years as a Senior European Equity Sales for top tier banking institutions in Europe (Paribas, Citigroup, ING) over several locations (Frankfurt, London, Paris, Brussels). Laurent brings a significant international experience and has developed over the years a very diversified and loyal clientele amongst traditional institutional asset managers, private banks and hedge funds. Ranked #1 Sales for alpha generation in 2010 in the European Extel survey, he has a proven track record as a stock picker. QCP Partners Ltd will benefit from Laurent's Institutional network in Europe to insure our asset under management development. Laurent has also set up over the last couple of years a privately owned real estate development business in Brussels. He holds a diploma from ESCP Europe and the German Diplom-Kaufman.

#### ***Fabrice QUEGUINEUR – CEO QCP Partners Ltd***

Fabrice Queguineur is the CEO of QCP Partners Ltd. Until 2010, he was the Chief Financial Officer and Hedge Fund Manager of Athamas SA, Luxembourg. Previously, Fabrice was a Director at UBS Investment Bank in London, UK where he was in charge of US Equity Sales (and Account Manager) for the French, Belgian and Luxembourg markets. Prior to UBS, he joined Groupama Asset Management (\$100bn AUM) in Paris, France as an International Equity Portfolio Manager. Ranked first decile Europerformance, he constantly over-performed its benchmarks. He also has a richly diversified banking experience between SG Securities (Japanese Equity desk), Barclays Bank (Cash Management), Societe Generale (Wealth Management) and Credit Mutuel de Bretagne (Retail Banking – Corporate). Fabrice received a Postgraduate degree in Finance from the University of Paris Panthéon-Assas, France and is approved by the Financial Services Authority, UK (Accreditations Financial Regulation & Securities).

The Directors are responsible for the overall management of the Fund and the Shares, but have delegated certain functions as described herein. The Directors are entitled to receive fees out of the assets of the Fund, as described below under the section headed "Charges and Expenses." All actions referred to herein as being taken by the Fund are performed by the Directors or their delegates, including the Investment Manager, the Administrator and the Custodian, as or on behalf of the Fund only.

Under the terms of the articles and memorandum of association, the Directors shall be entitled, for the purpose of indemnity against actions, costs, claims, damages, expenses or demands to which they may be put as Directors in connection with the Fund (in the proper performance of its powers and duties under the Articles and memorandum of association), to have recourse to the assets of the Fund save in respect of any action, cost, claim, damage, expense or demand which

results from any act or omission occasioned by the fraud, willful default or dishonesty of the Directors.

Except in respect of loss or damage caused by the Directors' fraud, willful default or dishonesty, recourse against the Directors for loss or damage caused by their acts or omissions shall be limited to the assets of the Fund.

### **Investment Manager**

The Investment Manager is QCP Partners Limited. QCP Partners Limited is an asset management company created in 2012 by partners with an independent and active fund management approach. QCP Partners Limited ("QCP" or the "Company") is currently registered with the VFSC under the company number #39785 and holds an Investment Advisor and Manager licence under the Prevention of Fraud (Investments) Act [CAP.70].

By the Investment Management Agreement, the Fund has appointed the Investment Manager with responsibility for the selection of Fund assets. The Investment Manager will also supervise the day-to-day management of the Fund. The Investment Manager will make all investment decisions on behalf of the Fund in accordance with the investment objectives and policies stated in this Offering Memorandum, and will be generally responsible for the selection, purchase, monitoring and disposal of Fund assets on behalf of the Fund. The Investment Manager will select the brokers or the dealers, if any, that will execute portfolio transactions for the Fund.

The Investment Manager has no obligation to deal with any broker or brokers in the execution of transactions in portfolio securities.

Some Fund assets considered for investment by the Fund may also be appropriate for other clients advised by the Investment Manager. If the purchase or sale of securities are consistent with the Fund's investment policies and one or more of these other funds or clients advised by the Investment Manager or by an affiliate are considered at or about the same time, transactions in such securities will be allocated among the several clients in a manner deemed fair and equitable by the Investment Manager. These allocations may be advantageous or disadvantageous to the Fund.

The Investment Manager may, in its discretion, delegate the performance of any of its duties under the Investment Management Agreement to third parties from time to time.

The Investment Management Agreement is terminable either by the Investment Manager or by the Fund on not less than 90 days' notice.

The Investment Manager is entitled to receive fees out of assets of the Fund, as described below under the section headed "Charges and Expenses."

The Investment Management Agreement provides that in the absence of fraud, wilful default or gross negligence by the Investment Manager, its servants, agents or delegates, neither the

Investment Manager nor its affiliates shall be liable for any loss or damage which the Fund may sustain or suffer as a result or in the course of discharge by the Investment Manager of its duties hereunder, and shall be indemnified by the Fund for all losses, liabilities, expenses, obligations, damages, penalties, actions, judgments, suits, costs or disbursements incurred by it in performing its obligations. For the avoidance of doubt, where there is fraud, wilful default or gross negligence committed by the Investment Manager, its servants, agents or delegates, the Investment Manager shall be liable for any act or omission of the Investment Manager and those of its servants, agents or delegates.

## **Administrator**

The Administrator is South Pacific Administration & Fund Services (“SPAFS” Ltd). South Pacific Administration & Fund Services is a licensed company service provider (CSP) and fund administrator registered with the Vanuatu Financial Services Commission (VFSC) providing expertise to financial, institutional and business clients on the corporate laws of the Republic of Vanuatu. SPAFS delegates the fund administration to Apex Fund Services (Australia).

The Administration Agreement is concluded for an unlimited duration and may be terminated by the Administrator or the Fund in certain circumstances specified therein. The Administrator will provide in respect of the Fund accounting, net asset valuation services, share issue, registrar, transfer and redemption services and perform generally all other administrative duties usually performed by accountants, registrars and transfer agents upon the terms and conditions contained in the Administration Agreement. The Administrator may, in its discretion, delegate the performance of any of its duties under the Administration Agreement to third parties, from time to time.

The Administrator is entitled to receive fees out of assets of the Fund, as described below under the section headed “Charges and Expenses.”

The Administration Agreement provides that in the absence of certain circumstances specified therein, the Administrator shall not be liable to the Fund for any act or omission in the course of or in connection with the services rendered by it for any loss or damage which the Fund may sustain or suffer as a result or in the course of the discharge by the Administrator or its officers and employees of its duties and shall be indemnified by the Fund for all losses, liabilities or expenses incurred by it in performing its obligations.

## **Custodian**

The Custodian is Westpac Banking Corporation, Port Vila Branch. Westpac Banking Corporation (Westpac) was founded in 1817 and was the first bank established in Australia. As at 30 September 2012, the Westpac Group employed approximately 36,000 people (full time equivalent basis) in Australia, New Zealand and around the world, and had global assets of A\$675 billion.

The Custodian Agreement is concluded for an unlimited duration and may be terminated by the Custodian or the Fund in certain circumstances specified therein. The Custodian is entitled to receive fees out of assets of the Fund, as described below under the section headed “Charges and Expenses.”

The Custodian Agreement provides that in the absence of certain circumstances specified therein, the Custodian shall not be liable for any act or omission in the course of or in connection with the services rendered by it or for any loss or damage which the Fund might sustain or suffer as a result or in the course of discharge by the Custodian of its duties and shall be indemnified by the Fund for all losses, liabilities or expenses incurred by it in performing its obligations.



## CHARGES AND EXPENSES

### **Investment Manager's Management Fee**

Under the terms of the Investment Management Agreement, the Investment Manager will be entitled to receive a management fee ("Management Fee") equal to 1.95% per annum of the Net Asset Value, payable daily in advance.

### **Investment Manager's Performance Fee**

The Fund will also pay the Investment Manager, out of the assets attributable to each Class of Shares, a performance fee ("Performance Fee") equal to 15%.

On each quarterly Valuation Date, a performance fee will be deducted from the Net Asset Value of A shares (the "**Performance Fee**").

The Performance Fee will be calculated after calculation and payment of all fees as follows:

The Performance Fee will be equal to a percentage of the appreciation in the Net Asset Value of A shares above the Base Net Asset Value of A shares. The Base Net Asset Value of a share is the highest Net Asset Value achieved by that share as at any previous Valuation Day (if any) ("**High Watermark**"-principle). On the first Valuation Day, the Base Net Asset Value of a share is equal to the Initial Subscription Price of that share. Following extreme market events, the High Watermark may be adjusted to a lower level, so that subsequently the Base Net Value of a share is the higher of (i) the adjusted High Watermark and (ii) the highest Net Asset Value achieved by that share as at any previous Valuation Day since the adjustment of the High Watermark. The Performance Fee will be calculated by reference to the Net Asset Value of A shares of the relevant Valuation Day before making the deduction of the Preferred Return.

### **Directors Fees**

As compensation for its services to the Fund, the Directors will initially receive an annual fee of USD 5,000 each. Such fee may be subject to increase as determined by the Directors from time-to-time.

### **Administrator Fees**

The fees of the Administrator are payable proportionately out of the assets attributable to each Class of Shares equal to 0.10% per annum of the Net Asset Value with a minimum of US\$ 3,500 per month, payable monthly in advance and shall be their customary fees together with any out-of-pocket expenses and disbursements. The Administrator will also charge a financial statement preparation and audit fee of US\$ 5,000 per annum.

The Administrator may appoint for its own account sub-administrators. The fees and expenses payable to any such delegate shall be paid by the Administrator out of the fees referred to above.

### **Custodian Fees**

The fees of the Custodian shall be their customary fees together with any out-of-pocket expenses and disbursements.

The Custodian may appoint for its own account sub-custodians. The fees and expenses payable to any such delegate shall be paid by the Custodian out of the fees referred to above.

### **Initial Expenses**

The Fund shall pay for all of the initial and organizational expenses relating to the Shares. In addition, the Fund shall pay the Investment Manager up to USD 15,000 to cover certain initial internal operational and legal costs incurred by the Investment Manager in connection with the offering of Shares. The organizational and initial offering expenses of the Fund may, at the Directors' option, be amortized over a period of 60 months, notwithstanding their treatment under generally accepted accounting principles, and as a result, the Fund may not receive an unqualified opinion from its independent auditors. The Fund's accounting shall be performed in accordance with [US GAAP/International Financial Reporting Standards], except as otherwise determined by the Directors.

### **General Expenses**

Other than the organizational expenses set forth above, only expenses incurred, paid or accrued by the Fund in its ordinary and usual course of business and other direct expenses of the Fund's operation will be charged to the Fund. Such expenses may include, but are not limited to, administrative costs (including but not limited to the cost of printing and distributing periodic reports and statements), interest on borrowed funds, auditing expenses, legal expenses, insurance, licensing, accounting, brokerage and other commissions, margin, premium and interest expenses, fees and disbursements of transfer agents, registrars, custodians, sub-custodians and escrow agents, any expense or professional fees incurred in connection with structuring the acquisition or disposition of Fund assets, fees payable in the Republic of Vanuatu on increases in the share capital of the Fund, the annual registration fee payable in the Republic of Vanuatu, and all other investment related expenses. The Fund also shall pay all extraordinary expenses relating to the operation of the Fund including, without limitation, litigation or extraordinary regulatory expenses. No reimbursement shall be made to the Investment Manager for any expenses incurred with providing investment management services such as communication, travel, office rent and research.

## **POTENTIAL CONFLICTS OF INTEREST**

Potential conflicts of interest exist in the structure and operation of the Fund's business. In particular, two of the directors of the Fund are also the directors of the Investment Manager.

### **Other Business Activities**

The Investment Manager, its affiliates and their respective members, partners, officers and employees and their respective affiliates spend substantial time and attention on other business activities including investment management and advisory services for other clients and management of other investment vehicles. Further, they intend to engage in such business activities from time to time and may sponsor, manage or advise other pooled investment funds or separate accounts (collectively, "Other Clients") with overlapping investment objectives with those of the Fund. The Directors may be subject to similar conflicts of interest in its provision of services to the Fund.

### **Allocation of Investment Opportunities**

The Investment Manager and its affiliates will seek to allocate investment opportunities and dispositions fairly over time among the Fund and Other Clients, taking into consideration diversification, investment objectives, existing investments, liquidity, contractual commitments or regulatory obligations and other considerations. Fund assets are generally offered in private offerings and it is not uncommon for Fund assets to become closed to new investments due to size constraints or other considerations. Also, the Fund or Other Clients may not be eligible investors in all potential Fund assets. Therefore, it is likely that the Fund's portfolio and those of Other Clients will have differences in the specific Fund assets held in their portfolios even when their investment objectives are the same or similar. These distinctions will result in differences in portfolio performance.

### **Sideletter Agreements Regarding Investment Opportunities**

When purchasing Fund assets, the Investment Manager may have an opportunity to negotiate agreements that provide more advantageous investment terms for the Fund and Other Clients than may be available to other investors. Although the Investment Manager endeavors to negotiate the same terms on behalf of all clients, there may be situations where regulatory, investment objectives or other considerations result in differences among clients in the terms or the availability of the benefits of any such agreements. Furthermore, there may be circumstances where the benefit provided cannot be exercised by all clients simultaneously or at all. Also, while the Investment Manager may negotiate terms that it considers more advantageous overall, concessions may be required to obtain such terms.

### **Fees Paid to the Investment Manager**

Fees paid to the Investment Manager have not been established on the basis of an arm's-length negotiation between the Fund and the Investment Manager. Performance-based fees may create an incentive for the Investment Manager to approve and cause the Fund to make more speculative investments than it would otherwise make in the absence of such performance-based compensation. By executing the Subscription Agreement, and by owning Shares, each Shareholder is deemed to have independently agreed to such fees. Further, to the extent the Investment Manager may be consulted on the calculation of Net Asset Value which will determine the amount of any Performance Fee payable to the Investment Manager, the Investment Manager will have a conflict of interest as to the determination of valuation of Net Asset Value.

### **Allocation of Expenses**

The Investment Manager and its affiliates may from time to time incur expenses on behalf of the Fund and one or more existing or subsequent entities for which the Investment Manager or its affiliates act as investment manager, Investment Manager, managing member or in a similar capacity. Although the Investment Manager and its affiliates will attempt to allocate such expenses on a basis that they consider equitable, there can be no assurance that such expenses will in all cases be allocated appropriately.

### **Transactions Between the Fund and Other Clients**

The Investment Manager may cause the Fund to purchase securities from or sell securities to Other Clients when the Investment Manager believes such transactions are appropriate based on each party's investment objectives.

### **Other Business Relationships**

The Investment Manager or its affiliates may have, and in the future may develop, business relationships that are independent of the investment management services provided to the Fund by the Investment Manager. These may include, but are not limited to, lending, depository, brokerage, risk management, investment advisory, security distribution or banking relationships with counterparties to transactions with the Fund or third parties that also provide investment management or other services to the Fund. Any such relationships may involve potentially material conflicts of interest. In addition, managers of funds included in the Fund's portfolios, their employees or affiliates may be clients of the Investment Manager or its affiliates or investors in funds they manage.

### **Prospective Consent of Shareholders**

Pursuant to the terms of the Subscription Agreement of each Shareholder, each Shareholder will be deemed to have consented prospectively to any and all of the activities of the type or nature described in this Offering Memorandum, including, but not limited to, the activities described in "Potential Conflicts of Interest," whether or not such activities have or could have an effect on the Fund's affairs and no such activity will in and of itself constitute a breach of any duty owed by any person to the Fund or any Shareholder.

## **DIVIDENDS, REPORTS AND STATEMENTS**

### **Dividend Policy**

The Fund does not expect to pay dividends or other-distributions with respect to the Shares. The dividend policy of the Fund with respect to the Shares will be determined by the Directors from time to time upon the advice and recommendation of the Investment Manager.

### **Reports and Statements**

The Fund's Fiscal Year ends on November, 30 in each year. It is intended that annual audited financial statements of the Fund will be sent to the Shareholders within 90 days of the end of the Fiscal Year, or as soon thereafter as practicable. These statements will be prepared in accordance with [US GAAP/International Accounting Standards] or such other official standards as may be agreed between the Directors and the Auditors.

An unaudited quarterly commentary prepared by the Investment Manager will also be sent to Shareholders within 30 days of the end of each quarter or as soon as practicable thereafter.

All financial statements, notices and other documents will be sent, in the case of joint holders of Shares, to the holder who is named first in the Register of Shareholders of the Fund at his registered address.

## **TAXATION**

This summary of the principal tax consequences applicable to the Fund and its Shareholders is based upon advice received from the Fund's Vanuatu legal and tax advisors. Moreover, while this summary is considered to be a correct interpretation of existing laws in force on the date of this Memorandum, no assurance can be given that courts or fiscal authorities responsible for the administration of such laws will agree with such interpretation or that changes in such laws will not occur. Accordingly, each prospective investor in the Fund should consult with its own tax advisor in order to understand the potential tax issues affecting the Fund and each investor. Further all laws, including laws relating to taxation in the Republic of Vanuatu and other jurisdictions are subject to change without notice.

### **The Fund and the Republic of Vanuatu Taxation**

On the basis of present legislation, the Fund is not subject to taxation in the Republic of Vanuatu. There are currently no Vanuatu Corporation, income, capital gains, profits or other taxes.

### **Shareholders of the Fund**

Shareholders who are not otherwise subject to Republic of Vanuatu taxes by reason of their residence, domicile or other particular circumstances should not become subject to any such taxes by reason solely of the ownership, transfer or redemption of the Shares.

Persons interested in purchasing the Fund's Shares 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 the Fund's Shares.

The foregoing summary does not address tax considerations, which may be applicable to certain Shareholders under the laws of jurisdictions other than the Republic of Vanuatu. The Fund has no present plans to apply for any certifications or registrations, or to take any other actions under the laws of any jurisdictions, which would afford relief to local investors therein from the normal tax regime otherwise applicable to an investment in the Shares. The value of the Fund's investments may also be affected by repatriation and exchange control regulations. Tax may be withheld at source in certain countries in respect of dividends paid by the Fund's investments.

## VALUATION AND PRICES

### Calculation of Net Asset Value

The attention of the investor is drawn to the fact that the valuation of the assets is based on information (including, without limitation, position reports, confirmations statements, etc.) which is available at the time of such Valuation Day. Except in case of manifest error, the valuation is conclusive and no adjustments will be made. If since the time of determination of the Net Asset Value there has been a material change in the quotations in the markets on which a substantial portion of the investments attributable to the relevant class of shares are dealt in or quoted, the Investment Manager may, in order to safeguard the interests of the Shareholders and the Company, cancel the first valuation and carry out a second valuation, in which case all relevant subscription and redemption requests will be dealt with on the basis of that second valuation.

The Net Asset Value will be determined by deducting the value of the liabilities (including accrued Performance Fees based on the equalization method and a high water mark) of the Fund from the value of the Fund's assets as follow:

(1) The assets of the Company comprise the following:

- a) All cash in hand or held at banks, including interest accrued and not paid;
- b) All bills and notes payable at sight and accounts receivable, including proceeds from the sale of securities, the price of which has not yet been collected;
- c) All securities, units, shares, bonds, option or subscription rights, and other investments and transferable securities which are the property of the Company;
- d) All dividends and distributions due to the Company in cash or securities insofar as the Company could reasonably have knowledge thereof (the Investment Manager may however make adjustments in view of fluctuations in the market value of transferable securities on the basis of operations such as ex dividend and ex rights trading);
- e) All interest accrued and not paid produced by the securities which are the property of the Company, unless however such interest is included in the principal amount of such securities;
- f) The costs of incorporation of the Company insofar as they have not been amortized;
- g) All other assets, whatever the nature thereof, including prepaid expenses.

(2) The value of such assets shall be determined as follows:

- a) The value of cash in hand or held at banks, of bills and notes payable at sight and

accounts receivable, prepaid expenses, dividends and interest announced or due for payment and not yet collected is formed by the nominal value of such assets, unless however it appears unlikely that such value can be collected; in the latter instance, the value shall be determined by deducting such amount as the Investment Manager shall consider appropriate with a view to reflecting the real value of such assets.

- b) The value of securities and instruments which are listed or traded on a stock exchange shall be determined according to the last available price.
- c) The value of securities and instruments which are traded on another regulated market functioning regularly, recognized and open to the public, shall be determined according to the last available price.
- d) Money-market instruments and fixed-income securities may be valued on the basis of the amortised cost method. This method involves valuing a security at its cost and thereafter assuming a constant amortization to maturity of any discount or premium regardless of the impact of fluctuating interest rates on the market value of the security. While this method provides certainty in valuation, it may result in periods during which value as determined by amortised cost, is higher or lower than the price the Company would receive if it sold the securities. The yield to a Shareholder may differ somewhat from that which could be obtained if the Company would have marked its securities to market each day.
- e) The value of the securities representing any open-ended undertaking for collective investment shall be determined in accordance with the last official net asset value per unit or according to the last estimated net asset value if the latter is more recent than the official net asset value, provided that the Investment Manager has the assurance that the method of valuation used for such estimation is coherent with that used for official calculation of net asset value. The value of the securities representing any closed-ended undertaking for collective investment shall be determined in accordance with (b) and (c) above.
- f) Insofar as the securities or instruments in the portfolio on the Valuation Date are neither listed or traded either on a stock exchange or on another regulated market, functioning regularly, recognized and open to the public, or in the event that, with regard to securities listed and traded on a stock exchange or on such other market, the price determined pursuant to paragraphs b) and c) shall not be representative of the real value of such transferable securities, valuation shall be based on the probable realization value which shall be estimated by the Investment Manager prudently and in good faith.
- g) Investments in emission certificates shall be valued on the basis of standard market practices.
- h) Other investments and other property and assets shall be valued according to the valuation principles as customarily applied as standard market practices, such as the



European Venture Capital Association rules.

- i) The liquidating value of futures, spot, forward or options contracts not traded on exchanges or on other Regulated Markets shall mean their net liquidating value determined, pursuant to the policies established by the Investment Manager, on a basis consistently applied for each different variety of contracts. The liquidating value of futures, spot, forward or options contracts traded on exchanges or on other Regulated Markets shall be based upon the closing prices of these contracts on the preceding business day on exchanges and Regulated Markets on which the particular futures, spot, forward or options contracts are traded by the Fund; provided that if a futures, forward or options contract could not be liquidated on the day with respect to which net assets are being determined, the basis for determining the liquidating value of such contract shall be such value as the Investment Manager may deem fair and reasonable.

Credit default swaps will be valued at their present value of future cash flows by reference to standard market conventions, where the cash flows are adjusted for default probability. Interest rate swaps will be valued at their market value established by reference to the applicable interest rates' curve. Other swaps will be valued at fair market value as determined in good faith pursuant to the procedures established by the Investment Manager.

- j) Values expressed in a currency other than that of the respective Sub-Funds or classes, as the case may be shall be converted at the last mean rate known.

The Investment Manager, in its discretion, may permit some other method of valuation to be used if it considers that such valuation better reflects the fair value of any asset of the Company.

(3) The liabilities of the Company comprise the following:

- a) All loans, bills outstanding and accounts payable;
- b) All administration costs outstanding or due, including remuneration to investment advisors, managers, the custodian bank, representatives and agents of the Company.

For the valuation of the amount of these liabilities, the Investment Manager shall take into account prorata temporis the expenses, administrative and other, that occur regularly or periodically;

- c) The Company constitutes one single legal entity. With regard to third parties, in particular towards the Company's creditors each Sub-Fund shall be exclusively responsible for all liabilities attributable to it. The assets, liabilities, expenses and costs that cannot be allotted to one Sub-Fund will be charged to the different Sub-Funds in equal parts or, as far as it is justified by the amounts concerned, proportionally to their respective net assets.

Adequate provisions will be made, Sub-Fund by Sub-Fund, for expenses to be borne by each of the Company's Sub-Fund and off-balance-sheet commitments may possibly be taken into account on the basis of fair and prudent criteria;

- d) All known obligations, whether outstanding or not yet payable, including all contractual obligations due which relate to payments either in cash or in kind, including the amount of the dividends announced by the Company but not yet paid, when the Valuation Date coincides with the date on which determination of the person entitled thereto is undertaken;
- e) An appropriate provision for tax on capital and income, accrued to the Valuation Date and fixed by the Investment Manager, and other provisions authorized or approved by the Investment Manager;
- f) All other obligations of the Company, whatever the nature thereof, with the exception of the liabilities represented by the Company's own funds. With regard to valuation of the amount of such liabilities, the Investment Manager may take account of administrative and other expenses which are regular or periodic in nature by way of an estimate for the year or any other period, allocating the amount pro rata over the fractions of such period;

In calculating the Net Asset Value, the Administrator shall not be liable for any loss suffered by the Fund by reason of any error in the calculation of the Net Asset Value resulting from any inaccuracy in the information provided by any pricing service. The Administrator shall use reasonable endeavours to verify any pricing information supplied by the Investment Manager or any connected person thereof (including a connected person who is a broker, market maker or other intermediary). However, in certain circumstances it may not be possible or practical for the Administrator to verify such information and, in such circumstances, the Administrator shall not be liable for any loss suffered by the Fund by reason of any error in the calculation of the Net Asset Value resulting from any inaccuracy in the information provided by the Investment Manager or its delegates. In circumstances where the Administrator is directed by the Investment Manager or its delegates to use particular pricing services, brokers, markers or other intermediaries, the Administrator shall not be liable for any loss suffered by the Fund by reason of any error in the calculation of the Net Asset Value resulting from any inaccuracy in the information provided by such pricing services, brokers, market makers or other intermediaries not appointed or selected by the Administrator.

The Directors may, at any time and from time to time, suspend the determination of the Net Asset Value and/or extend the period for the payment of redemption monies to persons who have redeemed Shares for the whole or any part of a period:

- (a) during which any stock exchange, commodities exchange, futures exchange or over-the-counter market on which any significant portion of the investments of the Fund is listed,

- quoted, traded or dealt in is closed (other than customary weekend and holiday closing) or trading on any stock exchange or market is restricted or suspended; or
- (b) when circumstances exist as a result of which in the opinion of the Directors on its behalf, it is not reasonably practicable for the Fund to dispose of investments or as a result of which any such disposal would be materially prejudicial to Shareholders; or
  - (c) when a breakdown occurs in any of the means normally employed in ascertaining the value of investments or when for any other reason the value of any of the investments or other assets of the Fund cannot in the opinion of the Directors on its behalf, reasonably or fairly be ascertained; or
  - (d) during which the redemption or realization of the Fund's investments or the transfer of funds involved in such redemption or realization cannot in the opinion of the Directors on its behalf, be effected at normal prices or normal rates of exchange.

No Shares may be issued or redeemed during such a period of suspension. All reasonable steps will be taken to bring any period of suspension to an end as soon as possible.

## **SHARE CAPITAL AND RIGHTS**

The authorised share capital of the Fund is US\$ 1,000 divided into 1000 management voting shares of a nominal or par value US\$ 1 each (“Management Shares” or “Class M”) and 100,000,000 participating non-voting shares of a nominal or par value US\$ 0.001 each (“Participating Shares” or “Class A”). All one thousand Management Shares have been issued for cash at par and are held by the Investment Manager or its affiliates.

The holder of each Management Share shall have the right to one vote for each such share registered in his name. The Participating Shares do not confer on the holders thereof the right to receive notice of, attend or vote at general meetings of the shareholders except if, and only in respect of, a resolution affecting the class rights of such holders.

The authorised share capital of the Fund may be altered from time to time by resolution of the holders of Management Shares.

### **Rights on Winding Up**

Each Participating Share carries the right to a return of the nominal value paid up in respect of such share in priority to the repayment of the nominal value paid up on Management Shares.

Each Participating Share shall also entitle the holder thereof to share in surplus assets of the Fund available for distribution after the return of the nominal value paid up on all shares pro rata their respective holdings. Holders of Management Shares have no right to share in any surplus.

### **Alteration of the articles and memorandum of association**

The articles and memorandum of association of the Fund shall not be rescinded, altered or amended unless the same is passed by a special resolution of the holders of the Management Shares being entitled so to vote in person or by proxy at a meeting of the Fund of which notice specifying the intention to propose such resolution has been duly given or by the written consent of the holders of the Management Shares. The rights attached to any Class may, whether or not the Fund is being wound up, be varied with the consent in writing of the holders of three-fourths of the issued shares of that Class.

### **Indemnification**

The articles and memorandum of association of the Fund contains provisions indemnifying and exempting the Directors and other officers and servants of the Fund from liability in the discharge of their duties except in certain circumstances. The Articles and memorandum of association also provides that the amount for which such indemnity is given shall immediately attach as a lien and charge on the property of the Fund and shall have priority over all other claims.

## **Variation of Rights**

The Fund's articles and memorandum of association provide that the rights attached to any class of shares may, subject to the laws of the Republic of Vanuatu and unless otherwise provided by the terms under which the shares of that class were issued, be varied or abrogated with the consent in writing of the holders of three-quarters of the issued shares of that class or with the sanction of a resolution passed at a separate meeting of the holders of the shares of such class by a majority of three-quarters of the votes cast at that meeting. The rights attached to the Participating Shares shall not, unless otherwise expressly provided by the terms of the issue of the Participating Shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

## **FURTHER INFORMATION**

### **Documents available for inspection**

Copies of the following documents are available for inspection during normal business hours on any Business Day at the office of the Administrator without charge:-

- (a) the articles and memorandum of association of the Fund;
- (b) the Investment Management Agreement;
- (c) the most recent financial statements of the Fund (if any);
- (d) this Offering Memorandum and any updates thereof; and
- (e) circulars to holders of the Shares issued by the Fund.

### **Litigation**

The Fund is not engaged in any litigation or arbitration and no litigation or claim is known to the Directors to be pending or threatened by or against the Fund.

### **Disclosure of Interests**

Save as may be disclosed in this Offering Memorandum, no amount or benefit has been paid or given or is intended to be paid or given to any promoter of the Fund.

## INVESTMENT BY U.S. TAX EXEMPT ENTITIES - ERISA CONSIDERATIONS

Shareholders which are U.S. tax-exempt entities, including, but not limited to, charities, foundations, pension trusts, Keogh Plans and Individual Retirement Accounts (“IRAs”), are subject to U.S. federal income tax on unrelated business taxable income (“UBTI”). Under current U.S. tax law, in general, and absent other circumstances such as the investment in the Fund itself being considered a leveraged investment, dividends to tax-exempt Shareholders of the Fund and capital gains on disposition of the Shares of the Fund should not be considered UBTI; however, prospective U.S. tax-exempt Shareholders should consult with and rely solely upon their own tax advisors on this issue.

An investment of employee benefit plan assets in the Fund may raise additional issues under the U.S. Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and the Internal Revenue Code of 1986, as amended (“Code”). Certain of these issues are described below.

### General Fiduciary Matters

ERISA and the Code impose certain duties on persons who are fiduciaries of a plan and prohibit certain transactions involving the assets of a plan and its fiduciaries or other interested parties. Under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of the Plan (as defined below), or the management or disposition of the assets of a plan or who renders investment advice for a fee or other compensation to the Plan, is generally considered to be a fiduciary of the plan.

In considering an investment in the Fund of a portion of the assets of any employee benefit plan (including a “Keogh” plan) subject to the fiduciary and prohibited transaction provisions of ERISA or the Code or similar provisions under applicable state law (collectively, a “Plan”), a fiduciary should determine, in light of the high risks and lack of liquidity inherent in an investment in the Fund, whether the investment is in accordance with the documents and instruments governing the Plan and the applicable provisions of ERISA or similar law relating to a fiduciary’s duties to the Plan. Furthermore, absent an exemption, the fiduciaries of a Plan should not purchase Shares with the assets of any Plan, if the Investment Manager or any affiliate thereof is a fiduciary or other “party in interest” or “disqualified person” (collectively, a “party in interest”) with respect to the Plan.

## Plan Assets

ERISA and the Code do not define “plan assets.” However, regulations promulgated under ERISA by the U.S. Department of Labor (“Plan Asset Regulations”) generally provide that when a Plan subject to Title I of ERISA or Section 4975 of the Code acquires an equity interest in an entity that is neither a “publicly-offered security” nor a security issued by an investment company registered under the Investment Company Act, the Plan’s assets include both the equity interest and an undivided interest in each of the underlying assets of the entity unless it is established either that equity participation in the entity by “benefit plan investors” is not “significant” or that the entity is an “operating company,” in each case as defined in the Plan Asset Regulations. For purposes of the Plan Asset Regulations, equity participation in an entity by benefit plan investors will not be “significant” if they hold, in the aggregate less than 25% of the value of any class of such entity’s equity, excluding equity interests held by persons (other than a benefit plan investor) with discretionary authority or control over the assets of the entity or who provide investment advice for a fee (direct or indirect) with respect to such assets, and any affiliates thereof. For purposes of this 25% test (“Benefit Plan Investor Test”), “benefit plan investors” generally include all employee benefit plans, whether or not subject to ERISA or the Code, including “Keogh” plans, individual retirement accounts and pension plans maintained by foreign corporations, as well as any entity whose underlying assets are deemed to include Plan assets under the Plan Asset Regulations (e.g., an entity of which 25% or more of the value of any class of equity interests is held by employee benefit plans or other benefit plan investors and which does not satisfy another exception under the Plan Asset Regulations), unless all of the benefit plan investors are individual retirement accounts. Thus, absent satisfaction of another exception under the Plan Asset Regulations, if 25% or more of the value of any class of Shares of the Fund were held by benefit plan investors, an undivided interest in each of the underlying assets of the Fund would be deemed to be “plan assets of any Plan subject to Title I of ERISA or Section 4975 of the code that invested in the Fund.”

The Shares will not constitute “publicly offered” securities or securities issued by an investment company registered under the Investment Company Act and it is not expected that the Fund will qualify as an “operating company” under the Plan Asset Regulations. Consequently, the Investment Manager intends to use reasonable effort either to prohibit plans subject to Title I of ERISA or Section 4975 of the Code from investing in the Fund or to provide that investment by benefit plan investors in the Fund will not be “significant” for purposes of the Plan Asset Regulations by limiting equity participation by benefit plan investors in the Fund to less than 25% of the value of any Class of Shares in the Fund as described above. However, each Plan fiduciary should be aware that even if the Benefit Plan Investor Test were met at the time a Plan acquires Shares in the Fund, the exemption could become unavailable at a later date as a result, for example, of subsequent transfers or redemptions of Shares in the Fund, and that Shares held by benefit plan investors may be subject to mandatory redemption or withdrawal in such event in order to continue to meet the Benefit Plan Investor Test.

Furthermore, there can be no assurance that notwithstanding the reasonable efforts of the Fund, the Fund will satisfy the Benefit Plan Investor Test, that the structure of particular investments of

the Fund will otherwise satisfy the Plan Asset Regulations or that the underlying assets of the Fund will not otherwise be deemed to include ERISA plan assets.

### Plan Asset Consequences

If the assets of the Fund were deemed to be “plan assets” under ERISA, (i) the prudence and other fiduciary responsibility standards of ERISA would extend to investments made by the Fund and (ii) certain transactions in which the Fund might seek to engage could constitute “prohibited transactions” under ERISA and the Code. If a prohibited transaction occurs for which no exemption is available, the Investment Manager and any other fiduciary that has engaged in the prohibited transaction could be required (i) to restore to the Plan any profit realized on the transaction and (ii) to reimburse the Plan for any losses suffered by the Plan as a result of the investment. In addition, each party in interest involved could be subject to an excise tax equal to 15% of the amount involved in the prohibited transaction for each year the transaction continues and, unless the transaction is corrected within statutorily required periods, to an additional tax of 100%. Plan fiduciaries that decide to invest in the Fund could, under certain circumstances, be liable for prohibited transactions or other violations as a result of their investment in the Fund or as co-fiduciaries for actions taken by or on behalf of the Fund or the Investment Manager. With respect to an IRA that invests in the Fund, the occurrence of a prohibited transaction involving the individual who established the IRA, or his or her beneficiaries, could cause the IRA, to lose its tax-exempt status.

The Directors of the Fund will have the power to take certain actions to avoid having the assets of the Fund characterized as plan assets including, without limitation, the right to refuse a subscription and the right to compulsorily redeem a Shareholder’s Shares in the Fund. While the Board of Directors does not expect that it will need to exercise such power, it cannot give any assurance that such power will not be exercised.

Each plan fiduciary should consult its own legal advisor concerning the considerations discussed above before making an investment in the Fund.