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## **PRIVATE OFFERING MEMORANDUM**

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### **NAVI INTERNATIONAL FUND**

an open-ended investment fund incorporated as an exempted  
company limited by shares under the laws of the Cayman Islands  
with registration number 351645

### **NAVI CAPITAL ADMINISTRADORA E GESTORA DE RECURSOS FINANCEIROS LTDA.**

Investment Manager

July 2019

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This Private Offering Memorandum is strictly confidential. It is being provided to a restricted number or class of potential investors. It is intended to be read by the potential investor to whom it has been addressed, and is made available on the understanding that it will not be passed on to any person other than the potential investor's professional advisers.

The distribution of this Private Offering Memorandum and the offering or purchase of Participating Shares in the Fund may be restricted in certain jurisdictions. No person receiving a copy of this Private Offering Memorandum, or the accompanying Subscription Agreement, in any such jurisdiction may treat this Private Offering Memorandum or such Subscription Agreement as constituting an invitation to subscribe for Participating Shares in the Fund unless in the relevant jurisdiction such an invitation may be lawfully made without compliance with any registration or other legal requirements.

Potential investors should carefully review this Private Offering Memorandum and obtain their own professional advice before subscribing for Participating Shares in the Fund. In particular, potential investors should consult with their legal, tax and financial advisers to determine the possible legal, tax, financial and other consequences of purchasing, holding or redeeming Participating Shares in the Fund.

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## DIRECTORY

|                                                                                                                                                                         |                                                                                                                                    |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|
| <b>Directors</b><br>Mr. João Paulo de Aragon Moraes Baptista<br>Mr. Felipe Babo Lessa Campos<br>Mr. Jason Fitzgerald                                                    | <b>Registered Office</b><br>Ogier Global (Cayman) Limited<br>89 Nexus Way<br>Camana Bay<br>Grand Cayman KY1-9009<br>Cayman Islands |
| <b>Investment Manager</b><br>Navi Capital Administradora e Gestora de Recursos Financeiros Ltda.<br>Av. Ataulfo de Paiva 1100, Sala 601<br>Rio de Janeiro, RJ<br>Brazil | <b>Administrator</b><br>Banco Bradesco S.A.<br>Cidade de Deus, Prédio Amarelo<br>Vila Yara<br>CEP 06029-900, Osasco, SP<br>Brazil  |
| <b>Legal Adviser as to matters of Cayman Islands law</b><br>Ogier<br>89 Nexus Way,<br>Camana Bay<br>Grand Cayman KY1-9009<br>Cayman Islands                             | <b>Auditor</b><br>PwC<br>Cayman Islands<br>18 Forum Lane, PO Box 258, Grand Cayman<br>KY1-1104, Cayman Islands                     |

### Enquiries

Written enquiries relating to the Fund should be addressed to the Investment Manager at the address set out above.

## **IMPORTANT NOTICES TO POTENTIAL INVESTORS**

### **Private Offering Memorandum**

This Memorandum relates to the offering of Participating Shares in the Fund, an open-ended investment fund incorporated as an exempted company limited by shares under the Companies Law.

The Directors, whose names appear in the Directory, accept responsibility for the information contained in this Memorandum. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Memorandum is strictly confidential and intended to be read only by the person to whom it has been delivered to enable that person to evaluate an investment in the Fund. It is not to be reproduced or distributed to any other persons except that a potential investor may provide a copy to its professional advisers.

### **Reliance on this Memorandum**

The Participating Shares are offered only on the basis of the information contained in this Memorandum. Any further information or representations given or made by any dealer, broker or other person should be disregarded and accordingly, should not be relied upon. No person has been authorised to give any information or to make any representations in connection with the offering of the Participating Shares other than those contained in this Memorandum and, if given or made, such information or representations must not be relied on as having been authorised by the Directors.

Statements in this Memorandum are based on the law and practice in force in the Cayman Islands at the date of this Memorandum and are therefore subject to change should that law or practice change. Neither the delivery of this Memorandum nor the issue of the Participating Shares shall under any circumstances create any implication or constitute any representation that the affairs of the Fund have not changed since the date of this Memorandum.

### **Investor responsibility**

No representations or warranties of any kind are intended or should be inferred with respect to the economic return from, or the tax consequences of, an investment in the Fund. No assurance can be given that existing laws will not be changed or interpreted adversely. Potential investors should not construe this Memorandum as legal, investment or tax advice.

Before making an investment in the Fund, prospective investors should review this Memorandum carefully and in its entirety and consult with their legal, tax and financial advisers in relation to: (i) the legal and regulatory requirements within their own countries for the purchase, holding, redeeming or disposing of the Participating Shares; (ii) any foreign exchange restrictions to which they are subject in their own countries in relation to the purchase, holding, redeeming or disposing of the Participating Shares; and (iii) the legal, tax, financial or other consequences of subscribing for, purchasing, holding, redeeming or disposing of the Participating Shares. By

retaining this Memorandum, each recipient acknowledges and represents to the Fund that it has read, understood and accepted the terms of this Important Notice. If the recipient does not accept these terms, it must immediately return this Memorandum to the Fund, marked to the attention of “The Investment Manager”.

### **Distribution and selling restrictions**

Neither this Memorandum nor the Participating Shares described in it have been qualified for offer, sale or distribution under the laws of any jurisdiction governing the offer or sale of mutual fund equity interests or other securities. The distribution of this Memorandum and the offering or purchase of the Participating Shares may be restricted in certain jurisdictions. No persons receiving a copy of this Memorandum or the Subscription Agreement in any such jurisdiction may treat this Memorandum or the Subscription Agreement as constituting an invitation to them to subscribe for the Participating Shares, nor should they in any event use the Subscription Agreement, unless in the relevant jurisdiction such an invitation could lawfully be made to them and such Subscription Agreement could lawfully be used without compliance with any registration or other legal requirements. Accordingly, this Memorandum does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not lawful or in which the person making such offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make such offer or solicitation. It is the responsibility of any persons in possession of this Memorandum and any persons wishing to apply for the Participating Shares pursuant to this Memorandum to inform themselves of and to observe all applicable laws and regulations of any relevant jurisdiction.

The Fund may not make an invitation to the public in the Cayman Islands to subscribe for Participating Shares unless the Fund is listed on the Cayman Islands Stock Exchange. For these purposes, “public” has the same meaning as “public in the Islands” as defined in the Mutual Funds Law (Revised) of the Cayman Islands. Apart from this restriction, persons resident, domiciled, established, incorporated or registered pursuant to the laws of the Cayman Islands may beneficially own Participating Shares.

None of the Participating Shares have been or will be registered under the US Securities Act of 1933 (**1933 Act**). Consequently, none of the Participating Shares may be offered or sold, directly or indirectly, in the U.S. or to U.S. Persons (as defined under Regulation S under the 1933 Act) except in transactions exempt from the registration requirements of the 1933 Act. Further, the Fund is not, and will not be registered as, an investment company under the U.S. Investment Company Act of 1940 in reliance upon an exemption from registration under that Act, nor is it intended that any of its investment subsidiaries established in the United States be so registered.

The Participating Shares have not been registered with the Brazilian Securities Commission (Comissão de Valores Mobiliários – “CVM”). Consequently, they may not be publicly offered or sold in Brazil except in circumstances that do not constitute a public offering or distribution under Brazilian laws and regulations.

This Memorandum is confidential and intended solely for the use of the addressee and cannot be delivered or disclosed in any manner whatsoever to any person or entity other than the addressee.

## **Regulation**

The Fund is a "regulated mutual fund" for the purposes of the Mutual Funds Law. The Fund is registered with CIMA pursuant to section 4(3) of the Mutual Funds Law and this Memorandum has been filed with CIMA. Such registration does not imply that CIMA or any other regulatory authority in the Cayman Islands has approved this Memorandum or the offering of the Participating Shares. For a summary of the continuing regulatory obligations of the Fund and a description of the regulatory powers of CIMA, see Section I headed "The Fund."

## **Confidentiality**

Except as outlined in the Data Protection policy in the Subscription Agreement, any information forwarded to the Fund by a potential investor will be treated on a confidential basis. If required to do so by law or regulation, the Fund may pass on that information to a relevant third party. By subscribing for Participating Shares, each subscriber is deemed to have consented to such release of confidential information.

## **Forward-looking information**

If and when included in this Memorandum, the words "expects," "intends," "anticipates," "estimates" and analogous expressions are intended to identify forward-looking statements. Any statement of this kind is inherently subject to a variety of risks and uncertainties that could cause actual results to differ materially from those projected. Without seeking to be exhaustive, those risks and uncertainties include (i) general economic and business conditions, (ii) interest rate risks, (iii) prepayment risks, (iv) delinquency and default rates, (v) competition, (vi) changes in political, social and economic conditions, (viii) regulatory initiatives and compliance with governmental regulations and (ix) customer preferences. Many of these are beyond the Fund's or the Investment Manager's control.

These forward-looking statements speak only as of the date of this Memorandum. None of the Fund, its directors, the Investment Manager, the Administrator or any of their respective affiliates is obliged, or undertakes, to release publicly any updates or revisions to any forward-looking statement to reflect a change in the Fund's or the Investment Manager's expectations or a change in events, conditions or circumstances on which the statement is based.

## **Risks**

Investment in the Fund carries substantial risk. There can be no assurance that the Fund's investment objective will be achieved and investment results may vary substantially over time. The value of the Participating Shares may go down as well as up and investors may not get back the amount invested. An investment in the Fund is only suitable for sophisticated investors who are able to bear the loss of a substantial portion or even all of their investment in the Fund. An Investment in the Fund is not intended to be a complete investment programme for any investor.

There is no public market for the Participating Shares, nor is a public market expected to develop in the future.

Potential investors should carefully consider the risk factors set out in the section headed "Certain Risk Factors" when considering whether an investment in the Fund is suitable for them in light of

their circumstances and financial resources. Investors are advised to seek independent professional advice on the implications of investing in the Fund.

## DEFINITIONS

In this Memorandum the following words and phrases have the meanings set out below:

|                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|---------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Administration Agreement</b> | the agreement between the Fund and the Administrator, as described in the section headed "Management and Administration" below;                                                                                                                                                                                                                                                                                                       |
| <b>Administrator</b>            | Banco Bradesco S.A. or such other person as may be appointed administrator of the Fund from time to time;                                                                                                                                                                                                                                                                                                                             |
| <b>Articles</b>                 | the memorandum and articles of association of the Fund, as may be amended from time to time;                                                                                                                                                                                                                                                                                                                                          |
| <b>Auditors</b>                 | PwC or such other person or firm as may be appointed as auditors of the Fund from time to time;                                                                                                                                                                                                                                                                                                                                       |
| <b>Business Day</b>             | a day (other than a Saturday or a Sunday) on which banks in New York City or São Paulo are authorised to open for normal banking business and/or such other day or days as the Directors may determine, either generally or in any particular case;                                                                                                                                                                                   |
| <b>CIMA</b>                     | the Cayman Islands Monetary Authority;                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Class</b>                    | any class of Participating Shares designated by the Directors pursuant to the Articles (and includes any sub-class of such class);                                                                                                                                                                                                                                                                                                    |
| <b>Class A Share</b>            | a Participating Share designated as a Class A Share;                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Companies Law</b>            | the Companies Law (Revised) of the Cayman Islands;                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Directors</b>                | the members of the board of directors of the Fund, for the time being and any duly constituted committee of the board and any successors to such members as may be appointed from time to time;                                                                                                                                                                                                                                       |
| <b>Eligible Investors</b>       | a person to whom the Fund can lawfully make an invitation to subscribe for Participating Shares without compliance with any registration or other legal requirements, who is able to acquire and hold Participating Shares without breaching the law or requirements of any country, regulatory body or government authority and who satisfies such eligibility requirements as may be determined by the Directors from time to time; |

|                                        |                                                                                                                                                                                                                                                                                                                                                                                                     |
|----------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Fund</b>                            | Navi International Fund, an exempted company incorporated with limited liability under the Companies Law with registration number 351645;                                                                                                                                                                                                                                                           |
| <b>IFRS</b>                            | International Financial Reporting Standards;                                                                                                                                                                                                                                                                                                                                                        |
| <b>Initial Offering Period</b>         | in relation to any Class, the period determined by the Directors during which Participating Shares of that Class are first offered for subscription, which, in respect of Class A shares, will commence at 9:00 a.m. (São Paulo time) on the date of registration of the Fund with CIMA and end at 5:00 p.m. (São Paulo time) on the date of the first issuance of Class A Shares to a Shareholder; |
| <b>Investment Management Agreement</b> | the agreement between the Fund and the Investment Manager, as described in the section headed "Management and Administration" below;                                                                                                                                                                                                                                                                |
| <b>Investment Manager</b>              | Navi Capital Administradora e Gestora de Recursos Financeiros Ltda. or such other person as may be appointed as investment manager in relation to the assets of the Fund from time to time;                                                                                                                                                                                                         |
| <b>Management Share</b>                | a non-participating, non-redeemable, voting share of par value US \$1.00 in the capital of the Fund designated as a Management Share;                                                                                                                                                                                                                                                               |
| <b>Material Contracts</b>              | the Administration Agreement and the Investment Management Agreement;                                                                                                                                                                                                                                                                                                                               |
| <b>Memorandum</b>                      | this Private Offering Memorandum, as amended or supplemented from time to time;                                                                                                                                                                                                                                                                                                                     |
| <b>Mutual Funds Law</b>                | the Mutual Funds Law (Revised) of the Cayman Islands;                                                                                                                                                                                                                                                                                                                                               |
| <b>Net Asset Value</b>                 | the Net Asset Value of the Fund or the relevant Class, as the case may be, determined as described in the section headed "Net Asset Value" below;                                                                                                                                                                                                                                                   |
| <b>Net Asset Value per Share</b>       | in respect of a Participating Share of any Class, the Net Asset Value of the relevant Class divided by the number of Participating Shares of such Class in issue;                                                                                                                                                                                                                                   |

|                                |                                                                                                                                                                                                                                                                                                                 |
|--------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Participating Share</b>     | a participating, redeemable, non-voting share of par value US \$0.01 in the capital of the Fund being offered for subscription under the terms of this Memorandum and, where the context requires, the participating, redeemable, non-voting share of par value US \$0.01 in the capital of the Fund generally; |
| <b>Redemption Day</b>          | in respect of Class A Shares, any Business Day and/or any such other day or days as the Directors may determine, either generally or in any particular case;                                                                                                                                                    |
| <b>Redemption Price</b>        | the Net Asset Value per Share of the relevant Class as at the Valuation Point on the Valuation Day immediately preceding the relevant Redemption Day;                                                                                                                                                           |
| <b>Redemption Request</b>      | a request for the redemption of Participating Shares which shall be in such form as the Directors may determine from time to time;                                                                                                                                                                              |
| <b>Secretary</b>               | means any person appointed by the Directors to perform any of the duties of the secretary of the Fund, including a joint, assistant or deputy secretary;                                                                                                                                                        |
| <b>Shareholder</b>             | a holder of one or more Participating Shares;                                                                                                                                                                                                                                                                   |
| <b>Subscription Agreement</b>  | an application to subscribe for Participating Shares, which shall be in such form as the Directors may determine from time to time;                                                                                                                                                                             |
| <b>Subscription Day</b>        | in respect of Class A Shares, any Business Day and/or any such other day or days as the Directors may determine, either generally or in any particular case;                                                                                                                                                    |
| <b>Subscription Fee</b>        | the fee (if any) payable on a subscription for Participating Shares, as described in the section headed "Subscription for Participating Shares" below;                                                                                                                                                          |
| <b>Subscription Price</b>      | the price per Participating Share at which Participating Shares of the relevant Class may be issued after the close of the Initial Offering Period, calculated in the manner described in the section headed "Subscription for Participating Shares" below;                                                     |
| <b>United States or US</b>     | the United States of America, its territories and possessions including the States and the District of Columbia;                                                                                                                                                                                                |
| <b>US Dollar, USD or US \$</b> | the lawful currency of the United States of America;                                                                                                                                                                                                                                                            |

|                        |                                                                                                                                                           |
|------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>US Person</b>       | as defined under Regulation S under the United States Securities Act of 1933, as amended;                                                                 |
| <b>Valuation Day</b>   | in respect of each Class, each Business Day and/or any such other day or days as the Directors may determine, either generally or in any particular case; |
| <b>Valuation Point</b> | the close of business in the last market relevant to the Fund to close on each Valuation Day or such other time as the Directors may determine;           |

In addition, other matters of interpretation to note are these:

- (a) a reference to any law is a reference to the most recent revision of such law and a reference to any law, legislation or legislative provision includes any statutory modification, amendment or re-enactment, and any subordinate legislation or regulations issued under that legislation or legislative provision;
- (b) a reference to any document or agreement is to that document or agreement as amended, novated, supplemented or replaced; and
- (c) a reference to 'including', 'include', 'in particular' or similar expression is illustrative and does not imply any limitation.

Certain defined terms appear in the body of this Memorandum, but do not appear in the Definitions section. This is because such defined terms are generally only used within the section where they are so defined. However, where any such defined term is used elsewhere in the Memorandum, the given definition will continue to apply.

## SUMMARY

The following summary should be read in conjunction with the remainder of this Memorandum, the Articles and the other documents referred to in this Memorandum and is qualified in its entirety by reference to such documents:

### **The Fund**

Navi International Fund is a company incorporated in the Cayman Islands as an exempted company limited by shares.

The Fund's authorised share capital is US \$50,000 which is made up of 100 Management Shares and 4,990,000 Participating Shares.

Participating Shares may be issued in different Classes. The Directors have initially designated one Class, being Class A Shares, which are being offered under the terms of this Memorandum. At any time the Directors may designate additional Classes without notice to, or the consent of, the Shareholders. The Directors may differentiate between Classes on various bases, including as to the operational currency of each Class, the level of fees payable in respect of each Class, the redemption or information rights in respect of each Class, and the portfolio of assets attributable to each Class.

### **Investment objective and strategies**

The primary investment objective is to seek capital appreciation by trading and investing both long and short, in a wide range of fixed income securities, currencies, equities, commodities, and related derivatives, issued by, or representing an investment in, governments or companies. Most of the investments shall be in international instruments related to the Brazilian securities markets. Nevertheless, the Fund may invest in securities and equities from outside Brazil in circumstances in which the Investment Manager, in its sole discretion, deems it to be in the best interest of the Fund to do so.

The Investment Manager will seek to achieve the investment objective by utilising the investment strategies set out in the section headed "Investment Objective, Strategies and Restrictions" below.

### **Management**

The Directors, whose names appear in the Directory, have overall responsibility for the management and administration of the Fund. However the Directors have delegated to the Investment Manager, investment management responsibilities and have delegated to the Administrator certain administrative functions.

See the section headed "Management and Administration" for further details.

### **Subscriptions**

Participating Shares are being offered for subscription during the Initial Offering Period at a fixed price of US \$1,000 per Participating Share. After the close of the Initial Offering Period, Participating Shares will be available for subscription on each Subscription Day at the relevant

Subscription Price.

No subscription fee will be charged in respect of the Participating Shares.

The minimum initial investment per subscriber is US \$100,000. The Directors may waive or reduce the minimum initial investment either generally or in any particular case. However, for so long as the Fund is registered under section 4(3) of the Mutual Funds Law, the minimum initial investment cannot be less than the prescribed statutory minimum, currently US \$100,000.

See the section headed "Subscription for Participating Shares" for further details.

## **Redemptions**

Participating Shares may be redeemed at the option of the Shareholder on any Redemption Day.

A completed Redemption Request must be received by the Administrator no later than 5:00 p.m. (São Paulo time) on the relevant Redemption Day. Participating Shares will be redeemed at the relevant Redemption Price.

No redemption fee will be charged on the redemption of Participating Shares.

The Fund may compulsorily redeem Participating Shares in certain circumstances.

Redemption proceeds will normally be paid in cash by electronic transfer at the Shareholder's risk and expense. However, in certain circumstances, the Fund may effect the payment of redemption proceeds by way of a transfer of assets or partly in cash and partly by way of a transfer of assets.

See the section headed "Redemption and Transfer of Participating Shares" for further details.

## **Restrictions on sale and transfer**

Participating Shares will only be issued to, and may only be transferred to, persons who are Eligible Investors. Participating Shares may not be transferred without the prior written consent of the Directors.

See the section headed "Redemption and Transfer of Participating Shares" for further details.

## **Dividends**

It is not envisaged that any income or gains will be distributed by way of dividend. This does not preclude the Directors from declaring a dividend at any time in the future if they consider it appropriate to do

so.

**Fees and Expenses**

No management fees or performance fees are payable by the Fund to the Investment Manager.

The Fund will pay all the costs of its operation and management, including the organisational expenses, the fees and expenses payable to service providers and all expenses related to its investment program.

See the section headed "Fees and Expenses" for further details.

**Risk Factors**

An investment in the Fund entails certain risks. Potential investors should review carefully the discussion under the section headed "Certain Risk Factors" below.

**Reporting**

Each Shareholder will be provided with an annual report that will include audited financial statements as soon as practicable after, and in any event within six months of, the end each financial year of the Fund. Shareholders will also be provided with a monthly report on the investment performance of the Fund.

The financial year of the Fund will end on 31 December in each year, with the first financial year ending on 31 December 2020.

See the section headed "Financial Information and Reports" for further details.

**Tax**

The Fund is not subject to tax in the Cayman Islands (other than annual filing fees and an annual registration fee) under the current laws of the Cayman Islands. Potential investors should consult their own advisers as to the particular tax consequences to them of their proposed investment in the Fund.

See the section headed "Taxation" for further details.

## **THE FUND**

### **Structure**

The Fund is a company incorporated in the Cayman Islands as an exempted company limited by shares. The Fund was incorporated on 21 May 2019. The location of the registered office of the Fund appears in the Directory.

The Fund has been structured as an open-ended investment fund to allow Shareholders to collectively invest in pursuit of the investment objective set out in this Memorandum.

### **Private Offering**

Up to 4,990,000 Participating Shares are available for issue. The purchase of Participating Shares is not open to the general public and Participating Shares will be privately offered only to Eligible Investors. No part of the initial offer has been underwritten or guaranteed.

Participating Shares do not carry voting rights except in respect of a modification of rights issue. The Management Shares, which are generally the voting shares in the Fund, are held by the Investment Manager. The Fund is not offering Management Shares to investors.

Participating Shares may be issued in different Classes. The Directors have initially designated one Class, being Class A Shares, which are being offered under the terms of this Memorandum. At any time the Directors may designate additional Classes without notice to, or the consent of, the Shareholders. The Directors may differentiate between Classes on various bases, including as to the operational currency of each Class, the level of fees payable in respect of each Class, the redemption or information rights in respect of each Class, and the portfolio of assets attributable to each Class.

The Directors have power under the Articles to establish one or more portfolios to which investments held by the Fund in respect of a particular Class (or particular Classes having identical investment objectives and investment strategies) shall be attributable. Although separate accounting records will be maintained in respect of each portfolio, there is no legal segregation between the assets and liabilities attributable to the separate portfolios. All Classes are currently attributable to a single underlying portfolio of the Fund. At any time the Directors may establish additional portfolios, which may have materially different risk profiles, without notice to, or the consent of, the Shareholders.

The Directors may, at any time, resolve to close the Fund or any Class to new subscriptions, either for a specified period or until they otherwise determine and either generally or in any particular case.

### **Base currency and operational currency**

The base currency of the Fund is the US Dollar and the financial statements of the Fund will be presented in US Dollars.

The Directors may designate a Class in any other operational currency. Subscriptions for, and redemptions of, Participating Shares will be processed in the operational currency of the Class,

and the Net Asset Value per Share of the Class will be calculated and quoted in such operational currency. The operational currency of Class A Shares is the US Dollar.

## **Regulation**

The Fund is registered as a mutual fund under section 4(3) of the Mutual Funds Law and is therefore regulated under that law. The Fund specifies that the minimum aggregate equity interest purchasable by a potential investor in the Fund is at least US \$100,000 or its equivalent in any other currency. Consequently, the Fund qualifies for registration under that section without the need to be licensed or administered by a licensed mutual fund administrator.

In connection with its initial registration under the Mutual Funds Law, the Fund has filed with CIMA a copy of this Memorandum and certain details of this Memorandum. The Fund has also paid the prescribed initial registration fee.

The Fund's continuing obligations under the Mutual Funds Law are (i) to file with CIMA prescribed details of any changes to this Memorandum, (ii) to file annually with CIMA accounts audited by an approved auditor and an annual return, and (iii) to pay the relevant prescribed annual fee.

As a regulated mutual fund, the Fund is subject to the supervision of CIMA. At any time, CIMA may instruct the Fund to have its accounts audited and to submit them to CIMA within a specified time. Failure to comply with any supervisory request by CIMA may result in substantial fines. CIMA has wide powers to take certain actions if certain events occur. For instance, it has wide powers to take action if it is satisfied that a regulated mutual fund:

- (a) is or is likely to become unable to meet its obligations as they fall due; or
- (b) is carrying on or is attempting to carry on business or is winding up its business voluntarily in a manner that is prejudicial to its investors or creditors.

The powers of CIMA include, amongst others: (i) the power to require a Director to be replaced; (ii) the power to appoint a person, at the expense of the Fund to advise the Fund on the proper conduct of its affairs; and (iii) the power to appoint a person, at the expense of the Fund, to assume control of the affairs of the Fund, including for the purpose of terminating the business of the Fund. CIMA also has other remedies available to it including applying to the courts of the Cayman Islands for approval of other actions, and requiring the Fund to re-organise its affairs in a manner specified by CIMA.

## **Additional information**

This Memorandum does not purport to be and should not be construed as a complete description of the Articles, the Subscription Agreement or the Material Contracts. Before investing in the Fund each potential investor should examine this Memorandum, the Subscription Agreement, the Articles and the Material Contracts and satisfy itself that an investment in the Fund is appropriate. In the event that there is any conflict between this Memorandum and the Articles or the Subscription Agreement, the Articles or the Subscription Agreement, as the case may be, shall prevail.

Additionally, and prior to a potential investor purchasing any Participating Shares, the Fund will make available to the potential investor or its representative, the opportunity to:

- (a) ask questions of and receive written answers from representatives of the Fund concerning any aspect of an investment in the Fund; and
- (b) obtain any additional non-proprietary information relating to the Fund, to the extent that the Fund possesses such information or can acquire it without unreasonable effort or expense.

**An investment in the Fund may be considered speculative. It is not intended as a complete investment program. It is designed only for experienced and sophisticated investors who are able to bear the risk that all or a substantial part of their investment in the Fund may be lost.**

## **INVESTMENT OBJECTIVE, STRATEGIES AND RESTRICTIONS**

### **Investment objective**

The primary investment objective of the Fund is to maximise absolute return from long term capital appreciation and dividend and interest income.

There can be no assurance that the investment objective will be achieved.

### **Investment strategies**

The Fund will seek to achieve the investment objective by trading and investing, both long and short, in a wide range of fixed income securities, currencies, equities, commodities, and related derivatives, issued by, or representing an investment in, governments or companies. Most of the investments shall be in international instruments related to the Brazilian securities markets. Nevertheless, the Fund may invest in securities and equities from outside Brazil in circumstances in which the Investment Manager, in its sole discretion, deems it to be in the best interests of the Fund to do so.

The investment strategies summarised above represent the current intentions of the Fund. Depending on conditions and trends in the securities markets and the economy in general, different strategies or investment techniques may be pursued or employed, whether or not described in this Memorandum, subject to any applicable law or regulation. The discussion above includes and is based upon assumptions and opinions concerning financial markets and other matters, the accuracy of which cannot be assured. There can be no assurance that the investment strategies will achieve the investment objective.

### **Investment restrictions**

The Fund has not imposed any particular investment restrictions in regard to the investment of the assets of the Fund.

### **Leverage**

When deemed appropriate, the Fund may employ leverage including, without limitation, through borrowing cash, securities and other instruments and entering into derivative transactions and repurchase agreements. The Fund may pledge assets as security for borrowings. The use of leverage by the Fund will increase the risk of an investment in the Fund. There is no limit on the amount of leverage which may be employed.

The Fund may borrow for the purposes of satisfying Redemption Requests or paying expenses, if required.

### **Currency hedging and trading**

The Investment Manager may seek to hedge the currency exposure of the Fund to currencies other than the base currency of the Fund. The Investment Manager may also seek to hedge the currency exposure between the operational currency of any Class and the base currency of the Fund. The Investment Manager may make use of spot and forward foreign exchange contracts or other methods of reducing exposure to currency fluctuations.

The Investment Manager may also take speculative positions in currencies for the benefit of the Fund as a whole.

**Distribution policy**

It is not envisaged that any income or gains derived from its investments will be distributed by way of dividend. However, this does not preclude the Directors from declaring a dividend at any time in the future if they consider it appropriate to do so. If a dividend is declared, the Fund will distribute it in compliance with applicable law.

## CERTAIN RISK FACTORS

An investment in the Fund entails substantial risk. The nature of the investments of the Fund involves certain risks including, but not limited to, those listed below and the Investment Manager may utilize investment techniques which carry additional risks. Potential investors should carefully consider the following factors, among others, in determining whether an investment in the Fund is suitable for them:

### **Risks associated with the structure of the Fund**

**Absence of regulatory oversight.** Although the Fund is a regulated mutual fund under the Mutual Funds Law, it is not required to, nor does it intend to, register under the laws of any other jurisdiction. As a consequence, the securities laws of other jurisdictions (which may provide certain regulatory safeguards to investors) generally will not apply. Accordingly Shareholders may not have the benefit of all the protections afforded to them by the securities laws of their home jurisdiction or other relevant jurisdictions.

**Business and regulatory risks of investment funds.** Legal, tax and regulatory changes during the term of the Fund may adversely affect it. The regulatory environment for hedge funds is evolving. Changes in the regulation of hedge funds may adversely affect the value of the Fund's investments. They may also adversely affect the Fund's ability to obtain the leverage it might otherwise have obtained or to pursue its trading strategies. In addition, securities and futures markets are subject to comprehensive statutes, regulations and margin requirements. Regulators and self-regulating organisations and exchanges are authorised to take extraordinary actions in cases of market emergencies. The regulation of derivative transactions and funds that engage in those transactions is an evolving area of law and is subject to modification by government and judicial actions. The effect of any future regulatory change on the Fund could be substantial and adverse.

**Cross Class liability.** Separate records will be established in the books of the Fund for each Class for the purpose of allocating assets and liabilities of the Fund to the relevant Class. However, if the liabilities attributable to a Class exceed its assets, creditors of the Fund may have recourse to the assets attributable to other Classes.

**Cross portfolio liability.** The Fund may maintain separate portfolios of securities representing investments made with the proceeds of the issue of Participating Shares of a particular Class or Classes. Each portfolio will have a different investment objective and strategies, may employ leverage to a greater or lesser extent and may invest in different asset types, industry sectors, geographical regions and countries. As a consequence, each portfolio may have a materially different risk profile. Although separate accounting records will be maintained in respect of each portfolio, there is no legal segregation of the assets and liabilities attributable to each portfolio. Accordingly, if the liabilities attributable to a portfolio exceed its assets, creditors of the Fund may have recourse to the assets attributable to other portfolios.

**Dependence on key personnel.** The investment performance of the Fund will be substantially dependent on the expertise of the Investment Manager, its principals and employees. In particular, the departure for any reason of the key individuals who will be primarily responsible for managing the investment of the assets of the Fund may have a materially adverse affect on the performance of the Fund.

**Illiquidity of Participating Shares.** It is not anticipated that there will be an active secondary market for the Participating Shares and it is not expected that such a market will develop. Participating Shares are not transferable without the approval of the Directors. Consequently, Shareholders may not be able to dispose of their Participating Shares except by means of redemption. The Fund may effect redemptions in specie or may establish a liquidating trust, account or entity to hold the relevant investments until they are liquidated at a later date. As such, a Shareholder may not receive cash proceeds on redemption or in the event that the Fund is terminated or may not receive cash proceeds in a timely manner.

**In-kind distributions.** A redeeming Shareholder may, in the discretion of the Directors, receive securities owned by the Fund in lieu of or in combination with cash. The value of securities distributed may increase or decrease before the securities can be sold and the investor will incur transaction costs in connection with the sale of those securities. Additionally, securities distributed to a Shareholder in connection with a redemption may not be readily marketable. In those circumstances, the investor bears the risk of loss and delay in liquidating those securities, with the result that it may ultimately receive less cash than it would otherwise have received if it had been paid in cash alone for its Participating Shares on the date of redemption.

**Lack of operating history.** The Fund is a newly formed entity. As such there is no operating history that a prospective investor can evaluate before making an investment in the Fund. The investment results of the Fund are reliant upon the success of the Investment Manager and no guarantee or representation is made in this regard. There can be no assurance that the Fund will achieve its investment objective.

**Limited rights of holders of Participating Shares.** An investment in the Fund should be regarded as a passive investment. Shareholders have no right to participate in the day-to-day operations of the Fund, nor are they entitled to receive notice of, attend or vote at general meetings of the Fund, other than a general meeting to vote on a proposed variation of the rights attaching to their Participating Shares. Consequently, they have no control over the management of the Fund or over the appointment and removal of its Directors and service providers. As holder of the Management Shares, the Investment Manager controls all of the voting interests in the Fund, other than in respect of a proposal to vary the rights attaching to the Participating Shares. Consequently, the holder of the Management Shares may make any changes to the Articles that it considers appropriate, including increasing the share capital, consolidating the shares and sub-dividing the shares. Only the Investment Manager can appoint and remove the Directors of the Fund and, in turn, only the Directors can terminate the services of the service providers to the Fund, including the Investment Manager.

**No separate counsel; No independent verification.** Ogier acts as legal counsel to the Investment Manager and the Fund as to matters of Cayman Islands laws. The Directors and the Fund do not have counsel separate and independent from counsel to the Investment Manager. Ogier does not represent investors in the Fund, and no independent counsel has been retained to act on behalf of the Shareholders or any Directors. Ogier is not responsible for any acts or omissions of the Investment Manager, the Fund (including their compliance with any guidelines, policies, restrictions or applicable law, or the selection, suitability or advisability of their investment activities) or any administrator, accountant, custodian/prime broker or other service provider to the Investment Manager or the Fund. This Memorandum is based on information

furnished by the Directors and Investment Manager. Ogier has not independently verified that information.

**Possible effect of substantial redemptions.** Substantial redemptions by one or more investors in the Fund at any one time could require the Fund to liquidate its positions more rapidly than otherwise desired in order to raise the cash necessary to fund those redemptions. The Fund may find it difficult to liquidate its positions on favourable terms in such a situation, possibly reducing the value of the Fund's assets and/or disrupting the investment strategies. The Fund is permitted to borrow for the purposes of redeeming Participating Shares and may pledge assets as collateral security for the repayment of that borrowing. In such circumstances, the continuing Shareholders will bear the cost and risk of any such borrowing.

**Receipt of non-public information.** From time to time, the Investment Manager may come into possession of non-public information concerning specific companies although internal structures are in place to prevent the receipt of such information. Under applicable securities laws, this may limit the Investment Manager's flexibility to buy or sell portfolio securities issued by such companies which may have an impact on the investment strategies of the Fund.

**Side letters.** From time to time the Fund may enter into agreements (**Side Letters**) with certain prospective or existing holders of Participating Shares, under which those holders receive advantages not appearing in this Memorandum. A Side Letter with a prospective or existing Shareholder may, for example give that Shareholder: (i) special rights to make future investments in the Fund, other investment vehicles or managed accounts; (ii) special redemption rights relating to frequency, period of notice, redemption fees payable (whether in the form of a reduction or rebate) or other terms, or any combination of these; (iii) rights to receive reports from the Fund on a more frequent basis or that include information not provided to other Shareholders (including, without limitation, more detailed information regarding portfolio positions); and (iv) such other rights as may be negotiated by the Fund and that Shareholder.

The terms of any Side Letters are in the sole discretion of the Fund. They may be based on amongst other things: (i) the size of the Shareholder's investment in the Fund; (ii) an undertaking by the Shareholder to maintain its investment in the Fund for a significant period of time; or (iii) some other similar undertaking by the Shareholder to the Fund.

**Valuation of the investments.** Valuation of the securities and other investments of the Fund may involve uncertainties and judgmental determinations. If a valuation is incorrect, the Net Asset Value per Share may be adversely affected. Independent pricing information about some of the securities and other investments of the Fund may not always be available.

If the value assigned to an investment differs from its actual value, the Net Asset Value per Share may be either understated or overstated to the extent of that difference. Consequently, if the actual value of some of the securities and other investments of the Fund is higher than the value assigned to them, a Shareholder who redeems all or part of its Participating Shares while they are so undervalued may be paid less than if they were correctly valued. Conversely, if the actual value of some of the securities and other investments of the Fund is lower than the value assigned to them, the Shareholder may, in effect, be overpaid.

Furthermore, an investment in the Fund by a new Shareholder (or an additional investment by an existing Shareholder) may dilute the value of the investments of the Fund for the other

Shareholders if those investments are undervalued. Conversely, a new Shareholder (or an existing Shareholder who makes an additional investment) could pay too much if the Fund's investments are overvalued by the Fund. If either of these scenarios happens, the Fund does not intend to adjust the Net Asset Value per Share retroactively.

Additionally, as the fees of a number of the service providers to the Fund are tied to the Net Asset Value, any discrepancy in valuation may result in overpayment or underpayment to those service providers.

None of the Fund, the Directors or the Administrator will be liable if a price or valuation used in good faith in connection with any of the above procedures, later proves to be incorrect or inaccurate.

### **Risks associated with the investment strategies**

**Equity Related Instruments.** The Investment Manager may use equity-related instruments in its investment program. Certain options and other equity-related instruments may be subject to various types of risks, including market risk, liquidity risk, counterparty credit risk, legal risk and operations risk. In addition, equity-related instruments can involve significant economic leverage and may, in some cases, involve significant risks of loss.

**Convertible Securities.** The Fund may invest in convertible securities, securities that may be exchanged or converted into a predetermined number of the issuer's underlying shares or the shares of another company or that are indexed to an unmanaged market index at the option of the holder during a specified time period. Convertible securities may take the form of convertible preferred stock, convertible bonds or debentures, stock purchase warrants, zero-coupon bonds or liquid-yield option notes, stock index notes, mandatories, or a combination of the features of these securities. Prior to conversion, convertible securities have the same general characteristics as non-convertible debt securities. As with all debt securities, the market value of convertible securities tends to decline as interest rates increase and conversely, increase as interest rates decline. Convertible securities, however, also appreciate when the underlying common stock appreciates, and conversely, depreciate when the underlying common stock depreciates.

**Debt Securities.** The Fund may invest in unrated or low grade debt securities which are subject to greater risk of loss of principal and interest than higher-rated debt securities. The Fund may invest in debt securities which rank junior to other outstanding securities and obligations of the issuer, all or a significant portion of which may be secured on substantially all of that issuer's assets. The Fund may invest in debt securities which are not protected by financial covenants or limitations on additional indebtedness. In addition, evaluating credit risk for foreign debt securities involves greater uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult.

**Currency Risk.** Investments that are denominated in a foreign currency are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment, capital appreciation and political developments. The Investment Manager may try to hedge these risks, but there can be no assurance that it will implement a hedging strategy, or if it implements one, that it will be effective.

**Futures Contract.** The prices of futures contracts and options used for speculation and hedging purposes may not correlate with price movements of the underlying securities being hedged. Futures exchanges and boards of trade limit the amount of fluctuation permitted in certain futures contract prices during a single trading day. Once the daily limit has been reached in a particular contract, no trades may be made that day at a price beyond that limit.

**Options.** Investing in options can provide a greater potential for profit or loss than an equivalent investment in the underlying asset. The value of an option may decline because of a change in the value of the underlying asset relative to the strike price, the passage of time, changes in volatility – the perception as to the future price behavior of the underlying asset, or any combination thereof. In the case of the purchase of an option, the risk of loss of an investor's entire investment (i.e., the premium paid plus transaction charges) reflects the nature of an option as a wasting asset that may become worthless when the option expires. Where an option is written or granted (sold) uncovered, the seller may be liable to pay substantial additional margin, and the risk of loss may be unlimited, as the seller will be obligated to deliver, or take delivery of, an asset at a predetermined price which may, on expiration of the option, be significantly different from the market value.

Over-the-counter options are not assignable except by agreement between the parties concerned. No party or purchaser has any obligation to permit such assignments, and the over-the-counter market for options may be illiquid, particularly for relatively small or extremely large transactions.

**Derivative Instruments.** The Fund will utilize both exchange-traded and over-the-counter derivatives, including, but not limited to, futures, forwards, swaps, options and contracts for differences, as part of its investment policy. These instruments can be highly volatile and expose investors to a high risk of loss. Transactions in over-the-counter contracts may involve additional risk, as there is no exchange market on which to close out an open position. It may be impossible to liquidate an existing position, to assess the value of a position or to assess the exposure to risk. Contractual asymmetries and inefficiencies can also increase risk, such as break clauses, whereby a counterparty can terminate a transaction on the basis of a certain reduction in net asset value, incorrect collateral calls or delays in collateral recovery.

**Short Sales.** Short sales can, in certain circumstances, substantially increase the impact of adverse price movements on the Fund's portfolio. A short sale involves the risk of a theoretically unlimited increase in the market price of the particular investment sold short, which could result in an inability to cover the short position and a theoretically unlimited loss. There can be no assurance that securities necessary to cover a short position will be available for purchase.

There is also the risk that the securities borrowed by the Fund in connection with a short sale must be returned to the securities lender on short notice. If a request for return of borrowed securities occurs at a time when other short sellers of the security are receiving similar requests, a short squeeze can occur, and the Fund may be compelled to replace borrowed securities previously sold short with purchases on the open market at the most disadvantageous time, possibly at prices significantly in excess of the proceeds received in originally selling the securities short. The Fund's inability to continue to borrow securities previously sold short may also force the Fund to unwind other elements of an investment position, possibly at a loss. From

time to time regulatory or legislative action taken by regulators around the world may restrict the ability of the Investment Manager to enter into short sales.

**Leverage.** As noted above, the Fund may utilize leverage. This results in the Fund controlling substantially more assets than the Fund has equity. Leverage increases the Fund's returns if the Fund earns a greater return on investments purchased with borrowed funds than the Fund's cost of borrowing such funds. However, the use of leverage exposes the Fund to additional levels of risk including (i) greater losses from investments than would otherwise have been the case had the Fund not borrowed to make the investments, (ii) margin calls or changes in margin requirements may force premature liquidations of investment positions and (iii) losses on investments where the investment fails to earn a return that equals or exceeds the Fund's cost of leverage related to such investments. In the event of a sudden, precipitous drop in value of the Fund's assets, the Fund might not be able to liquidate assets quickly enough to repay its borrowings, further magnifying the losses incurred by the Fund.

**Commodity-Related Securities.** The production and marketing of commodities may be affected by actions and changes in governments. In addition, commodity-related securities may be cyclical in nature. During periods of economic or financial instability, commodity-related securities may be subject to broad price fluctuations, reflecting volatility of energy and basic materials prices and possible instability of supply of various commodities. Commodity-related securities may also experience greater price fluctuations than the relevant commodity. In periods of rising commodity prices, such securities may rise at a faster rate, and conversely, in times of falling commodity prices, such securities may suffer a greater price decline.

**Overall investment risk.** All investments in securities risk the loss of capital. There may be increased risk due to the nature of the securities to be purchased and traded by the Fund and the investment techniques and strategies used to try to increase profits. While the Investment Manager will devote its best efforts to the management of the Fund's portfolio, it cannot give an assurance that the Fund will not incur losses. Many unforeseeable events, including actions by various government agencies and domestic and international political events, may cause sharp market fluctuations.

**Risks of executing investment strategies.** The Fund will invest in a number of securities and obligations that entail substantial inherent risks. Although the Fund will attempt to manage those risks through careful research, ongoing monitoring of investments and appropriate hedging techniques, there is no assurance that the securities and other instruments purchased by the Fund will in fact increase in value or that the Fund will not incur significant losses.

**Market risks and liquidity.** The profitability of a significant portion of the Fund's investment program depends on correctly assessing the future course of the price movements of securities and other investments. There is no assurance that the Investment Manager will be able to accurately predict those price movements. Although the Investment Manager may attempt to mitigate market risk through the use of long and short positions or other methods, there is always some and occasionally a significant degree of market risk.

Furthermore, the Fund may be adversely affected by a decrease in market liquidity for instruments in which the Investment Manager invests, which may impair its ability to adjust its position. The size of the Fund's positions may magnify the effect of a decrease in market liquidity

for those instruments. Changes in overall market leverage, de-leveraging as a consequence of a decision by a prime broker to reduce the level of leverage available, or the liquidation by other market participants of the same or similar positions, may also adversely affect the Fund's portfolio. Some of the underlying investments of the Fund may not be actively traded and there may be uncertainties involved in valuing those investments. Potential investors are warned that under those circumstances, the Net Asset Value of the Fund may be adversely affected.

**Risks of Investing in Brazil.** The Fund invests its assets principally in Brazil. International investors generally consider Brazil to be an emerging market. As such, Brazil's economy differs from developed economies in many aspects, including its general level of economic development, unemployment, wealth distribution, inflation rate, level of domestic savings and reinvestment, dependence on foreign trade and balance of payment positions. In addition, Brazil has historically sustained periods of extremely high inflation. Although inflation rates have in recent years been kept at manageable levels, Brazil has recently experienced severe economic changes, including high real interest rates, declining equity values, illiquid capital markets, increase in public debt, capital flight and more recently, currency devaluation. There can be no assurance as to the future state of the Brazilian economy or that, among other things, high historical inflation rates will not return.

Furthermore, economic and market conditions in other emerging market countries influence the market for securities issued by Brazilian companies and the ability of such companies to raise capital or borrow money at acceptable rates. For example, the 1997 Asian economic crisis and the 1998 Russian debt moratorium and devaluation of the Russian currency triggered market volatility in Brazil.

**Risks of global investing.** The Fund may invest in various capital markets throughout the world. As a result, the Fund is subject to risks relating to the following:

- (a) currency exchange matters, including fluctuations in the rate of exchange between the base currency of the Fund and various other currencies in which its investments may be denominated, and costs associated with converting investment principal and income from one currency into another; and
- (b) the possible imposition of withholding taxes on income received from the issuer of, or gains with respect to, those investments.

In addition, investing in some of these capital markets involves factors not typically associated with investing in established securities markets. These include risks relating to the following:

- (a) differences between markets, including potential price volatility in and relative illiquidity of some securities markets;
- (b) the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements, and less governmental supervision and regulation; and
- (c) certain economic and political risks, including potential exchange control regulations or restrictions on investment and repatriation of capital.

**Counterparty and settlement risk.** Due to the nature of some of the investments that the Fund may make, the Fund may rely on the ability of the counterparty to a transaction to perform its obligations. If that party fails to complete its obligations for any reason, the Fund may suffer losses and therefore be exposed to a credit risk on the counterparties with which it trades. The Fund will also bear the risk of settlement default by clearing houses and exchanges. A default by a counterparty or a default on settlement could have a material adverse effect on the Fund.

**Borrowing.** The Fund or the Investment Manager on its behalf, is permitted to finance the Fund's operations with secured and unsecured borrowing to the maximum extent allowable under applicable credit regulations. The Fund may suffer losses if there are adverse changes in the level of market prices of the assets being financed with the borrowings.

**Discretion of the Investment Manager; concentration of investments.** The Investment Manager will seek to engage in the investment activities described in this Memorandum. Nonetheless, the Investment Manager may alter the Fund's portfolio. It can do so in its sole discretion and without the approval of any holder of Participating Shares. Although, as a matter of general policy, the Investment Manager will try to spread the Fund's capital among a number of investments, it may depart from that policy from time to time and may hold a few relatively large securities positions in relation to the Fund's capital. A loss on a large security position following such concentration could materially reduce the value of the Fund.

**Difficult market for investment opportunities.** The activity of identifying, completing and realising on attractive investments is highly uncertain. There is no assurance that the Fund will be able to locate and complete investments that satisfy the Fund's rate-of-return objective or to realise on the value of those investments; nor is there any assurance that the Fund will be able to fully invest its subscribed capital in a manner consistent with its investment strategy.

**Trading Errors.** The Fund will bear the financial consequences of all trade errors including, but not limited to, a technology error or malfunction in the computers, networks, and systems used by the Investment Manager and its employees, agents, affiliates, counter-parties and service providers. The Investment Manager will take all reasonable measures to ensure that trade errors do not occur and will monitor and document all trade errors but Shareholders must be prepared to bear the cost of a trade error.

**Tax Risks.** Taxation of the Fund is complex. Prospective investors are advised to review the discussion below in the section headed: "Taxation and other Considerations" and to consult their own legal and tax advisors regarding such considerations prior to making a decision to invest in the Fund

**Cyber-Security Risks.** The operations of the Fund are dependent on technology information and communication systems. A failure of any such system or a security breach or cyber-attack could significantly disrupt the Fund's operations. The service providers of the Fund are subject to the same cyber-security threats as the Fund. If a service provider fails to adopt, implement or adhere to adequate cyber-security measures, or in the event of a breach of its networks, information relating to the Fund, the Fund's operations and personal information relating to investors may be lost, damaged or corrupted or improperly accessed, used or disclosed.

Any system failure, security breach or cyber-attack on the Fund, or any of its service providers, could cause the Fund to suffer, among other things, financial loss, disruption to its business,

including its trading capabilities and the ability of the Fund to transmit payments, including to investors, increased operating costs, liability to third parties, regulatory intervention and reputational damage and could have a material adverse effect on the Fund and investors' investments in the Fund.

**Reserves.** The Directors may, in their discretion, establish reserves for estimated or accrued expenses, liabilities and contingencies.

**Opening of mail.** Mail addressed to the Fund and received at its Registered Office will be forwarded unopened to the Investment Manager or the Administrator to be dealt with. None of the Fund, its Directors, officers or services providers will bear any responsibility for any delay whatsoever caused in mail reaching the Investment Manager or the Administrator. In particular, the Directors will not receive, open or deal with mail addressed to the Fund.

### **Conflicts of interest**

The Directors, the Investment Manager, the Administrator, any broker or custodian and their respective directors, officers and employees appointed by or in respect of the Fund may, from time to time, act as director, promoter, manager, investment manager, investment adviser, registrar, administrator, transfer agent, trustee, custodian, broker, distributor or placing agent to, or be otherwise involved in, other collective investment schemes which have similar investment objectives to those of the Fund. Similarly, one or more of them may provide discretionary fund management or ancillary administration, custodian or brokerage services to investors with similar investment objectives to those of the Fund. Consequently, any of them may, in the course of their business, have potential conflicts of interests with the Fund. Each will at all times have regard to its obligations to the Fund and will endeavour to resolve such conflicts fairly.

### *Investment Manager*

The Investment Manager is engaged in the business of discretionary investment management and advising clients, which may include other investment vehicles, in the purchase and sale of securities and financial instruments. In managing other clients' assets or advising other clients, the Investment Manager may use the information and trading strategies which it obtains, produces or utilises in the performance of services for the Fund.

The Investment Manager may have conflicts of interest in managing the portfolio of the Fund because its compensation for managing and/or advising other investment vehicles or accounts may exceed its compensation for managing the portfolio of the Fund, thus providing an incentive to prefer such other investment vehicles or accounts. Moreover, if the Investment Manager makes trading decisions in respect of such investment vehicles or accounts and in respect of the Fund at or about the same time, the Fund may be competing with such other investment funds or accounts for the same or similar positions. The Investment Manager will endeavour to allocate all investment opportunities on a fair and equitable basis between the Fund and those other investment vehicles and accounts.

The Investment Manager and/or any of its associates may invest, directly or indirectly, in assets which may also be purchased or sold by the Fund. Neither the Investment Manager nor any of its associates shall be under any obligation to account to the Fund in respect of (or share with the

Fund or inform the Fund of) any such transaction or any benefit received by any of them from any such transaction.

The Fund has been established and promoted at the request of the Investment Manager. Accordingly the selection of the Investment Manager and the terms of its appointment, including any fees and compensation payable under the Investment Management Agreement, are not the result of arms-length negotiations.

#### *Directors*

Mr. João Paulo de Aragon Moraes Baptista and Mr. Felipe Babo Lessa Campos are also partners of the Investment Manager. The fiduciary duties of the Directors may compete with or be different from the interests of the Investment Manager.

Mr. Jason Fitzgerald is an employee of Ogier Global (Cayman) Limited. As such, he is to be regarded as interested in any contract or other arrangement with Ogier Global (Cayman) Limited. The duties of the Directors to the Fund may compete with or be different from the interests of its service providers. Only the Directors may terminate the services of any service provider. Furthermore, the Directors may also serve as directors of other investment vehicles and, to the extent that the interests of the Fund and such other investment vehicles are inconsistent, such Directors may have a conflict of interest.

At all times so far as practicable the Directors will have regard to their obligations to act in the best interests of the Fund and will seek to ensure that any conflict of interest is resolved fairly.

A Director may be a party to, or otherwise interested in, any transaction or arrangement with the Fund or in which the Fund is otherwise interested. The Director will not be liable to account to the Fund for any profit he derives from such a transaction or arrangement provided the nature and extent of any material interest has been disclosed to the other Directors.

A Director who has an interest in any particular business to be considered at a meeting of the Directors may be counted for the purpose of determining whether the meeting is duly constituted and may vote at such meeting provided that the interest has been disclosed.

Save as disclosed in this Memorandum, no Director has any interest, direct or indirect, in the promotion of, or in any assets which are proposed to be acquired, disposed of by or leased to, the Fund. Save as disclosed in this Memorandum, no Director has a material interest in any contract or arrangement entered into by the Fund which is unusual in nature or conditions or significant in relation to the business of the Fund, nor has any Director had such an interest since the Fund was incorporated.

#### **Soft dollar arrangements**

The Investment Manager may receive goods or services from a broker or a dealer in consideration of directing transaction business for the account of the Fund to such broker or dealer provided that: (i) the goods or services are of demonstrable benefit to the Fund; and (ii) the transaction execution is consistent with best execution standards and brokerage rates are not in excess of customary full service brokerage rates.

Goods and services may include research and advisory services, economic and political analysis, portfolio analysis (including valuation and performance measurement), market analysis, data and quotation services, clearing and custodian services and investment-related publications. The goods and services which the Investment Manager receives will not include any goods and services prohibited from time to time by any code or guidelines issued by any relevant regulatory authority.

The Fund may be deemed to be paying for these services with "soft" dollars. Although the Investment Manager believes that the Fund will demonstrably benefit from the services obtained with "soft" dollars generated by trades, the Fund does not benefit from all of these "soft" dollar services. The Investment Manager and other accounts managed by the Investment Manager or its affiliates also derive substantial direct or indirect benefits from these services, particularly to the extent that the Investment Manager uses "soft" dollars to pay for expenses the Investment Manager would otherwise be required to pay itself.

The Investment Manager intends generally to consider the amount and nature of research, execution and other services provided by brokers, as well as the extent to which such services are relied on, and attempt to allocate a portion of its brokerage business on the basis of that consideration. The investment information received from brokers, however, may be used by the Investment Manager and its affiliates in servicing other accounts and not all such information may be used by the Investment Manager in connection with the Fund. The Investment Manager believes that such an allocation of brokerage business may help to obtain research and execution capabilities and provides other benefits to the Fund.

The relationships with brokerage firms that provide "soft" dollar services to the Investment Manager may influence the Investment Manager's judgement in allocating brokerage business and create a conflict of interest in using the services of those broker-dealers to execute brokerage transactions. The brokerage commissions paid to those firms, will not, however, differ materially from, nor will they be in excess of, customary full brokerage commissions payable to other firms for comparable services.

**This list of risk factors does not purport to be complete. Nor does it purport to be an entire explanation of the risks involved in an investment in the Fund. A potential investor should read this Memorandum in its entirety as well as consult with its own legal, tax and financial advisers before deciding to invest in the Fund.**

## MANAGEMENT AND ADMINISTRATION

### Board of Directors

The Directors are responsible for the overall management and control of the Fund in accordance with the Articles. However, the Directors have delegated responsibility for making day-to-day investment decisions to the Investment Manager pursuant to the Investment Management Agreement and responsibility for day-to-day administrative functions to the Administrator pursuant to the Administration Agreement. The Directors will periodically review the operations and investment performance of the Fund.

The current Directors are:

#### *Mr. João Paulo de Aragon Moraes Baptista*

João Paulo de Aragon Moraes Baptista is a founding partner and COO of Navi Capital. He was a partner and responsible for risk and operations at Tese Investimentos for 4 years (2012-2016). He started his career at RiskControl (2007-2009), a BBM Group company, going through development and support areas. Between 2009 and 2012, he was a risk and operations analyst at Pollux Capital. He holds a degree in electrical engineering from PUC-RIO, a master's degree in Finance from FGV and the Financial Risk Manager Certification from GARP Institute.

#### *Mr. Felipe Babo Lessa Campos*

Felipe Babo Lessa Campos is a founding partner, CEO and co-CIO of Navi Capital. He was the partner responsible for equities at Kondor Invest for 9 years (2009-2017), where he was the manager of the Long Short Fund since its inception and the Long Only Fund since 2015. He started his career in the BBM Group (1999-2008), passing through several areas first as an analyst and then as a manager. Between 2008 and 2009, he was co-manager of shares in Banco Itaú BBA. He is an Industrial Engineer from UFRJ and he holds an MBA in Finance from FGV.

#### *Mr. Jason Fitzgerald*

Jason Fitzgerald is a Director of Ogier Global (Cayman) Limited. Mr. Fitzgerald has extensive experience having worked exclusively in the hedge funds industry in Bermuda, Ireland and the Cayman Islands over the past 16 years. Mr. Fitzgerald has served as an independent director to alternative investment funds since 2012. Previously, Mr. Fitzgerald was an independent director of DMS Governance Ltd. where he oversaw fund governance for a portfolio of hedge fund clients. Mr. Fitzgerald was also a Manager for Citco Fund Services of Ireland, where he was responsible for managing a team of accountants across a wide variety of hedge funds. Prior to this Mr. Fitzgerald worked in Bermuda as an Account Manager with Butterfield Fund Services and in the audit department in Deloitte. He also trained and worked as an Audit Senior for Ernst & Young in Ireland. Mr. Fitzgerald holds a Bachelor of Science degree in Accounting and a Higher Diploma in Software Engineering from University College Cork, Ireland. He is a Fellow Chartered Accountant (FCA), a designation he earned through Chartered Accountants Ireland. He is an Accredited Director of the Chartered Secretaries of Canada and a member of the Cayman Islands Institute of Professional Accountants. Mr. Fitzgerald is a Registered Director with CIMA and a member of the Cayman Islands Directors Association.

The Articles do not stipulate a retirement age for the Directors nor do they provide for retirement of the Directors by rotation. There is no shareholding qualification for the Directors.

The Articles provide that every Director (including any alternate Director appointed pursuant to the provisions of the Articles), managing Director, agent, Secretary, or other officer for the time being and from time to time of the Fund and the personal representatives of the same shall be indemnified and secured harmless out of the assets and funds of the Fund against all actions, proceedings, costs, charges, expenses, losses, damages or liabilities of whatsoever nature and howsoever arising incurred or sustained by him otherwise than by reason of his own Gross Negligence (as defined in the Articles) or wilful default in or about the conduct of the Company's business or affairs or in the execution or discharge of his duties, powers, authorities or discretions, including without prejudice to the generality of the foregoing, any costs, expenses, losses or liabilities incurred by him in defending (whether successfully or otherwise) any civil proceedings concerning the Fund, its business or its affairs in any court whether in the Cayman Islands or elsewhere.

The Articles further provide that the Fund may advance to a Director, alternate Director, managing Director, agent, Secretary, or other officer of the Fund, reasonable attorneys' fees and other costs and expenses incurred in connection with the defence of any action or proceeding that arises out of such person's conduct of the Fund's business or affairs or in the execution or discharge of his duties, powers, authorities or discretions. The Director, alternate Director, managing Director, agent, Secretary, or other officer of the Fund must reimburse the Fund for any such advanced fees, costs and expenses to the extent that it is subsequently determined that the Director, alternate Director, managing Director, agent, Secretary, or other officer of the Fund was not entitled to indemnification under these Articles.

For the purposes of this Memorandum, the address of all the Directors is the registered office of the Fund.

Ogier Global (Cayman) Limited is paid a fee for providing the services of Jason Fitzgerald as a Director of the Fund. Mr Fitzgerald is a non- executive director of the Fund. If additional Directors are elected, the Fund may compensate such Directors (other than the Fund's Investment Manager or any persons affiliated with the Investment Manager) with respect to services rendered in that capacity.

### **Investment Manager**

The Fund has appointed Navi Capital Administradora e Gestora de Recursos Financeiros Ltda. to act as the investment manager of the Fund pursuant to the Investment Management Agreement. The Investment Manager is a company organised under the laws of the Federative Republic of Brazil and registered as an investment manager with the Brazilian Securities and Exchange Commission. The location of the head office of the Investment Manager appears in the Directory.

Pursuant to the Investment Management Agreement, the Investment Manager has full discretion to manage, invest and reinvest the assets of the Fund in pursuit of the investment objective and in accordance with the investment strategies and restrictions described in this Memorandum. The Investment Manager may delegate any of its powers under the Investment Management Agreement to any other person or persons as the Investment Manager considers appropriate.

The current principals of the Investment Manager are Mr. João Paulo de Aragon Moraes Baptista, Mr. Felipe Babo Lessa Campos and Mr Waldir Antonio Serafim de Silva Filho. The biography for Waldir Antonio Serafim de Silva Filho is set out below and the biographies for João Paulo de Aragon Moraes Baptista and Felipe Babo Lessa Campos are set out above under “Board of Directors”.

*Mr. Waldir Antonio Serafim da Silva Filho*

Waldir Antonio Serafim da Silva Filho is a founding partner and CIO of Navi Capital. He was a partner of the equities branch at Kondor Invest for 5 years (2014-2018) and before that he was an analyst in several sectors from 2011 to 2013. He started his career at Invest Tech, a fund manager of Venture Capital focused on technology companies. Besides that, he was an analyst for 3 years (2008-2010) at Banco Safra. He holds an economist degree from Insper.

The Investment Management Agreement provides that in the absence of gross negligence (as defined in the Investment Management Agreement), wilful default or fraud on the part of the Investment Manager or its directors, officers, shareholders, employees, servants, agents, nominees, delegates or associates (each, an **Investment Manager Party**), neither the Investment Manager nor the Investment Manager Party shall be liable for any loss or damage arising out of the performance of its obligations and duties under the Investment Management Agreement. The Investment Management Agreement provides further that the Fund shall indemnify the Investment Manager or any Investment Manager Party for any and all liabilities, obligations, losses, damages, suits and expenses which may be incurred by or asserted against the Investment Manager or any Investment Manager Party in the performance of any obligation or duty under the Investment Management Agreement unless such liability, obligation, loss, damage, suit or expense arises out of or in connection with the gross negligence, wilful default or fraud of the person seeking to rely on the indemnity.

The Investment Management Agreement may be terminated by any party on 90 days' written notice and, in certain circumstances, may be terminated immediately. The Investment Management Agreement is governed by the laws of the Cayman Islands.

**Administrator**

Pursuant to the Administration Agreement, the Fund has appointed Banco Bradesco S.A. to act as the administrator for the Fund. The Administrator will perform certain administrative, accounting, registrar and transfer agency services for the Fund. The registered office of the Administrator appears in the Directory.

The Administrator is a licensed investment company administrator headquartered in Brazil.

The Administrator is compensated for its services pursuant to the Administration Agreement. The fees and charges of the Administrator are subject to variation and renegotiation from time to time. The fees payable to the Administrator are based on its standard schedule of fees charged by the Administrator for similar services.

Pursuant to the Administration Agreement, the Administrator is responsible, under the ultimate supervision of the Directors, for matters pertaining to the administration of the Fund, namely: (i) calculating the Net Asset Value of the Participating Shares; (ii) maintaining financial books and

records so far as may be necessary to give a complete record of all transactions carried out by the Administrator on behalf of the Fund; and (iii) providing registrar and transfer agent services in connection with the issuance, transfer and redemption of Participating Shares.

The Fund has appointed the Administrator to act as registrar and transfer agent (the **Registrar**) for the Fund. The services provided by the Administrator, in the context of acting as Registrar, include receipt of requests for redemption; authorisation of redemption payments; authorisation of disbursements of management and advisory fees, commissions and other charges; and other services as agreed on by the parties.

The Administrator may utilise the services of its affiliates in connection with the services provided by the Administrator to the Fund to provide certain accounting and investor relations services to the Fund. All fees and expenses of the affiliate will be paid by the Administrator out of its fees. The Fund may retain other service providers affiliated with the Administrator to perform the administrative services that would otherwise be performed by the Administrator. Those service providers may be located in the United States.

In calculating the net asset value of the Participating Shares, the Administrator shall, and shall be entitled to, rely on, and will not be responsible for the accuracy of, financial data furnished to it by the Fund's prime broker(s), market makers, custodian and/or independent third party pricing services as appointed by the Fund. The Administrator may also use and rely on industry standard financial models in pricing any of the Fund's securities or other assets. If and to the extent that the Investment Manager is responsible for or otherwise involved in the pricing of any of the Fund's securities or other assets, the Administrator may accept, use and rely on such prices in determining the net asset value of the Participating Shares and shall not be liable to the Fund, any shareholder, the Investment Manager or any other person in so doing. The Administrator in no way acts as guarantor or offeror of the Participating Shares or any underlying investment, nor is it responsible for the actions of the Fund's sales agents, any prime broker, the custodian, any other brokers or the Investment Manager.

The Administrator is not responsible for any trading decisions of the Fund (all of which will be made by the Investment Manager). The Administrator may rely on the Fund and or its Investment Manager for the valuation of the assets.

The Administrator will not provide any investment advisory or management service to the Fund and therefore will not be in any way responsible for the Fund's performance. The Administrator will not be responsible for monitoring any investment restrictions or compliance with the investment restrictions and therefore will not be liable for any breach thereof.

The Administration Agreement is for an indefinite term; provided, however, that the Administration Agreement is subject to termination by the Administrator or by the Fund upon ninety (90) days' written notice, or immediately in certain other circumstances specified therein.

Under the Administration Agreement, the Fund has agreed to indemnify and keep indemnified the Administrator and its employees from and against any loss, cost, charge, expense, payment, interest, demand, claim, proceeding, suit, penalty, damages, legal fees, liability, obligation, detriment, adverse judgment, order or other sanction, which may suffered or incurred by the Administrator or any of its employees (other than by reason of negligence, fraud, wilful default or

wilful misconduct on the part of the Administrator) in connection with the performance or non-performance of the Administrator's duties under the Administration Agreement.

The Administration Agreement is governed by the laws of the Cayman Islands.

### **Brokerage and Custody**

The Investment Manager is authorised to determine the broker or dealer to be used for each securities transaction. When suggesting that the Fund should enter into a new brokerage and/or custody agreement, the Investment Manager will only recommend brokers and/or custodians that it reasonably believes establish and operate internal policies, systems and controls as required in order for such broker or custodians to be able to effectively identify, monitor and manage conflicts of interest. The Fund is not committed to use or continue a relationship with any broker or custodian, and the Investment Manager may select other brokers and/or custodians for the Fund.

In placing orders, the Investment Manager's policy is to obtain the best price and execution for its transactions. If best price and execution may be obtained from more than one dealer, the Investment Manager may purchase and sell securities through dealers who provide research, statistical and other information, even though the Fund may not necessarily, in any particular instance, be the direct or indirect beneficiary of the research services provided. Research and related services furnished or paid for by brokers may include the following:

- (a) written information and analyses concerning specific securities, companies or sectors;
- (b) market, financial and economic studies and forecasts;
- (c) financial and trade publications;
- (d) statistical and pricing services;
- (e) discussions with research personnel and consultants; and
- (f) hardware, software, databases and other technological, technical and telecommunication services (including wireless services), lines and equipment utilised in the investment management process (including updates, modifications, improvements, product testing, maintenance, offsite or onsite backup, repairs and replacements).

The Investment Manager may use research and related services obtained by the use of commissions arising from the Fund's investment transactions in its other investment activities. All other services obtained by the use of commissions arising from the Fund's investment transactions will be limited to services that would otherwise be a Fund expense (including research-related testing, travel, meals and lodging expenses). Additionally, from time to time, the Fund may request and receive cash rebates when there is a soft dollar commission credit built up at an executing broker.

In selecting brokers and negotiating commission rates, the Investment Manager will take into account the financial stability and reputation of brokerage firms and the brokerage and research services provided by those brokers, even though the Fund may not, in any particular instance, be

the direct or indirect beneficiary of the research services provided. The Investment Manager may also consider the referral of investors, consistent with best execution.

The Investment Manager may also hire separate independent trading firms in order to obtain better price or execution or both. Those trading firms will be paid through additional commissions to be borne by the Fund.

The Fund may enter into a prime brokerage arrangement with a reputable international investment bank to be determined. Additional brokerage or custodial arrangements may be established in the future with banks and other broker-dealers. A substantial portion of a Fund's assets may be held in brokerage or custodial arrangements at any given time. A prime broker will be paid such customary fees for its services as prime broker and the Fund, on behalf of a Segregated Portfolio, may negotiate such fees from time to time. The Fund may change or add prime brokers or custodians or both without notice to Shareholders.

## **FEES AND EXPENSES**

### **Fees payable to the Investment Manager**

#### *Management Fee*

No management fees are payable by the Fund to the Investment Manager.

#### *No Performance Fee*

No performance fees are payable by the Fund to the Investment Manager.

### **Administration fees**

The Administrator will be compensated for its services pursuant to the Administration Agreement. The fees and charges of the Administrator are subject to variation and renegotiation from time to time.

The Administrator will also be entitled to various transaction and processing fees and to be reimbursed for all out of pocket expenses properly incurred by it in the performance of its duties.

### **Prime brokerage fees**

Any prime broker or custodian appointed by the Fund will receive such fees as may be agreed between the Fund and the relevant prime broker or custodian from time to time. The fees charged by any prime broker or custodian for prime brokerage and custody services will not exceed normal commercial rates and will be based on a combination of transaction charges and interest costs.

### **Fees payable to the Directors**

Pursuant to a director services agreement, Ogier Global (Cayman) Limited is paid a fee for providing the services of Jason Fitzgerald as a Director of the Fund. Each of João Paulo de Aragon Moraes Baptista and Felipe Babo Lessa Campos have, however, waived their entitlement to receive directors' fees. If additional Directors are elected, the Fund may compensate such Directors (other than the Investment Manager or any persons affiliated with the Investment Manager) with respect to services rendered in that capacity.

The Directors may be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or any committee of the Directors or general meetings of the Fund or in connection with the business of the Fund.

### **Expenses**

#### *Preliminary Expenses*

The Fund will pay the costs and expenses of, and incidental to, the initial offering of Participating Shares (including expenses relating to establishment of the Fund in the Cayman Islands, negotiation and preparation of the contracts to which it is a party, costs of printing this

Memorandum and the fees and expenses of its professional advisers) out of the proceeds of the initial issue of Participating Shares.

These preliminary expenses will be amortised on a straight line basis over a period of twelve (12) months from the initial issue of Participating Shares. The Directors may shorten the period over which such expenses are amortised. Under IFRS, establishment costs should be expensed as incurred and amortisation is not consistent with IFRS. However, the Directors believe that the amortisation of establishment costs is more equitable than expensing the entire amount as they are incurred and are of the opinion that the departure is unlikely to be material to the overall financial statements of the Fund. To the extent that the preliminary expenses policy adopted by the Fund deviates from IFRS, the Fund may make certain adjustments in the annual accounts of the Fund in order to comply with IFRS.

### *Operating Expenses*

The Fund will bear all expenses related to its investment program, including: (a) brokerage commissions; (b) expenses related to buying and selling securities, including any issue or transfer taxes chargeable in connection with any securities transactions; (c) interest on borrowings, including borrowings from any prime broker and borrowing charges on securities sold short; (d) expenses incurred by the Investment Manager in connection with the provision of its investment management services including, but not limited to, research related expenses, expenses related to monitoring investments and costs incurred in carrying out due diligence regardless of whether a particular transaction is consummated (including reasonable travel and accommodation costs); (e) fees and expenses of any custodian, escrow agent and other investment related service providers appointed by the Fund.

The Fund will also bear expenses incurred in connection with its operations including: (i) fees and expenses of advisers and consultants; (ii) management and performance fees (if any); (iii) indemnification expenses and the cost of insurance against potential indemnification liabilities; (iv) legal, administrative, accounting, tax, audit and insurance expenses; (v) all taxes and corporate fees payable to governments or agencies (vi) communication expenses with respect to investor services, including all expenses of meetings of Shareholders and of preparing, printing and distributing financial statements and other reports, proxy forms, offering memoranda and similar documents; (vii) Directors' and AML Officers' fees (if any) and expenses, (viii) litigation or other extraordinary expenses; and (ix) costs of periodically updating the Memorandum.

## **SUBSCRIPTION FOR PARTICIPATING SHARES**

### **Subscription price and issuance**

Participating Shares are being offered for subscription during the Initial Offering Period at a fixed price of US \$1,000 per Participating Share.

Following the close of the Initial Offering Period, Participating Shares will be available for subscription on each Subscription Day at the relevant Subscription Price. The Subscription Price will be equal to the Net Asset Value per Share of the relevant Class as at the Valuation Day immediately preceding the Subscription Day on which the application is effective.

No subscription fee will be charged in respect of the Participating Shares.

### **Minimum Investment**

The minimum initial investment per subscriber is US \$100,000. The Directors may reduce the minimum initial investment either generally or in any particular case. However, for so long as the Fund is registered under section 4(3) of the Mutual Funds Law, the minimum initial investment cannot be less than the prescribed statutory minimum, currently US \$100,000.

### **Payment**

Unless otherwise agreed by the Directors, payment for Participating Shares must be made in cash by electronic transfer, net of bank charges, and is due in cleared funds in the operational currency of the Class being subscribed. In the event that subscription monies are received in any currency other than the operational currency of the relevant Class, conversion into the operational currency will be arranged by the Directors at the risk and expense of the subscriber. Any bank charges incurred in respect of electronic transfers will be deducted from subscriptions monies and only the net amount will be invested in Participating Shares.

All subscription monies must originate from an account held in the name of the subscriber. No third party payment will be permitted. Interest on subscription monies will accrue to the Fund.

### **Non-cash subscriptions**

Participating Shares may not be issued for non-cash consideration, unless otherwise determined by the Directors.

### **Eligible Investors**

Participating Shares will only be issued to, and may only be transferred to, persons who are Eligible Investors. Despite this, if the Fund and the Investment Manager choose to comply fully with the applicable laws and regulations of the United States or any other relevant jurisdiction, the Fund may arrange for the private placement of Participating Shares to investors who are in the United States or who are U.S. Persons or located in any other relevant jurisdiction if, among other things, before the acquisition of Participating Shares, each such investor delivers to the Fund a completed Subscription Agreement that contains certain representations, warranties and agreements required in accordance with the applicable laws and regulations.

Each subscriber for Participating Shares will be required to represent and warrant to the Fund that, amongst other things: (i) it is able to acquire and hold Participating Shares without breaching the law or requirements of any country, regulatory body or government authority; (ii) it has the knowledge, expertise and experience in financial matters to evaluate the risks associated with investing in the Fund; (iii) it is aware of the risks inherent in investing in the types of assets in which the Fund will invest and the method by which these assets will be held and/or traded; and (iv) it can bear the loss of its entire investment in the Fund.

Participating Shares will not be issued or transferred to any person in circumstances which, in the opinion of the Directors, would or may cause an undue risk of adverse tax, regulatory or other consequences to the Fund or any Shareholders.

### **Subscription Procedure**

Subscribers for Participating Shares during the Initial Offering Period must send their completed Subscription Agreement, together with any supporting documents, so as to be received by the Administrator by no later than 5:00 p.m. (São Paulo time) on the last Business Day of the Initial Offering Period. Cash subscription monies must be sent by electronic transfer, net of bank charges, so that cleared funds are received in the bank account of the Fund by the same time.

After the Initial Offering Period, subscribers for Participating Shares and Shareholders wishing to apply for additional Participating Shares must send their completed Subscription Agreement, together with any supporting documents, so as to be received by the Administrator by no later than 5:00 p.m. (São Paulo time) on the Business Day prior to the applicable Subscription Day. Cash subscription monies must be sent by electronic transfer, net of bank charges, so that cleared funds are received in the bank account of the Fund by the same time.

If the completed Subscription Agreement, all documents required for the purposes of verifying the identity of the subscriber and source of the subscriber's funds and subscription monies in cleared funds are not received by the applicable time referred to above, the application will be held over to the Subscription Day following receipt of the outstanding documentation, information and/or subscription monies, as the case may be. Participating Shares will then be issued at the relevant Subscription Price on that Subscription Day. The Directors may waive the requirements specified above, either generally or in any particular case, but in no event will applications be accepted for processing on a particular Subscription Day if the Subscription Agreement and cleared funds have not been received by 5:00 p.m. (São Paulo time) on the applicable Subscription Day.

Participating Shares subscribed for during the Initial Offering Period will be issued on the Business Day immediately after the close of the Initial Offering Period. Participating Shares subscribed after the Initial Offering Period are deemed to be issued on the relevant Subscription Day.

Subscription Agreements may be sent by facsimile or email provided the original follows promptly. None of the Directors, the Fund or the Administrator accept any responsibility for any loss arising from the non-receipt or illegibility of any Subscription Agreement sent by facsimile or email, or for any loss caused by or as a result of any action taken in connection with facsimile or email instructions believed in good faith to have originated from properly authorised persons.

Once a completed Subscription Agreement has been received by the Administrator it is irrevocable. Written confirmation detailing the Participating Shares which have been issued will be sent to successful subscribers as soon as practicable after the close of the Initial Offering Period or the relevant Subscription Day, as the case may be.

Participating Shares will be issued to four (4) decimal places. Any smaller fraction of a Participating Share that would otherwise arise will be rounded down, with the relevant subscription monies being retained for the benefit of the Fund.

The Fund may reject any application in whole or part and without giving any reason for doing so. If an application is rejected, the subscription monies paid, or the balance thereof in the case of a partial rejection, will be returned (without interest) as soon as practicable to the account from which the subscription monies were originally remitted, at the risk and cost of the subscriber.

Although Participating Shares will not be issued until the Business Day immediately after the close of the Initial Offering Period or the relevant Subscription Day, as the case may be, subscription monies are immediately deposited into the Fund and kept in custodial status without interest. Prior to the issuance of Participating Shares, the Administrator may release subscription proceeds to ensure that investments can be effected on the Business Day immediately after the close of the Initial Offering Period or the relevant Subscription Day, as the case may be. None of the Directors, the Fund or the Administrator will be liable for any loss which a subscriber may suffer as a result of the release of subscription proceeds in such circumstances.

### **Prevention of money laundering**

In accordance with the Anti-Money Laundering Regulations of the Cayman Islands and guidance issued by the Cayman Islands Monetary Authority, the Fund is required to appoint and has appointed natural persons to serve as its Anti-Money Laundering Compliance Officer, Money Laundering Reporting Officer and Deputy Money Laundering Reporting Officer (**AML Officers**). To obtain further information in respect of the AML Officers, please contact the Investment Manager using the contact information contained in this Memorandum.

To ensure compliance with applicable statutory requirements relating to anti-money laundering and anti-terrorism initiatives, the Fund, or the Administrator on behalf of the Fund will require such information and documentation as it considers necessary to verify the identity, address and/or source of funds of all prospective investors and certain beneficial owners. Depending on the circumstances of each application and the anti-money laundering policies and procedures of the Administrator, a detailed verification might not always be required.

The Fund or the Administrator also reserves the right to request such verification evidence in respect of a transferee of Participating Shares. In the event of delay or failure by the prospective investor or transferee to produce any evidence required for verification purposes, the Fund, or the Administrator on its behalf, may refuse to accept the application or (as the case may be) to register the relevant transfer, and (in the case of a subscription of Participating Shares) any funds received will be returned without interest to the account from which such funds were originally debited.

If any person resident in the Cayman Islands knows or suspects or has reasonable grounds for knowing or suspecting that another person is engaged in criminal conduct or is involved with

terrorism or terrorist property and the information for that knowledge or suspicion came to their attention in the course of business in the regulated sector, or other trade, profession, business or employment, the person will be required to report such knowledge or suspicion to (i) the Financial Reporting Authority of the Cayman Islands (**FRA**) or a nominated officer (appointed in accordance with the Proceeds of Crime Law (Revised) of the Cayman Islands), if the disclosure relates to criminal conduct or money laundering, or (ii) the FRA or a police constable or a nominated officer, pursuant to the Terrorism Law (Revised) of the Cayman Islands, if the disclosure relates to involvement with terrorism or terrorist financing and terrorist property. Such a report shall not be treated as a breach of confidence or of any restriction upon the disclosure of information imposed by any enactment or otherwise.

By subscribing for Participating Shares, subscribers consent to the disclosure by the Fund, the Investment Manager, the Administrator and their delegates, agents and affiliates, of any information about them to government agencies, regulatory bodies and other relevant persons upon request in connection with money laundering and similar matters both in the Cayman Islands and in other jurisdictions.

Each subscriber for Participating Shares will be required to make such representations as may be required by the Fund in connection with anti-money laundering programmes, including, without limitation, representations that such subscriber is not a prohibited country, territory, individual or entity listed on the United States Department of Treasury's Office of Foreign Assets Control (**OFAC**) website or on the sanctions lists adopted by the United Nations, the European Union or the United Kingdom to such extent such sanctions are extended by the UK Government to the Cayman Islands by virtue of Order in Council passed by the UK Government, as such lists may be amended from time to time (**Sanctions Lists**), that it is not directly or indirectly affiliated with any country, territory, individual or entity named on an OFAC list or prohibited by any OFAC sanctions programmes or on any Sanctions List and is not operationally based or domiciled in a country or territory in relation to which sanctions imposed by the United Nations, the European Union or the United Kingdom apply or otherwise subject to such sanctions. . Each subscriber will also be required to represent that subscription monies are not directly or indirectly derived from activities that may contravene Cayman Islands, United States federal or state, or international, laws and regulations, including anti-money laundering laws and regulations. None of the Fund, the Directors, the Investment Manager, the Administrator or their respective delegates, agents and affiliates will be liable for any loss suffered by a subscriber arising as a result of a refusal of, or a delay in processing, an application for Participating Shares if such information and documentation as has been requested by the Fund, or the Administrator on behalf of the Fund, has not been provided by the subscriber in a timely manner.

### **Form of Participating Shares**

All Participating Shares will be issued in registered form, meaning that a Shareholder's entitlement will be evidenced by an entry in the register of members of the Fund and not by a certificate. No certificates will be issued unless the Directors determine otherwise.

A Participating Share may be registered in a single name or in up to four joint names. Where Participating Shares are registered in joint names, the joint holders may authorise the Administrator to act upon the sole written instructions of any one of the joint holders in respect of

the transfer or redemption of all or any of such Participating Shares. Unless so authorised, the Administrator will only act upon the written instruction of all the joint holders.

### **New Issue securities**

The Fund may, from time to time, purchase New Issue securities. A New Issue is an initial public offering of an equity security which is subject to the provisions of Rule 5130 and 5131 of the Rules of the United States Financial Industry Regulatory Authority (**FINRA**), as amended, extended, consolidated, substituted or re-enacted from time to time, and includes any initial public offering of an equity security as defined in Section 3(a)(11) of the United States Securities Exchange Act 1934, as amended. Under the Rules of FINRA, members of FINRA may not sell such securities to an account beneficially owned by broker/dealers, employees, owners and affiliates of broker/dealers, certain other classes of persons including portfolio managers and certain family members of those persons (each such person, a **Restricted Person**). Additionally, members of FINRA may not allocate New Issue securities to executive officers and/or directors, and materially supported persons thereof, of certain public or private companies (each such person, a **Restricted Investor**) that have an investment banking relationship with such FINRA member or where such FINRA member expects to establish an investment banking relationship with such company.

Subscribers for, and transferees of, Participating Shares will be required to provide such representations, warranties or documentation as the Fund may require to determine whether they are Restricted Persons and/or Restricted Investors.

To enable the Fund to participate in New Issues, the Directors may establish one or more classes of shares that will not participate in any investments in New Issue securities (**Restricted Shares**). The same investment objective, strategies and restrictions will be applied to each Class save that profits and losses in respect of New Issues will not be allocated to Restricted Shares. In such event the Fund may compel the exchange of Participating Shares held by Restricted Persons and Restricted Investors for Restricted Shares of the corresponding new Class. Each Class of Restricted Shares will have the same rights and obligations as the corresponding Class of non-Restricted Shares and references in this Memorandum to a particular Class include the corresponding Class of Restricted Shares.

The Fund may, however, avail itself of a "de minimis" exemption pursuant to which the Directors may from time to time (but shall not be under any duty to) allocate any profits or losses arising directly or indirectly from New Issue securities to the Restricted Shares in the circumstances and to the extent permitted by the Rules of FINRA in respect of New Issues. Any such allocation made by the Directors may be amended by the Directors from time to time to the extent required to ensure compliance with the Rules of FINRA in respect of New Issues.

The Fund may compulsorily exchange non-Restricted Shares for the corresponding Class of Restricted Shares in the event that a holder of non-Restricted Shares becomes ineligible to participate in New Issue securities due to a change in the Shareholder's status, any changes to the Rules of FINRA or as otherwise required by law or regulation.

## **REDEMPTION AND TRANSFER OF PARTICIPATING SHARES**

### **Procedure for the redemption of Participating Shares**

Participating Shares may be redeemed at the option of the Shareholder on any Redemption Day.

A Shareholder wishing to redeem its Participating Shares should send a completed Redemption Request to the Administrator at the address specified in the Redemption Request. The completed Redemption Request must be received by no later than 5:00 p.m. (São Paulo time) on the relevant Redemption Day. Unless the Directors agree otherwise, any Redemption Request received after this time will be held over and dealt with on the next relevant Redemption Day.

A Redemption Request may be sent by facsimile or email but redemption proceeds will not be paid until the Administrator has received the original Redemption Request. None of the Directors, the Fund or the Administrator accept any responsibility for any loss arising from the non-receipt or illegibility of any Redemption Request sent by facsimile or email, or for any loss caused by or as a result of any action taken in connection with facsimile or email instructions believed in good faith to have originated from properly authorised persons. The Administrator will use reasonable efforts to confirm in writing all redemption requests which are received in good order. A Shareholder failing to receive such written confirmation from the Administrator within two (2) Business Days should contact the Administrator to obtain the same. Failure to obtain such a written confirmation from the Administrator may render the request void, unless otherwise permitted by the Fund.

Once a Redemption Request has been received by the Administrator it may not be revoked by the Shareholder unless the Directors otherwise agree.

### **Prevention of money laundering**

The Fund may refuse to pay redemption or distribution proceeds to a Shareholder if:

- (a) any of the Directors, the Investment Manager and/or the Administrator suspects or is advised that the payment of any redemption proceeds to such Shareholder may result in a breach or violation of an applicable anti-money laundering or other law or regulation by any person in any relevant jurisdiction; or
- (b) such refusal is considered necessary or appropriate to ensure the compliance by the Fund, its Directors, the Investment Manager and/or the Administrator with any of those laws or regulations in any relevant jurisdiction.

Payment of redemption or distribution proceeds to a Shareholder will not be effected until receipt of any outstanding information or documentation requested in connection with anti-money laundering requirements or similar matters. None of the Directors, the Fund or the Administrator accept any responsibility for any loss arising as a result of any delay in payment of any redemption proceeds if such information and documentation as has been requested by the Fund and/or the Administrator has not been provided by the Shareholder.

## **Redemption Price and redemption proceeds**

Participating Shares will be redeemed at the relevant Redemption Price. The Redemption Price of a Participating Share will be equal to the Net Asset Value per Share of the relevant Class as at the Valuation Day immediately preceding the relevant Redemption Day.

No redemption fee will be charged on the redemption of Participating Shares.

## **Settlement**

Payment of redemption proceeds will normally be made within 2 Business Days of the later of: (1) the relevant Redemption Day; and (2) the date on which the Administrator has received the original of the Redemption Request and such other information and documentation as may be required. Payment will be made in the operational currency of the Participating Shares being redeemed (or, with the approval of the Directors, in another currency requested by the Shareholder) by direct transfer to an account in the name of the Shareholder at the expense of the Shareholder. No redemption proceeds will be paid to a third party. No interest will be paid by the Fund in respect of redemption proceeds. Any amounts paid in a currency other than the operational currency of the Participating Shares being redeemed, will be converted at the rate of exchange available to the Fund and the cost of conversion will be deducted from the redemption proceeds.

The Fund aims to effect the payment of all redemption proceeds in cash. However, under circumstances of low liquidity or adverse market conditions, the Directors may effect the payment of the redemption proceeds in whole or in part by the transfer of assets. The assets to be transferred will be valued as at the relevant Redemption Day, in accordance with the valuation provisions set out in this Memorandum. Assets will not be transferred to a redeeming Shareholder unless the Directors are satisfied that the terms of any such transfer will not materially prejudice the interests of the remaining Shareholders as a whole. The redemption proceeds may be reduced by such sum, if any, as the Directors determine represents an appropriate provision for any fiscal, transfer, registration or other charges, fees or duties (including stamp duties) associated with the transfer of the assets to the Shareholder.

Assets may be transferred directly to the redeeming Shareholder. Alternatively, assets may be transferred to a liquidating trust, account or entity and sold or otherwise realised for the benefit of the redeeming Shareholder. The cash proceeds received by a redeeming Shareholder will reflect the value of the assets on the date on which they are sold or realised. The cost of operating the liquidating trust, account or entity and managing, selling or otherwise realising the assets will be deducted from the proceeds paid to the redeeming Shareholder.

## **Compulsory redemption**

When the Fund becomes aware that (a) a Shareholder has ceased to be an Eligible Investor; or (b) a Shareholder is holding Participating Shares in breach of any law or requirements of any country, regulatory body or government authority; or (c) a Shareholder is holding Participating Shares of less than US\$100,000; or (d) the continued holding of Participating Shares by a Shareholder, would or may in the opinion of the Directors, cause an undue risk of an adverse tax, regulatory or other consequences to the Fund or any other Shareholders, the Directors may redeem the Participating Shares held by such Shareholder. Shareholders are required to notify

the Fund and the Administrator immediately if at any time they become aware that any of the above circumstances apply to them.

Where any fees, payment, withholding or deduction becomes payable by the Fund because of a particular Shareholder, the Fund may redeem a portion of such Shareholder's Participating Shares in order to pay such amount. In such circumstances, the redemption proceeds may be paid directly by the Fund to the relevant third party and not paid to the Shareholder.

### **Transfer of Participating Shares**

Participating Shares may not be transferred without the prior written consent of the Directors. The Directors may withhold their consent without giving any reason for doing so.

Shareholders wishing to transfer Participating Shares must complete a transfer request, which shall be in such form as the Directors may from time to time approve. The completed transfer request, duly stamped, if applicable, together with such evidence as the Directors may require to show the right of the transferor to make the transfer, must be sent to the Administrator. If the transferee is not already a Shareholder, the transferee will be required to complete a Subscription Agreement and comply with all eligibility and identification requirements for a subscriber for Participating Shares.

The transfer will take effect upon the registration of the transferee in the register of Shareholders.

The Directors may decline to register a transfer without giving any reason for doing so.

The transferor and transferee will be responsible for paying any taxes, duties, imposts or levies payable on or in consequence of a transfer of Participating Shares.

## **NET ASSET VALUE**

### **Determination of Net Asset Value**

The Net Asset Value and the Net Asset Value per Share of each Class will be calculated as at the Valuation Point on each Valuation Day.

For the purposes of determining the Net Asset Value of a Class, a separate record with its own distinct designation will be established in the books of the Fund in respect of each Class. An amount equal to the proceeds of issue of each Participating Share will be credited to the record for the relevant Class. Any increase or decrease in the Net Asset Value (disregarding for these purposes any increase in the Net Asset Value due to new subscriptions, any decreases in the Net Asset Value due to redemptions or the payment of dividends and any designated adjustments (as described below)) will be allocated to the record for each Class based on the respective percentage of the Net Asset Value represented by each record as at the immediately preceding Valuation Day. There will then be allocated to the record of each Class the designated adjustments being those costs, expenses, losses, dividends, profits, gains and income (including the costs and any benefit of hedging the foreign currency exposure of any Class denominated in a currency other than the base currency) which the Directors determine relate solely to that Class.

The Net Asset Value per Share on any Valuation Day will be calculated by dividing the Net Asset Value of the relevant Class by the number of Participating Shares of such Class in issue as at the close of business on that Valuation Day, the resulting amount being rounded to 7 decimal places.

### **Valuation of assets**

For the purposes of calculating the Net Asset Value, assets of the Fund will be valued in accordance with the following principles:

- (a) any security which is listed or quoted on any securities exchange or similar electronic system and regularly traded thereon will be valued at its last traded price as at the Valuation Point or, if no trades occurred on such day, at the closing bid price if held long and at the closing offer price if sold short, on the relevant Valuation Day, and as adjusted in such manner as the Directors think fit, having regard to the size of the holding. Where prices are available on more than one exchange or system for a particular security the price will be the last traded price or closing bid or offer price, as the case may be, on the exchange which constitutes the main market for such security or the one which the Directors determine provides the fairest criteria in ascribing a value to such security;
- (b) any security which is not listed or quoted on any securities exchange or similar electronic system or if, being so listed or quoted, is not regularly traded thereon or in respect of which no prices as described above are available will be valued at its probable realisation value as at the Valuation Point, as determined by the Directors having regard to its cost price, the price at which any recent transaction in the security may have been effected, the size of the holding having regard to the total amount of such security in issue, and such other factors as the Directors deem relevant in considering a positive or negative adjustment to the valuation;

- (c) investments, other than securities, which are dealt in or traded through a clearing firm or an exchange or through a financial institution will be valued as at the Valuation Point by reference to the most recent official settlement price quoted by that clearing house, exchange or financial institution. If there is no such price, then the average will be taken between the lowest offer price and the highest bid price as at the Valuation Point on any market on which such investments are or can be dealt in or traded, provided that where such investments are dealt in or traded on more than one market, the Directors may determine which market shall prevail;
- (d) investments, other than securities, including over-the-counter derivative contracts, which are not dealt in or traded through a clearing firm or an exchange or through a financial institution will be valued by reference to the valuation obtained from an independent pricing source, but where no such valuation is available for a particular investment, the investment will be valued by comparing the latest available valuation provided by the relevant counterparty against the valuation provided by such other counterparties as the Directors deem appropriate. In the event that the valuations provided respectively by the relevant counterparty and the other counterparties differ to an extent that the Directors consider to be material, the investment shall be valued on the basis of the average of all of the valuations but otherwise will be valued on the basis of the valuation provided by the relevant counterparty;
- (e) deposits will be valued at their cost plus accrued interest;
- (f) any value (whether of a security or cash) otherwise than in base currency of the Fund will be converted into the base currency at the rate (whether official or otherwise) which the Administrator deem appropriate to the circumstances having regard, inter alia, to any premium or discount which it considers may be relevant and to costs of exchange; and
- (g) all other assets of the Fund will be valued in the manner determined by the Directors, or their delegate(s), to reflect their fair market value.

The Directors may permit any other method of valuation to be used if they consider that such method of valuation better reflects fair value generally or in particular markets or market conditions.

The annual accounts of the Fund will be drawn up in accordance with IFRS. However, the above valuation policies may not necessarily comply with IFRS. For example, under IFRS, investments should be valued at fair value, with bid and offer pricing being considered representative of fair value for long and short listed investments respectively. Under the valuation basis described above, listed investments are expected to be valued at the last traded price instead of bid and offer pricing. To the extent that the valuation basis deviates from IFRS, the Directors may make necessary adjustments in the annual financial statements in order to comply with IFRS. If relevant a reconciliation note may be included in the annual financial statements to reconcile values shown in the annual accounts determined under IFRS to those arrived at by applying the valuation policies described above.

The Fund has retained the Investment Manager, pursuant to the Investment Management Agreement, to determine the value of the Fund's assets in accordance with the principles set out above and has also retained the Administrator, pursuant to the Administration Agreement, to

calculate the Net Asset Value per Share and to disseminate that information to the Fund and its Shareholders. In connection with the determination of the value of the assets of the Fund, the Investment Manager may consult with and is entitled to rely upon the advice of the Fund's brokers, custodians or other advisers and in calculating the Net Asset Value per Share, the Administrator is entitled to rely on the advice of the Investment Manager, the Fund's brokers, custodians or other advisers. In determining the Net Asset Value per Share, the Directors may, in their discretion, consult with and rely upon, without independent investigation, the advice of the Investment Manager, the Administrator, the Fund's brokers or investment or trading advisers or any custodian and any other persons the Directors may think, in their discretion, appropriate

In no event and under no circumstances will the Directors, the Administrator or the Investment Manager incur any individual liability or responsibility for any determination made, advice given or other action taken or omitted by them in good faith with respect to the determination of the value of the Fund's assets or the Net Asset Value per Share, as the case may be.

## **THE RIGHTS OF THE FUND AND INVESTORS**

### **The Fund**

The Fund is an open-ended investment fund incorporated as an exempted company limited by shares under the laws of the Cayman Islands. Its constitution is defined in the Articles. The Fund's objects, as set out in Clause 3 of its memorandum of association, are unrestricted and so include the carrying on of the business of an investment company.

All Shareholders are entitled to the benefit of, are bound by and are deemed to have notice of, the Articles. The liability of a Shareholder is limited to the amount, if any, unpaid on their Participating Shares. As Participating Shares may only be issued if they are fully paid, a Shareholder will not be liable for any debt, obligation or default of the Fund beyond its investment in the Fund.

The Articles have been drafted in broad and flexible terms to allow the Directors to determine, in their discretion, a number of issues including, without limitation, the period of notice to be given for redemptions and whether or not to charge subscription fees or redemption fees generally or in any particular case. The Directors have already exercised a number of these discretions in approving the offering of the Participating Shares on the terms set out in this Memorandum.

This Memorandum also contains certain offering terms such as the Fund's investment objective and strategies, the fees to be charged by the Investment Manager to the Fund and other material economic and commercial terms upon which each subscriber has relied in making its decision to invest in the Fund. Each subscriber by investing in the Fund agrees that the Fund may vary these terms as described below.

### **Share capital of the Fund**

The Fund has an authorised share capital of US \$50,000 which is made up of 100 Management Shares of US \$1.00 par value each and 4,990,000 Participating Shares of US \$0.01 par value each which may be issued in different Classes.

The Directors are authorised under the Articles to resolve from time to time the Class to which Participating Shares are to be designated and/or redesignated.

Subject to the provisions of the Articles and the Companies Law, the Fund may increase or reduce its authorised share capital, divide all or any of its share capital into shares of smaller amount or combine all or any of its share capital into shares of larger amount.

The Articles provide that unissued Participating Shares are at the disposal of the Directors who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration and upon such terms and conditions as the Directors may determine. All Participating Shares will be issued in registered form only.

There are no provisions under the laws of the Cayman Islands or under the Articles conferring pre-emption rights on the holders of Participating Shares or Management Shares.

No capital of the Fund is under option or agreed conditionally or unconditionally to be put under option.

### **Rights of the Management Shares**

The Management Shares are held by the Investment Manager. The Fund is not offering Management Shares to investors.

The Management Shares do not participate in the profits and losses of the Fund and carry no right to dividends. On the winding up of the Fund, the holder of the Management Shares is only entitled to receive its paid-up capital of US \$1.00 per Management Share. Management Shares are not redeemable.

Except as described under "Modification of rights attaching to a Class" below, the holders of the Management Shares have the exclusive right to vote (to the exclusion of the holders of the Participating Shares) in respect of all matters relating to the Fund. Each holder of Management Shares is entitled to one vote for each Management Share held by him.

### **Rights of the Participating Shares**

The Participating Shares are entitled to receive, to the exclusion of the holder of the Management Shares, any dividends that may be declared by the Fund. Participating Shares within each Class carry an equal right to such dividends as the Directors may declare. On a winding-up of the Fund, the Participating Shares are entitled to the full amount of the assets of the Fund other than the paid-up capital of US \$1.00 per Management Share. The surplus assets of the Fund attributable to each Class will be distributed among the holders of Participating Shares of that Class according to the number of such Participating Shares held by each of them.

Except as described under "Modifications of rights attaching to a Class" below, the holders of Participating Shares have no right to vote.

### **General meetings**

As a Cayman Islands exempted company, the Fund is not required to hold scheduled annual general meetings of Shareholders. General meetings may be called by the Directors and will be called upon the written request of 50 per cent or more of the holders of shares entitled to vote on the matters to be considered. Unless agreed otherwise in accordance with the Articles, those meetings require seven days' prior notice which may be given by hand, mail, fax or email, or alternatively, where the recipient has agreed, by posting the notice on a secure nominated website.

The vote of the person first named in the register of shareholders shall be accepted as the vote of joint shareholders, to the exclusion of the votes of the other joint holders. Votes may be cast in person or by proxy.

Unless the Companies Law requires a special resolution (being a resolution passed by a two-thirds majority of votes cast), all decisions of the holders of shares entitled to vote on the matters to be considered will be made by a simple majority on condition that a quorum of the holders of one-third of shares entitled to vote on the matters to be considered is present in person or by

proxy. Any matter may also be adopted by resolution in writing of all the holders of shares entitled to vote on the matters to be considered.

### **Modification of rights attaching to a Class**

The rights attaching to Participating Shares of any Class may only be modified with the consent in writing of Shareholders holding two-thirds of the votes entitled to be cast by holders of Participating Shares at a general meeting of the Class affected by the proposed modification or with the sanction of a resolution of such Shareholders holding not less than two-thirds of the votes which could be cast by holders of Participating Shares of that Class at a general meeting. For such purposes the Directors may treat one or more Classes as forming one Class if they consider that all such Classes would be affected in the same way by the proposals under consideration but in any other case shall treat them as separate Classes. At a general meeting of the holders of the Participating Shares of the relevant Class, all voting will be by poll and each holder who is present in person or by proxy will have one vote for every \$1.00 of the aggregate Net Asset Value per Share of its Participating Shares.

### **Amendments to the Articles**

Except as described under "Modification of rights attaching to a Class" above, the holders of the Management Shares may, by special resolution, amend the Articles.

### **Winding up and termination**

The Fund may voluntarily commence to wind up and dissolve by a special resolution of the holders of the Management Shares.

The Articles provide that the Fund's business shall continue for so long as the Fund holds assets, irrespective of whether the Directors have determined that the Fund shall not acquire any further investments. Accordingly, the investments of the Fund may be managed for the sole purpose of realising all investments in anticipation of the termination of the business of the Fund (the **Realisation**). Unless the Directors consider it is in the best interests of the Fund that it be placed into liquidation under the Companies Law, the Realisation shall be managed by the Directors, together with, if the Directors so determine, the Investment Manager. If the Directors determine that the Investment Manager is to manage the Realisation, the appointment of the Investment Manager will continue on the terms of the Investment Management Agreement then in force unless the Directors determine otherwise.

### **Variation of offering terms**

Subject to applicable law, the Fund may amend this Memorandum without the approval of Shareholders, to vary the offering terms applicable to any Participating Shares (as distinct from the modification of the rights attaching to a Class, as discussed above) in any of the following ways:

- (a) by making any change that, in the opinion of the Directors, will not adversely affect the Shareholders in any material respect; or

- (b) by making a change that is necessary or desirable to satisfy any requirements, conditions or guidelines contained in any opinion, directive, order, statute, ruling or regulation of any relevant regulator, court of competent jurisdiction, government or government entity, including any tax authority, provided that such change is made in a manner that minimises, to the extent practicable, any adverse effect on the Shareholders; or
- (c) by making any change that the Directors consider may or is likely to adversely affect the Shareholders in a material respect (including amendments to the trading program, fees charged to the Fund by Investment Manager and the liquidity terms of the Participating Shares), provided that any such amendment does not become effective until after the affected Shareholders have been given written notice of the change and have had the opportunity to redeem any Participating Shares so affected.

The Fund may amend this Memorandum to vary the offering terms applicable to any Participating Shares with the consent of the Shareholders owning a majority by value of all outstanding Participating Shares of the relevant Class or Classes at the time of the amendment provided that such amendment does not discriminate amongst Shareholders. A meeting convened to consider such an amendment will generally follow the provisions of the Articles relating to general meetings. If the Fund seeks such approval from Shareholders, then following the giving of notice of the proposed amendment, the Fund shall request a response for or against the proposed amendment. The Fund shall deem a lack of response from a Shareholder to constitute the consent of such Shareholder to the amendment.

The Fund may enter into side letters with certain prospective or existing Shareholders whereby such Shareholders may be subject to terms and conditions that are more advantageous than those set out in this Memorandum. Such terms and conditions may, for example, provide for: special rights to make future investments in the Fund; special redemption rights relating to frequency, notice, a reduction or rebate in fees and/or other terms; rights to receive reports in relation to the Fund on a more frequent basis and such other rights as may be agreed with such Shareholders. The modifications are solely at the discretion of the Directors and may, among other things, be based on the size of the relevant Shareholder's investment in the Fund or affiliated investment entity, an agreement by the Shareholder to maintain such investment in the Fund for a significant period of time, or other commitment by the Shareholder. For administrative convenience, the Fund may issue a separate Class of Shares for such Shareholder.

## **FINANCIAL INFORMATION AND REPORTS**

### **Financial year**

The financial year of the Fund will end on 31 December in each year. The first financial year of the Fund will end on 31 December 2020.

### **Financial statements**

The books and records of the Fund will be audited as at the end of each financial year by the Auditor. The first audit will be for the period beginning on the commencement of the Fund's operations and ending on 31 December 2020. The financial statements of the Fund will be presented in US Dollars and prepared in accordance with IFRS, unless the Directors otherwise deem appropriate.

As a regulated mutual fund, the Fund is required to file copies of the audited financial statements of the Fund with CIMA within six (6) calendar months of the end of each financial year.

### **Auditors**

PwC will act as auditors for the Fund and have consented in writing to their appointment as such. The Directors may replace the Auditors without prior notice to the Shareholders.

### **Reports to Shareholders**

An annual report and audited financial statements for the Fund in respect of each financial year will be sent to each Shareholder as soon as practicable after, and in any event within six months of, the end of the relevant financial year. Shareholders will also be provided with a monthly report on the investment performance of the Fund.

## **TAXATION**

### **General**

The following is based on the Fund's understanding of certain aspects of the law and practice currently in force in the Cayman Islands. The discussion below is based on laws, regulations, guidelines, published administrative rulings and judicial decisions currently in effect, all of which may change or be subject to different interpretations, possibly with retroactive effect. Any such changes could adversely affect the comments made below. There can be no guarantee that the tax position or proposed tax position at the date of this Memorandum or at the time of an investment will endure indefinitely.

In view of the number of different jurisdictions where local laws may apply to Shareholders, the discussion below does not address the tax consequences to potential investors of the purchase, ownership, and disposition of Participating Shares. Prospective investors are urged to consult their own tax advisers in determining the possible tax consequences to them under the laws of the jurisdictions of which they are citizens, residents or domiciliaries, jurisdictions in which they conduct business and jurisdictions in which they purchase, hold, redeem or dispose of Participating Shares. The discussion below does not constitute tax advice.

### **Cayman Islands**

The Fund is not subject to any income, withholding or capital gains taxes in the Cayman Islands. The only taxes which will be chargeable on the Fund in the Cayman Islands are nominal amounts payable to the Registrar of Companies and as registration fees under the Mutual Funds Law.

The Fund is registered as an exempted company, limited by shares, under Cayman Islands law. As such, it has applied for and expects to receive an undertaking from the Financial Secretary of the Cayman Islands that, for a period of twenty years from the date of the undertaking:

- (a) no law subsequently enacted in the Cayman Islands that imposes any tax to be levied on profits, income, gains or appreciations will apply to the Fund or its operations; and
- (b) in addition, that no tax to be levied on profits, income, gains or appreciations or that is in the nature of estate duty or inheritance tax will be payable by the Fund:
  - (i) on or in respect of the shares, debentures or other obligations of the Fund; or
  - (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (Revised).

Shareholders will not be subject to any income, withholding or capital gains taxes in the Cayman Islands with respect to their Participating Shares and dividends received on those Participating Shares, nor will they be subject to any estate or inheritance taxes in the Cayman Islands. There are no exchange controls in the Cayman Islands.

## **The Cayman Islands and the Foreign Account Tax Compliance Act**

### *US Requirements*

The Foreign Account Tax Compliance Act (**FATCA**) provisions of the Hiring Incentives to Restore Employment Act (**HIRE Act**) provide that the Fund must disclose the name, address and taxpayer identification number of certain United States persons that own, directly or indirectly, an interest in the Fund, as well as certain other information relating to any such interest, pursuant to the terms of the intergovernmental agreement between the United States and the Cayman Islands (**US IGA**) and implementing legislation and regulations which have been adopted by the Cayman Islands. If the Fund fails to comply with these requirements, then a 30% withholding tax will be imposed on certain payments to the Fund of United States source income. Although the Fund will attempt to satisfy the obligations imposed on them to avoid the imposition of this withholding tax, no assurance can be given that the Fund will be able to satisfy these obligations. In this regard, the Fund may require investors to provide any documentation or other information regarding the investors and their beneficial owners that the Fund determines is necessary or desirable for the Fund to avoid the withholding tax and otherwise comply with the HIRE Act. If the Fund becomes subject to a withholding tax as a result of the HIRE Act, the value of Common Shares held by all Shareholders may be materially affected. The Cayman Islands legislation requires the Fund to make an annual report to the Cayman Islands Tax Information Exchange Authority (**Cayman TIA**). Any information provided by the Fund to the Cayman TIA will be shared with the Internal Revenue Service of the United States (**IRS**).

### *Other Intergovernmental Agreements*

It is possible that further inter-governmental agreements (**future IGAs**) similar to the US IGA may be entered into with other third countries by the Cayman Islands Government to introduce similar regimes for reporting to such third countries' fiscal authorities.

### *OECD Multilateral Competent Authority Agreement*

Over 90 countries have signed the OECD Multilateral Competent Authority Agreement and Common Reporting Standard (**CRS**) for the implementation of the automatic exchange of tax information based on the OECD's Multilateral Convention on Mutual Administrative Assistance in Tax Matters. The CRS is similar in form and substance to the US IGA and applies in respect of each "participating jurisdiction" (as identified in a list published by the Cayman TIA). The implementation in the Cayman Islands is governed by the Tax Information Authority (International Tax Compliance) (Common Reporting Standard) Regulations (2018 Revision) (**CRS Regulations**). As a result of this, Cayman Islands financial institutions, including the Fund, have substantially expanded international tax compliance and reporting obligations.

By investing (or continuing to invest) in the Fund, investors shall be deemed to acknowledge that: (i) the Fund (or its agent) may be required to disclose to the Cayman TIA certain confidential information in relation to the investor, including, but not limited to, the investor's name, address, tax identification number (if any), social security number (if any) and certain information relating to the investor's investment; (ii) the Cayman TIA may be required to automatically exchange information as outlined above with the IRS, HM Revenue & Customs, the United Kingdom tax authority (**HMRC**) and other fiscal authorities (**Competent Authorities**) of CRS "participating jurisdictions"; (iii) the Fund (or its agent or delegate) may be required to disclose to the IRS,

HMRC and other Competent Authorities certain confidential information when registering with such authorities and if such authorities contact the Fund (or its agent or delegate directly) with further enquiries; (iv) the Fund may require the investor to provide additional information and/or documentation which the Fund may be required to disclose to the Cayman TIA; (v) in the event an investor does not provide the requested information and/or documentation and/or has not itself complied with the applicable requirements, whether or not that actually leads to compliance failures by the Fund, or a risk of the Fund's or its investors' being subject to withholding tax under the relevant legislative or inter-governmental regime, the Fund reserves the right to take any action and/or pursue all remedies at its disposal, including, without limitation, compulsory redemption or withdrawal of the investor concerned; and (vi) no investor affected by any such action or remedy shall have any claim against the Fund (or its agent or delegate) for any form of damages or liability as a result of actions taken or remedies pursued by or on behalf of the Fund in order to comply with any of the US IGA, the CRS Regulations or any future IGAs or agreements, laws or regulations entered into or implemented by the Cayman Islands for the purpose of ensuring and/or enhancing international tax transparency.

### **Other jurisdictions**

It is possible that certain dividends, interest and other income received by the Fund from sources within certain countries may be subject to withholding taxes imposed by such countries. The Fund may also be subject to capital gains taxes or other taxes in some of the countries where it purchases and sells securities or otherwise conducts business. It is impossible to predict in advance the rate of tax that will be paid since the amount of the assets of the Fund to be invested in various countries is uncertain.

## **GENERAL**

### **Directors' report**

The Fund has not, since its incorporation, commenced operations, declared any dividends or made up any accounts. The Fund does not have, nor since its incorporation has it had, any employees, nor is it expected to have any in the future.

Since its incorporation, the Fund has not been, nor is it currently, engaged in any litigation or arbitration. So far as the Directors are aware, no litigation or claim is pending or threatened against the Fund.

### **Material Contracts**

The Fund has entered into the Material Contracts which are, or may be, material. These contracts are summarised in the section headed "Management and Administration" above.

### **Documents available for inspection**

Subject to any applicable confidentiality provisions, the following documents are available for inspection during normal business hours, on any day (except Saturdays, Sundays and public holidays) at the registered office of the Fund:

- (a) the Articles;
- (b) the Companies Law and the Mutual Funds Law;
- (c) the Material Contracts; and
- (d) the most recent audited financial statements of the Fund.

Copies of these documents may be obtained free of charge from the Fund.

### **Enquiries**

Enquiries concerning the Fund and this offering (including information concerning subscription procedures) should be directed to the Investment Manager at the address set out in the Directory.

## APPENDIX I

### Eligible Investors

From time to time, the directors may amend the criteria for determining who is an Eligible Investor for the purpose of an investment in the Fund. Initially, all subscribers are “Eligible Investors” except the following:

- (i) any subscriber whose acquisition of Participating Shares would cause a breach of the law or requirements of any country or governmental authority, including anti-money laundering regulations or conventions;
- (ii) any subscriber acting directly or indirectly on behalf of terrorists or terrorist organisations, including those persons or entities that are included on the List of Specially Designated Nationals and Blocked Persons maintained by the US Treasury Department's Office of Foreign Asset Control<sup>1</sup> (OFAC) or are directly or indirectly affiliated with any country, territory, individual or entity named on an OFAC list or prohibited by any OFAC sanctions programmes or on the sanctions lists adopted by the United Nations and the European Union to such extent such sanctions are extended by the UK Government to its Overseas Territories, as such lists may be amended from time to time;
- (iii) any subscriber who acts, directly or indirectly, for a senior foreign political figure<sup>2</sup> or a politically exposed person<sup>3</sup>, any member of a senior foreign political figure's or politically exposed person's immediate family or any close associate of a senior foreign political figure or politically exposed person unless the Fund, after being specifically notified by the subscriber in writing that it is such a person, conducts further due diligence, and determines that the investment is permitted;
- (iv) any subscriber or any entity acting as trustee, agent, representative or nominee for a subscriber that is a foreign shell bank<sup>4</sup>;
- (v) any subscriber who makes representations in a Subscription Agreement that are not true when given or have ceased to be true;

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<sup>1</sup>The OFAC list may be accessed on the web at <http://www.treas.gov/ofac>.

<sup>2</sup>Senior foreign political figure means a senior official in the executive, legislative, administrative, military or judicial branches of a foreign government (whether elected or not), a senior official of a major foreign political party or a senior executive of a foreign government-owned corporation. In addition a senior foreign political figure includes any corporation, business or other entity that has been formed by, or for the benefit of, a senior foreign political figure. The immediate family of a senior foreign political figure typically includes the political figure's parents, siblings, spouse, children and in-laws. A close associate of a senior foreign political figure is a person who is widely and publicly known internationally to maintain an unusually close relationship with the senior foreign political figure, and includes a person who is in a position to conduct substantial domestic and international financial transactions on behalf of the senior foreign political figure.

<sup>3</sup> Politically exposed person includes: (a) a person who is or has been entrusted with prominent public functions by a foreign country, for example a Head of State or of government, senior politician, senior government, judicial or military official, senior executive of a state owned corporation, and important political party official; (b) a person who is or has been entrusted domestically with prominent public functions, for example a Head of State or of government, senior politician, senior government, judicial or military official, senior executives of a state owned corporation and important political party official; and (c) a person who is or has been entrusted with a prominent function by an international organisation like a member of senior management, such as a director, a deputy director and a member of the board or equivalent functions.

<sup>4</sup> Foreign shell bank means a foreign bank without a physical presence in any country, but does not include a regulated affiliate.

- (vi) any subscriber whose circumstances are such that, in the opinion of the directors, its continued ownership of Participating Shares would cause an undue risk of adverse tax or other consequences to the Fund or another shareholder. Those circumstances include those that affect that subscriber directly or indirectly, whether taken alone or in conjunction with another person or persons, connected or not, or any other circumstance that appears to the directors to be relevant; and
- (vii) any subscriber, or any subscriber that is an entity acting as trustee, agent, representative or nominee for a person, who is a “United States person” (within the meaning of Regulation S of the United States Securities Act). The subscriber must notify the Fund immediately if the subscriber becomes a United States person or becomes aware that any person for whom the subscriber holds shares as trustee, agent, representative or nominee has become a United States person. Despite this, if the Fund and the Investment Manager choose to comply fully with applicable U.S. laws and regulations, the Fund may arrange for the private placement of Participating Shares to investors who are in the United States or who are U.S. Persons if, among other things, before the acquisition of Participating Shares each such investor delivers to the Fund a completed Subscription Agreement that contains certain representations, warranties and agreements in accordance with applicable U.S. laws and regulations.

All persons who do not come into any of the above categories are “Eligible Investors”.