

# **CONFIDENTIAL OFFERING MEMORANDUM**

relating to Participating Shares in

## **GLOBAL RATIONAL CAPITAL FUND**

(a Cayman Islands exempted company with limited liability)

**THIS MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY PARTICIPATING SHARES IN THE FUND IN ANY JURISDICTION OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH AN OFFER OR SALE.**

**14 NOVEMBER 2018**

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

The shares in the Fund offered pursuant to this Memorandum have not been registered with or approved by any regulatory authority, nor has any such authority passed upon the accuracy or adequacy of this Memorandum. Any representation to the contrary is unlawful.

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

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

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

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

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

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

This Memorandum is based on the law and practice currently in force in the Cayman Islands and is subject to changes therein.

This Memorandum should be read in conjunction with the Articles of Association of the Fund.

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

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

## SUMMARY OF THE OFFERING

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

Global Rational Capital Fund (the "**Fund**") was incorporated as an exempted limited liability company under the provisions of the Companies Law (as amended) of the Cayman Islands on 14 June 2017.

The investment objective of the Fund is to generate a long-term total return which exceeds that of the global equity market measured by the MSCI ACWI.

The Fund may permit subscriptions for Participating Shares on each Subscription Day from existing or new investors. The minimum initial subscription amount in the Fund is \$100,000 per investor.

Participating Shares are offered on each Subscription Day at the Net Asset Value per Participating Share on the Valuation Day immediately preceding the relevant Subscription Day.

To subscribe for Participating Shares:

- 1) each prospective investor must complete and execute the Subscription Form and return it to the Investment Manager along with the necessary supporting documentation no later than 3pm (Cayman Islands time) fifteen calendar days prior to the Subscription Day (or such earlier or later date and time as may be agreed to by the Investment Manager in its sole discretion);
- 2) the completed Subscription Form and supporting documentation must be approved by the Investment Manager and Administrator prior to the Subscription Day (or such earlier or later date as agreed to by the Investment Manager in its sole discretion); and
- 3) the prospective investor must ensure that subscription amounts in cleared funds are received by the Fund prior to the Subscription Day (or such earlier or later date as agreed to by the Investment Manager in its sole discretion).

A holder of Participating Shares may redeem some or all of his Participating Shares on a Redemption Day at the Net Asset Value per Participating Share as at the Valuation Day immediately preceding such Redemption Day.

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

## DIRECTORY

|   |   |
|---|---|
| The Fund  | Global Rational Capital Fund<br>with its registered office located at the offices of Walkers Corporate Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands |
| Directors   | Mr. Robert Tate and Mr. Lynden John   |
| Investment Manager  | Global Rational Capital Management Ltd.<br>with its registered office located at 68 Fort Street, George Town, Grand Cayman KY1-1101, Cayman Islands   |
| Administrator, Registrar and Transfer Agents  | Brackstone Accounting Services  |
| Auditors  | Moore Stephens MWM Inc.   |
| Legal Advisers<br>(as to Cayman Islands law)  | Walkers, 190 Elgin Avenue, George Town, Grand Cayman KY1-9001, Cayman Islands   |
| Legal Entity Identifier (LEI)   | 213800UXTZQ6GOHFRV21  |
| Foreign Account Tax Compliance Act (FATCA) Global Intermediary Identification Number (GIIN) | FECVZ5.99999.SL.136   |

## DEFINITIONS

**"Administrator"** means Brackstone Accounting Services;

**"AEOI"** means Automatic Exchange of Information and one or more of the following, as the context requires:

- 1) sections 1471 to 1474 of the US Internal Revenue Code of 1986 and any associated legislation, regulations or guidance, commonly referred to as the US Foreign Account Tax Compliance Act ("FATCA"), the Common Reporting Standard ("CRS") issued by the Organisation for Economic Cooperation and Development, or similar legislation, regulations or guidance enacted in any other jurisdiction which seeks to implement equivalent tax reporting and/or withholding tax regimes;
- 2) any intergovernmental agreement, treaty or any other arrangement between the Cayman Islands and the US or any other jurisdiction (including between any government bodies in each relevant jurisdiction), entered into to facilitate, implement, comply with or supplement the legislation, regulations or guidance described in paragraph (1); and
- 3) any legislation, regulations or guidance implemented in the Cayman Islands to give effect to the matters outlined in the preceding paragraphs.

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

**"Auditors"** means Moore Stephens MWM Inc.;

**"Companies Law"** means The Companies Law of the Cayman Islands (as amended);

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

**"Early Redemption Charge"** means a charge of up to 5% of the redemption proceeds will be imposed for any redemption of a Participating Share on or before the expiry of the third Anniversary Year of the issue of such Participating Share. The Investment Manager may, at its sole discretion, vary or waive the charge for any or all Participating Shareholders except for Directors of the Fund, the Investment Manager, Shareholders of the Investment Manager, and Directors of the Investment Manager. The proceeds of such Early Redemption Charge, if imposed, will be retained for the benefit of the Fund;

**"Eligible Investor"** means any person who is not a Restricted Person;

**"Fiscal Year"** means the period beginning on 1 July of each year and ending on 30 June of the following year, or such other period or periods as the Directors may from time to time determine;

**"Fund"** means Global Rational Capital Fund;

**"Initial Offering Date"** means 1 July 2017;

**"Investment Manager"** means Global Rational Capital Management Ltd.;

**"Management Shares"** means the voting non-participating shares of par value \$0.01 each in the capital of the Fund;

**"Memorandum"** means this Offering Memorandum as amended, substituted or supplemented from time to time;

**"Minimum Holding"** means Participating Shares having a Net Asset Value as at the last Valuation Day of not less than \$20,000. The Investment Manager may in its discretion raise or lower the minimum holding amount;

**"Minimum Investment"** means the minimum initial subscription amount from each investor is \$100,000. The Investment Manager may in its discretion raise or lower the minimum initial subscription amount;

**"Minimum Redemption"** means that number of Participating Shares having a total redemption value of at least \$10,000. The Investment Manager may in its absolute discretion accept redemptions for less than the Minimum Redemption;

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

**"Participating Share"** means a participating redeemable share in the capital of the Fund of \$0.01 nominal or par value each in the capital of the Fund;

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

**"Redemption Day"** means the first calendar day of each month and such other day or calendar days as the Investment Manager may from time to time determine either generally or in any particular case;

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

**"Redemption Price"** means the Redemption Price will be denominated in US\$ and will be equal to the Net Asset Value per Participating Share as at the Valuation Day immediately preceding the relevant Redemption Day, after adjustment for:

- (a) any accrual of Management Fees and Outperformance Fees due;
- (b) any Early Redemption Charge; and
- (c) all costs of effecting any wire transfer of redemption proceeds;

**"Restricted Person"** means any person holding Participating Shares

- (a) in breach of the law or requirements of any country or governmental authority; or
- (b) in circumstances (whether directly or indirectly affecting such Person and whether taken alone or in conjunction with any other Person, connected or not, or any other circumstances) which, in the opinion of the Directors, might result in the Fund incurring any liability to taxation or suffering any other pecuniary, legal or administrative disadvantage which the Fund might not otherwise have incurred or suffered;

**"Subscription Day"** means the first calendar day of each month and such other day or days as the Investment Manager may from time to time determine either generally or in any particular case;

**"Subscription Form"** means the Subscription Form in the form attached as Appendix F to this Memorandum or in such other form as the Investment Manager may from time to time determine;

**"Subscription Price"** means the Net Asset Value per Participating Share as at the Valuation Day immediately preceding the relevant Subscription Day;

**"Valuation Day"** means the day upon which the Net Asset Value is calculated, being the last calendar day of each month, and such other day or days as the Investment Manager may from time to time determine either generally or in any particular case.

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

## **INVESTMENT OBJECTIVE, VALUES, STRATEGY AND POLICY**

### **Investment Objective**

The investment objective of the Fund is to generate a long-term total return which exceeds that of the global equity market measured by the MSCI ACWI.

The MSCI ACWI, also referred to as the MSCI All Country World Index, is a broad global free float-adjusted market capitalisation weighted index that is designed to measure the equity market performance of developed and emerging markets. The Fund's Benchmark is the MSCI ACWI Total Return with Net Dividends USD Index (MSCI Index Code: 892400). It is denominated in US\$ and measures the price performance of its markets with income reinvested from constituent dividends after the deduction of withholding taxes. The MSCI ACWI is calculated and published by MSCI Inc. based on the MSCI Global Investable Market Indexes Methodology and is publicly available at <https://www.msci.com>.

### **Investment Values**

The Investment Manager upholds the following set of business and investment values which provide a consistent and comprehensive framework to foster rational decisions for the benefit of the Fund over the long-term:

1. **FOCUS** – We manage one Fund and our sole objective is to ensure it outperforms the global equity market;
2. **ALIGNMENT** – All of our investable net worth is in the Fund alongside the interests of all shareholders;
3. **INCENTIVES** – Our fees are more sensitive to investment outperformance than to assets under management;
4. **RATIONAL** – We look for good businesses we can understand and buy at a price below intrinsic value; and
5. **LONG-TERM** – We view all shareholders as owner-partners who have entrusted their capital to us for the long-term.

These business and investment values are described in detail in Appendix A.

### **Investment Strategy**

To achieve the Fund's Investment Objective, the Investment Manager looks for good businesses it can understand and buy at a price below intrinsic value. The approach is simple, but it requires a lot of time, effort and emotional intellect.

The Investment Strategy is described in detail in Appendix B.

### **Investment Policy**

The Fund shall invest primarily in equity securities listed on any exchange in any country. The Fund may also invest in fixed income securities and stock options, including calls and puts, listed on any exchange in any country. The Fund may make use of other derivatives and may take advantage of arbitrage opportunities as and when they arise. The Fund may invest in other asset categories where it considers the objective of the Fund will be better achieved in doing so. The Fund may also borrow or use leverage from time to time.

Investment weightings are determined based on expectations of income and appreciation, conviction and risk of loss potential, with appropriate diversification.

The Investment Manager will not buy an equity security for the Fund simply because it is an equity constituent of the Benchmark – the security must offer value as an investment. The Investment Manager will also accumulate significant positions in securities that it believes may offer outstanding value even if these securities are not constituents of the Benchmark.

The following allocation targets should, in principle, and where possible, be applied in managing the Fund:

- (a) the Fund should not invest more than 30% of its Net Asset Value in any single equity or fixed income security;
- (b) the Fund should not invest more than 15% of its Net Asset Value in stock options;
- (c) the Fund should not invest more than 15% of its Net Asset Value in unlisted assets; and
- (d) the sum of the Fund's borrowings less the Fund's cash should not exceed 30% of the Net Asset Value of the Fund.

The above allocation targets apply at the time the investment or borrowing is made and will not be treated as exceeded if exceeded because of movements in the relative value of investments of the Fund after the investment or borrowing is made.

The allocation targets set out above are an indication within which the Investment Manager anticipates the Fund will be managed. The Investment Manager has the discretion to exceed the allocation targets if it considers the objective of the Fund will be better achieved in doing so. If any of the allocation targets set out above are significantly exceeded, the Investment Manager may take such steps to bring the Fund within or close to the stated allocation targets over such period of time as it may consider appropriate considering all the circumstances but shall not be under any further liability in respect of exceeding the allocation targets.

The Fund may invest in any asset category of every kind and nature without limitation and is not subject to any restrictions; however, the Investment Manager intends to diversify the Fund's investments and ensure the Fund has adequate liquidity as it deems appropriate for an open-ended fund in pursuit of the Fund's Investment Objective.

Since inception on 1 July 2017, the Fund has outperformed the Fund's benchmark (net of all fees and expenses) however the Fund will experience periods of underperformance in pursuit of its Investment Objective while creating long-term wealth for investors.

**THERE CAN BE NO ASSURANCE THAT THE FUND'S INVESTMENT STRATEGY WILL ACHIEVE PROFITABLE RESULTS.**

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

### **The Directors**

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

Mr. Robert Tate and Mr. Lynden John are the Directors of the Fund.

#### Robert Tate

Robert Tate is a co-founder of the Investment Manager and has served as the Investment Coordinator of the Investment Manager since its inception in 2017. Prior to that, Robert held several positions in the fund management and financial services industry.

From 2013 to 2017, Robert was the Co-manager of OAM European Value Fund at Overseas Asset Management (Cayman) Ltd. ("OAM") where he sought businesses in Europe which he could understand and buy at a price below what he estimated the business to be worth based on the business's earning power. Robert is grateful to Mr. Desmond Kinch, founder of OAM, for sharing his wisdom in rational investing.

From 2012 to 2017, Robert also invested in the Florida and Michigan residential real estate market, through the purchase of foreclosure properties in the aftermath of the great recession, with the long-term view of cash flow rental income and capital appreciation.

Robert was a fund accountant at UBS Fund Services (Cayman) Ltd. (subsequently acquired by MUFG Alternative Fund Services (Cayman) Limited) from 2011 to 2013. He was a senior fund auditor at Deloitte & Touche Cayman Islands and New York from 2010 to 2011. He was also a senior auditor of industrial companies at Deloitte & Touche South Africa from 2007 to 2010.

In total, Robert has over 10 years of experience working in the fund management and financial services industry.

Robert is a Chartered Accountant (CA) and a member of the South African Institute of Chartered Accountants (SAICA Membership# 09115015) and the Cayman Islands Institute of Professional Accountants (CIIPA Membership# 1623). Robert is registered as a Director with the Cayman Islands Monetary Authority under the Directors Registration and Licensing Law of the Cayman Islands.

Robert graduated from the Nelson Mandela Metropolitan University (previously the University of Port Elizabeth) in South Africa with a postgraduate Honours degree and Bachelor of Commerce degree in finance and accounting.

#### Lynden John

Lynden John is the Managing Director of SGG Cayman, a professional corporate and fund administration services firm, licensed and regulated under the Laws of the Cayman Islands. He serves the Fund in his personal and a non-executive capacity.

Lynden has extensive experience in the offshore financial services industry and specializes in the incorporation, governance, compliance, regulatory and administration matters of hedge funds, private equity transactions, capital market transactions and complex offshore corporate structures for corporate and institutional clients.

In his current and previous roles Lynden has served in his personal capacity as an Independent Director, Chief Financial Officer, Principle Point of Contact (PPoC), Anti-Money Laundering Compliance Officer (AMLCO), Money Laundering Reporting Officer (MLRO) for a wide range of offshore structures including, hedge funds, private equity funds, general partners, special purpose vehicles, investment management companies and holding companies. His experience also covers a number of regulatory matters such as the Anti-Money Laundering regulations (AML), the Foreign Account Tax Compliance Act (FATCA), Common Reporting Standards CRS, the Alternative Investment Fund Managers Directive (AIFMD), Dodd-Frank, amongst others involving the Cayman Islands Monetary Authority (CIMA), the Securities and Exchange Commission (SEC), the Commodities Future Trading Commission (CFTC) and the Swiss Financial Market Supervisory Authority (FINMA).

Lynden began his career in public accounting with Deloitte South Africa, where he obtained his designation as a Chartered Accountant (CA), and is alumna of both Deloitte and Ernst & Young in the Cayman Islands. Lynden is a registered Director with the Cayman Islands Monetary Authority (CIMA) and holds the designation of an Accredited Director with the Canadian Institute of Chartered Secretaries and Administrators. He is a member of the Cayman Islands Director Association (CIDA), the Cayman Islands Institute of Professional Accountants (CIIPA), the Restructuring and Insolvency Specialists Association (RISA) and the South African Institute of Chartered Accountants (SAICA).

#### The Mutual Funds Law

Unless the Company is registered as a mutual fund under the Mutual Funds Law, a majority of the investors (as defined in the Mutual Funds Law) shall be entitled to appoint and remove the Directors by written notice to the Company to that effect notwithstanding, and without prejudice to, the other provisions of the Articles providing for the appointment and removal of the Directors.

## The Investment Manager

Global Rational Capital Management Ltd., a Cayman Islands company, has been appointed investment manager to the Fund pursuant to the terms of an investment management agreement between the Fund and the Investment Manager (the "**Investment Management Agreement**").

The Investment Manager is registered with the Cayman Islands Monetary Authority (the "**Monetary Authority**") under the Securities Investment Business Law (as amended) (the "**SIB Law**") and has received from the Monetary Authority an undertaking that the Investment Manager will be exempt from the requirements of the SIB Law. The Investment Manager intends to rely on the exemption under Section 5(2) of the SIB Law. Section 5(2), by reference to the Fourth Schedule to the SIB Law, provides for an exemption from the licensing requirements prescribed by the SIB Law for entities, that carry on "securities investment business" exclusively for one or more of the following classes of person:

- (a) a sophisticated person (as defined in the SIB Law);
- (b) a high net worth person (as defined in the SIB Law); or
- (c) a company, partnership or trust (whether or not regulated as a mutual fund) of which the shareholders, unit holders or limited partners are one or more persons who are a "sophisticated person" or a "high net worth person".

Under the SIB Law, a "sophisticated person" means a person:

- (a) regulated by the Monetary Authority;
- (b) regulated by a recognised overseas regulatory authority;
- (c) any of whose securities are listed on recognised securities exchange; or
- (d) who:
  - (i) by virtue of knowledge and experience in financial and business matters is reasonably to be regarded as capable of evaluating the merits of a proposed transaction; and
  - (ii) participates in a transaction with a value in monetary amounts of at least US\$100,000 or its equivalent in any other currency, in the case of each single transaction.

Under the SIB Law, a "high net worth person" means:

- (a) an individual whose net worth is at least US\$1,000,000 or its equivalent in any other currency; or
- (b) any person that has total assets of not less than US\$5,000,000 or its equivalent in any other currency.

The purchase of the shares in the Fund should be considered only by sophisticated or high net worth persons.

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

### The Founders of the Investment Manager

Mr. Robert Tate and his wife, Mrs. Louise Tate, are the sole shareholders and founders of the Investment Manager.

Robert Tate is the sole director of the Investment Manager and his experience and qualifications are described above in The Directors section of this Memorandum.

Louise Tate graduated from the Nelson Mandela Metropolitan University (previously the University of Port Elizabeth) in South Africa with a Baccalaureus Curationis degree. Louise invested in the Florida and Michigan residential real estate market, alongside Robert Tate, through the purchase of foreclosure properties in the aftermath of the great recession, with the long-term view of cash flow rental income and capital appreciation from 2012 to 2017.

The Founders have, in their absolute sole discretion, elected to make Voluntary Annual Donations, equal to 5% of the Management Fee earned in any given Fiscal Year, to pre-selected charities which help the poor, the sick and or the environment. The Voluntary Annual Donation may be made by the Founders at their discretion, from their personal capital, after the Fund's Fiscal Year End and may be reported in the Fund's audited annual financial statements. The purpose of the Voluntary Annual Donation is to augment long-term sustainable motivation because the Founders believe that devoting a portion of their fee income to earnest causes will supplement their incentives and fulfilment in alignment with the creation of wealth for the Fund and all Shareholders. The Voluntary Annual Donation is described in detail in Appendix E.

### The Investment Management Agreement

The obligations and duties of the Investment Manager under the Investment Management Agreement include the following investment management activities:

1. managing on behalf of the Fund the investment and reinvestment of the assets of the Fund on a discretionary basis, subject to any investment restrictions;
2. carrying out the investment objective and keeping the investment objective under review;
3. advising the Directors on the Fund's investment program and strategy;
4. making all purchases and sales of securities and other investments for the Fund;
5. negotiating all borrowing arrangements of the Fund and supervising the implementation of such arrangements;
6. conducting relations with the Administrator and other persons relating to the management and financial and investment counselling of the Fund;
7. selecting brokers and dealers for execution of portfolio transactions;
8. determining how any voting rights of securities held by the Fund should be exercised;
9. submitting all instructions or advice concerning any acquisition, disposal or other dealing in any asset of the Fund;
10. carrying out reviews of any Securities or other investments held by the Fund;
11. obtaining for the Fund from time to time valuations of Securities and other investments held by the Fund;

12. advising the Fund concerning all actions which, in the opinion of the Investment Manager, the Fund should consider taking to carry into effect investment of the Fund's available capital;
13. advising the Fund on the weighting necessary between different Securities having regard to the Fund's liabilities and requests for redemptions of Shares whether anticipated or received;
14. preparing material for inclusion in annual or other reports of the Fund whenever the Fund may reasonably require;
15. engaging in any lawful transactions in Securities;
16. exercising all rights, powers, privileges and other incidents of ownership or possession with respect to the Securities and other assets and funds held or owned by the Fund;
17. opening, maintaining and closing accounts with brokers and issuing all instructions and authorisations to brokers regarding Securities and money therein and to cause the Fund to pay, or authorising the payment and reimbursement of, brokerage commissions;
18. opening, maintaining and closing bank accounts and authorising the drawing of cheques or other orders for the payment of monies;
19. borrowing or raising monies or utilise any other forms of leverage and to issue, accept, endorse and execute promissory notes, drafts, bills of exchange, warrants bonds, debentures and other negotiable or non-negotiable instruments and evidences of indebtedness;
20. issuing orders and instructions with respect to the acquisition and disposal of investments of the Fund;
21. purchasing (or otherwise acquiring), selling (or otherwise disposing of) and investing in Securities, and exercising right for account of the Fund and effecting foreign exchange transactions on behalf of and for the account of the Fund in connection with any such purchase, other acquisition, sale or other disposal or exercise;
22. paying out the assets of the Fund such amounts as may be required from time to time in order to enable it to perform its duties for the account of the Fund and to discharge such other proper expenses of the Fund;
23. instructing the Fund's bankers as to the payment of amounts payable by the Fund and the currencies in which the same are so payable and negotiating the borrowing requirements, if any, of the Fund.

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

The Investment Management Agreement has an indefinite term although it may be terminated by the Fund on ninety calendar days prior written notice and otherwise in certain stated situations including liquidation of the Investment Manager, or a breach of the Investment Management Agreement by the Investment Manager. The Investment Management Agreement shall terminate automatically upon completion of the winding up, liquidation or termination of the Fund. The Investment Manager can terminate the Investment Management Agreement upon ninety calendar days prior written notice and in certain stated situations similar to those referred to above.

The Investment Management Agreement also provides that the Investment Manager, its directors, officers, employees and agents shall not be liable to the Fund (or any Shareholder) for any action taken or not taken

by it or for any action taken or not taken by any other person with respect to the Fund (or any Shareholder) or in respect of the investments of the Fund provided that the persons seeking to rely on the indemnity has acted in good faith and in a manner reasonably believed to be in, or not opposed to, the best interests of the Fund and provided such actions did not involve wilful default, fraud or dishonesty and that the Fund indemnifies the Investment Manager and each director, officer, employee or agent of the Investment Manager against any losses, claims, damages and liabilities, costs and expenses (including legal and other expenses reasonably incurred in connection with such liabilities) to which such person may become subject by reason of its being the Investment Manager or a director, officer, employee or agent of the Investment Manager (but only to the extent and with respect to services performed by the Investment Manager or such director, officer, employee or agent of the Investment Manager for or on behalf of the Fund or relate to the Fund or relate to investment management services contemplated by the Offering Memorandum) provided that the persons seeking to rely on the indemnity has acted in good faith and in a manner reasonably believed to be in, or not opposed to, the best interests of the Fund and provided such actions did not involve wilful default, fraud or dishonesty.

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

The fees payable to the Investment Manager are set out in Fees and Expenses below.

### **The Administrator**

Brackstone Accounting Services, a proprietorship of Mrs. Tamsyn Love, has been appointed by the Fund as the Fund's administrator pursuant to the terms of an administrative services agreement between the Fund and the Administrator (the "**Administration Agreement**").

Tamsyn Love has held several positions in the fund and financial services industry. Since 2014 she has provided accounting and administrative services to various enterprises. She was a senior fund auditor at Baker Tilly (Cayman) Ltd. from 2013 to 2014. She was also a senior auditor of industrial companies at Deloitte & Touche South Africa from 2007 to 2010. In total, Tamsyn has over 10 years of experience working in the fund and financial services industry.

Tamsyn is a Chartered Accountant (CA) and a member of the South African Institute of Chartered Accountants (SAICA Membership# 09111857). She graduated from the Nelson Mandela Metropolitan University (previously the University of Port Elizabeth) in South Africa with a postgraduate Honours degree and Bachelor of Commerce degree in Finance and Accounting.

The Administrator is responsible, under the supervision of the Directors, for providing administrative services required in connection with the Fund's operations, including, reviewing corporate records of the Fund, reviewing the Net Asset Value of the Fund and the Net Asset Value per Participating Share and the Subscription Price, providing registrar and transfer agent services in connection with the issue, transfer and redemption of Participating Shares and collecting subscription payments and disbursing redemption payments.

The Fund is subject to the Anti-Money Laundering Regulations and the Guidance Notes on the Prevention and Detection of Money Laundering and Terrorist Financing in the Cayman Islands, as amended from time to time (together "the Regulations") which requires, inter alia, the maintenance of certain internal control procedures to develop, maintain, assess and test anti-money laundering compliance systems and controls and report suspicious activity, and the Administrator shall perform, in conjunction with the Fund and Investment Manager, anti-money laundering procedures in respect of Participating Shareholders and prospective Participating Shareholders in the Fund in accordance with the Regulations.

The Administration Agreement between the Fund and the Administrator provides, *inter alia*, that the agreement may be terminated at any time by either party upon not less than ninety calendar days prior written notice, that the Administrator shall not be liable to the Fund or its shareholders for any acts or omissions in the performance of its services except for its own negligence of its obligations under the Administration Agreement and the Administrator is indemnified in acting as administrator except in the case of its own negligence, wilful misconduct or reckless disregard of its obligations under the Administration Agreement.

The fees payable to the Administrator are set out in Fees and Expenses below.

### **The Auditors**

Moore Stephens MWM Inc. has been appointed to act as auditors to the Fund.

## FEES AND EXPENSES

### The Investment Manager's Fees

The Fund pays a management fee (the "**Management Fee**") and an outperformance fee (the "**Outperformance Fee**") on a per Participating Share basis to the Investment Manager.

#### Management Fee

The Management Fee is equal to 0.5% per annum of the Fund's Net Asset Value (before any accruals for the Management Fee or Outperformance Fee for the current month) and is calculated and payable monthly on the last calendar day of each month, being a Valuation Day, as follows:

1. the Management Fee is equal to the Management Fee per Participating Share multiplied by the number of Participating Shares in issue at the relevant Valuation Day;
2. the "**Management Fee per Participating Share**" is equal to 0.04167% (0.5% per annum divided by 12 months) of the Pre-fee NAV per Participating Share at the relevant Valuation Day, the result being rounded to the nearest \$0.001 (\$0.0005 being rounded up);
3. the "**Pre-fee NAV per Participating Share**" is determined by dividing the Net Asset Value of the Fund attributable to Participating Shares (before any accruals for the Management Fee or Outperformance Fee for the current month) by the number of Participating Shares in issue as at the relevant Valuation Day, the result being rounded to the nearest \$0.001 (\$0.0005 being rounded up).

The Investment Manager may, in its sole discretion, elect to receive payment of the Management Fee in cash or may use the monetary value of the Management Fee to purchase Participating Shares at the next Subscription Day at the Subscription Price on that day. Participating Shares purchased by the Investment Manager, whether by cash or with the monetary value of Management Fees or Outperformance Fees, are subject to an Early Redemption Charge of 5% of the redemption proceeds of such Participating Shares on or before the expiry of the third Anniversary Year of the issue of such Participating Shares. The Investment Manager may not vary or waive the Early Redemption Charge for the Investment Manager and the proceeds of such Early Redemption Charge will be retained for the benefit of the Fund.

The Investment Manager may, in its sole discretion, reduce or waive any Management Fees at any time, including in particular during any wind-down of the Fund's business.

#### Outperformance Fee

If after deducting the Management Fee, the total return of the Fund is higher than the total return of the benchmark, being the MSCI ACWI, then an Outperformance Fee of 20% is charged on the excess return. An Outperformance Fee is only charged when the Fund's total return is higher than the benchmark's total return, measured over any and all periods to date.

A high-water mark is in place to ensure that the Fund only pays once for outperformance. An Outperformance Fee is only charged when the excess of the Fund's performance over and above the benchmark's performance reaches a new high, measured over any and all periods to date. When this occurs, the high-water mark is reset. If the Fund subsequently underperforms, and then outperforms again, the high-water mark ensures that Outperformance Fees are not charged for this outperformance because this is only recovering previous underperformance.

Participating Shares may be issued when the Net Asset Value per Participating Share is below the High-water Mark per Participating Share and no Outperformance Fees shall be charged until the Fund recovers from previous underperformance.

The Fund can pay an Outperformance Fee when the Net Asset Value per Participating Share declines. If the Net Asset Value per Participating Share and the benchmark both decline, an Outperformance Fee can still be charged if the decline in the Net Asset Value per Participating Share is less than the decline in the benchmark. This is because the Fund has still delivered a better result than the benchmark and has therefore still added value to Participating Shareholders who view the benchmark as an alternative investment to the Fund. By the same rule, in positive performance periods, Outperformance Fees shall only be charged if the Fund's positive performance is higher than that of its benchmark. Therefore, the Investment Manager shall not be rewarded for idling on a rising market tide.

The Investment Manager shall not receive payment of the Outperformance Fee in cash. The Investment Manager shall use the monetary value of the Outperformance Fee to purchase Participating Shares at the next Subscription Day at the Subscription Price on that day. Participating Shares purchased by the Investment Manager, whether by cash or with the monetary value of Management Fees or Outperformance Fees, are subject to an Early Redemption Charge of 5% of the redemption proceeds of such Participating Shares on or before the expiry of the third Anniversary Year of the issue of such Participating Shares. The Investment Manager may not vary or waive the Early Redemption Charge for the Investment Manager and the proceeds of such Early Redemption Charge will be retained for the benefit of the Fund.

The Outperformance Fee is calculated and payable monthly on the last calendar day of each month, being a Valuation Day, as follows:

1. the Outperformance Fee is equal to the Outperformance Fee per Participating Share multiplied by the number of Participating Shares in issue at the relevant Valuation Day;
2. the "**Outperformance Fee per Participating Share**" is equal to 20% of the Outperformance per Participating Share at the relevant Valuation Day, the result being rounded to the nearest \$0.001 (\$0.0005 being rounded up);
3. the "**Outperformance per Participating Share**" is equal to the greater of: a) the amount by which the Pre-outperformance-fee NAV per Participating Share exceeds the Benchmark Adjusted Prior Month High-water Mark per Participating Share; and b) zero;
4. the "**Pre-outperformance-fee NAV per Participating Share**" is equal to the Pre-fee NAV per Participating Share less the Management Fee per Participating Share at the relevant Valuation Day;
5. the "**Benchmark Adjusted Prior Month High-water Mark per Participating Share**" is equal to the High-water Mark per Participating Share as at the previous month's Valuation Day multiplied by the sum of one plus the total return percentage generated by the Fund's benchmark, being the MSCI ACWI, during the current month, the result being rounded to the nearest \$0.001 (\$0.0005 being rounded up);
6. the "**High-water Mark per Participating Share**" is equal to the greater of: a) the Net Asset Value per Participating Share; and b) the Benchmark Adjusted Prior Month High-water Mark per Participating Share, as at the last calendar day of each month, being a Valuation Day.

It should be noted that the Management Fees and Outperformance Fees are based in part upon unrealised gains (as well as unrealised losses) and that such unrealised gains and/or losses may never be realised.

On termination of the Investment Management Agreement the Investment Manager shall be entitled to receive all fees and other monies accrued but not yet paid on a pro rata basis up to the date of such termination as provided in the Investment Management Agreement and shall repay on a pro rata basis fees and other monies paid to it in respect of any period after the date of such termination. In addition, the Fund shall also pay to the Investment Manager expenses referred to in this Agreement to the extent to which the

Investment Manager is obliged to continue to make such payments for and on behalf of the Fund beyond the date of termination of this Agreement.

### **The Administrator's Fee**

The Administrator is compensated for its services performed with a fee (the "**Administration Fee**") per hour of Fund administration work performed by the Administrator. The Administration Fee shall be calculated monthly based on the number of Fund administration hours worked by the Administrator during the month in respect of which the fee is payable.

The Investment Manager has, in its absolute sole discretion, elected to bear, a portion of the Administration Fees as described below.

### **Other Fees and Expenses**

The Investment Manager shall bear, all costs and expenses associated with the launch of the Fund, including government incorporation charges and professional fees and expenses in connection with the preparation of this Memorandum and the agreements referred to herein.

The Investment Manager and the Administrator are responsible for providing and paying for all office personnel, office space and office facilities required for the performance of their respective services to the Fund.

The Fund does however bear all other expenses incidental to its operations and business, including, all transactional costs including brokerage, banking, sales and purchase commissions and charges and exchange fees, fees and charges of custodians and clearing agencies, interest and commitment fees on loans and debit balances, income taxes, withholding taxes, transfer taxes and other governmental charges and duties, any costs incurred in respect of meetings of the Directors (including its committees) and meetings, if any, of Shareholders, fees of the Fund's legal advisers and the Auditors, Director's fees and expenses, the costs of maintaining the Fund's registered office in the Cayman Islands and its registration as a mutual fund with the Cayman Islands Monetary Authority (if registered) and the costs of printing and distributing any offering materials and any reports and notices to shareholders.

Without limiting the obligations of the Fund to pay costs and expenses to be for its account and/or incurred by the Investment Manager or the Fund in the ordinary course of the Fund's business, the Fund shall pay, or procure that there are paid, the following expenses relating to its business: regulatory fees, if any, incurred by Directors of the Fund to act as the Directors of the Fund; regulatory fees, if any, incurred by the Investment Manager of the Fund to act as the Investment Manager of the Fund; data subscription costs incurred in respect of the investments of the Fund; and Directors insurance and investment management indemnity insurance, if any.

The Investment Manager has, in its absolute sole discretion, elected to bear, the portion of the following other expenses incidental to the Fund's business incurred in a given year, which in aggregate exceed 0.5% per annum (or 0.04167% per month) of the Fund's Pre-fee NAV: Administration Fees; governmental charges and duties; any costs incurred in respect of meetings of the Directors (including its committees) and meetings, if any, of Shareholders; fees of the Fund's Auditors; Director's fees and expenses; the costs of maintaining the Fund's registered office in the Cayman Islands and its registration as a mutual fund with the Cayman Islands Monetary Authority (if registered); the costs of printing and distributing any offering materials and any reports and notices to shareholders; regulatory fees, if any, incurred by Directors of the Fund to act as the Directors of the Fund; regulatory fees, if any, incurred by the Investment Manager of the Fund to act as the Investment Manager of the Fund; data subscription costs incurred in respect of the investments of the Fund; and Directors insurance and investment management indemnity insurance, if any.

Other expenses paid by the Investment Manager for and on behalf of the Fund, may be reimbursed to the Investment Manager and the Investment Manager may elect to receive such reimbursement in cash or may use the monetary value of the reimbursement to purchase Participating Shares at the next Subscription Day at the Subscription Price on that day.

## **DETERMINATION OF NET ASSET VALUE**

The Net Asset Value of the Fund and the Net Asset Value per Participating Share shall be calculated, in US Dollars, by the Directors (or such other person as the Directors may appoint for such purpose from time to time) as at close of business on the relevant Valuation Day (or at such other times as the Directors (or such other persons as aforesaid) may determine). The Subscription Price and Redemption Price (following the Initial Offering Date) will be available upon request from the Investment Manager or the Administrator.

The Net Asset Value of the Fund will be equivalent to all the assets less all the liabilities of the Fund as at the Valuation Day.

The Net Asset Value of the Fund attributable to Participating Shares will be equivalent to the value of all the assets of the Fund attributable to the Participating Shares less all liabilities attributable to the Participating Shares as at the Valuation Day.

The Net Asset Value per Participating Share is determined by dividing the Net Asset Value of the Fund attributable to Participating Shares by the number of Participating Shares in issue as at the relevant Valuation Day, the result being rounded to the nearest \$0.001 (\$0.0005 being rounded up).

The value of the assets of the Fund and the method of valuation of such assets shall be determined by the Directors or a duly authorised agent (who may, if applicable, consult with and rely in good faith on the advice of the Investment Manager). The assets of the Fund shall be deemed to include:

1. all Securities owned or contracted to be acquired and all unrealised gains (or losses) on such Securities;
2. all cash on hand, on loan or on deposit including accrued interest thereon;
3. all bills and demand notes and amounts receivable (including proceeds of Securities sold but not delivered);
4. all interest receivable on any interest bearing Securities owned by the Fund, except to the extent that the same is included or reflected in the principal amount of such Securities; and
5. all other assets of every kind and nature, including, without limitation, prepaid expenses.

The liabilities of the Fund shall be deemed to include:

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

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

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

In the event that the Directors determine that the valuation of any Securities or other property pursuant to the provisions of these Articles does not fairly represent market value, the Directors (or any duly authorised agent) may value such Securities or other property as they reasonably determine and will set forth the basis of such valuation in writing in the Fund's records.

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

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

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

## THE PARTICIPATING SHARES AND ARTICLES OF ASSOCIATION

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

### The Fund's Share Capital

The Fund's authorised share capital is \$50,000 divided into:

1. 4,999,900 Participating Shares being redeemable participating shares of par value \$0.01 each to be issued to investors. The Participating Shares being issued pursuant to this Memorandum do not have the right to receive notice of, attend, speak or vote at general meetings of the Fund. Participating Shares are redeemable at the option of the holder in accordance with the terms set out in this Memorandum and the Articles of Association of the Fund and are subject to compulsory redemption in certain circumstances. Although not anticipated to be paid, dividends may, in the absolute discretion of the Directors, be paid to the holders of the Participating Shares out of the reserves available for distribution. In a liquidation, after the payment of the capital paid on the Management Shares, the assets available for distribution are to be distributed to the holders of the Participating Shares **pari passu** in proportion to the Net Asset Value per Participating Share of the Participating Shares held.
2. 100 Management Shares being voting non-participating shares of par value \$0.01 each, all of which have been issued and are held by the Investment Manager. Management Shares carry one vote per share but do not carry any right to dividends. In a liquidation the Management Shares rank only for a return of the nominal amount paid up on those shares before any payment to the holders of Participating Shares and any other shares ranking **pari passu** with the Participating Shares in a liquidation.

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

The Fund may by special resolution of the voting shareholders increase or reduce its authorised share capital.

### Eligible Shareholders

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

### Subscription for Participating Shares

Participating Shares were offered on the Initial Offering Date at a Subscription Price per Participating Share of \$100.000 and thereafter are offered on each Subscription Day at the Net Asset Value per Participating Share on the Valuation Day immediately preceding the relevant Subscription Day.

The minimum initial subscription from each investor is \$100,000. Existing Participating Shareholders may increase their investment in multiples of \$10,000. The Fund reserves the right to raise or lower the minimum subscription amounts. Subscriptions may only be made in US Dollars, or, in the absolute discretion of the Investment Manager, in kind.

The acceptance of subscriptions as of each Subscription Day is subject to confirmation of the prior receipt of cleared funds before such Subscription Day (or such earlier or later date as may be agreed to by the Investment Manager in its sole discretion) to the Fund's subscription account.

The Fund reserves the right to reject or accept subscriptions in its absolute discretion and without assigning any reason therefor.

Prospective investors will be required to complete and execute a Subscription Form as attached in Appendix F. The completed Subscription Form and necessary supporting documentation (as required by the Fund to comply with applicable laws and regulations) should be sent to the address shown on the Subscription Form no later than 3pm (Cayman Islands time) fifteen calendar days prior to the Subscription Day (or such earlier or later date and time as may be agreed to by the Investment Manager in its sole discretion).

The Investment Manager shall provide, to prospective investors, details of the Fund's subscription account once and if the completed Subscription Form and necessary supporting documentation has been approved by the Investment Manager and Administrator.

The completed Subscription Form and necessary supporting documentation must be approved by the Investment Manager and Administrator and the subscription monies must be received in cleared funds prior to the relevant Subscription Day (or such earlier or later date as determined by the Investment Manager in its sole discretion).

If the Subscription Form and supporting documentation is approved or cleared funds are received after the deadline, it will (unless otherwise determined by the Investment Manager) be treated as a request for subscription on the next Subscription Day.

To ensure the amount received in the Fund's bank account matches the amount indicated on the Subscription Form, subscribers must make payments net of all bank wire transfer fees. To facilitate prompt and accurate credit of subscription payments, subscribers must email proof of payment to the Investment Manager at the address shown on the Subscription Form.

Subscription Forms will (save as determined by the Investment Manager) be irrevocable and shall be sent by email at the risk of the applicant.

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

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

Participating Shares will be issued only in registered form. The Investment Manager and Administrator maintains the official register of Participating Shares of the Fund at the Investment Manager's principal place of business in the Cayman Islands. Certificates representing Participating Shares will not be issued.

### **Redemption of Participating Shares**

Except as noted under Suspension of Redemptions and Subscriptions below, a holder of Participating Shares may redeem some or all of his Participating Shares as of each Redemption Day at the Net Asset Value per Participating Share as at the immediately preceding Valuation Day provided the Redemption

Notice is received by the Fund no later than 3pm (Cayman Islands time) at least fifteen calendar days prior to the proposed Redemption Day.

Redeeming Participating Shareholders may redeem by completing the Redemption Notice (as attached in Appendix G) in writing and sending it by email to the Investment Manager.

Confirmations will be sent to subscribers via email showing the details of each redemption.

A request for redemption must be made on the Redemption Notice and, once submitted to the Investment Manager, may not be withdrawn except with the consent of the Investment Manager.

If the Redemption Notice is received after the deadline for receipt of requests for redemption for any particular Redemption Day, it shall (unless otherwise determined by the Investment Manager) be treated as a request for redemption on the next Redemption Day.

If Redemption Notices are received by the Fund in any month in relation to Participating Shares with an aggregate Net Asset Value of more than 20% of the Net Asset Value of the Fund, the Directors may, in their discretion, reduce each request for redemptions pursuant to such Redemption Notices pro rata, so that only Participating Shares with an aggregate Net Asset Value equal to 20% (or such percentage as the Directors in their discretion may determine) of the Net Asset Value of the Fund are redeemed during any month. If Redemption Notices giving rise to an excess of such amount are received, the Directors shall reduce each request for redemptions pursuant to such Redemption Notices **pro rata**. A Redeeming Shareholder whose request for a redemption of Participating Shares is reduced will be deemed to have submitted a Redemption Notice to have the remaining balance of the Participating Shares as specified in the original Redemption Notice redeemed on the next following Redemption Day without the need to submit a further Redemption Notice PROVIDED ALWAYS THAT redemptions on any such subsequent Redemption Day shall always be subject to the discretion of the Directors to reduce each request for redemptions pursuant to each Redemption Notice on a pro rata basis as aforesaid to ensure that no more than 20% of the Net Asset Value of the Fund shall be redeemed during any month, unless the Directors determine otherwise.

Redemption payments will be made in US Dollars or, in the absolute discretion of the Investment Manager, in kind, or partly in cash and partly in kind, and cash payments will be remitted by wire transfer to the account designated by the Participating Shareholder in the Redemption Notice. Wire transfers shall be at the Participating Shareholder's risk and wire transfer bank fees shall be at the Participating Shareholder's expense. All costs of effecting any wire transfer will be borne by the redeeming Participating Shareholder and may be deducted from the redemption proceeds payable to the relevant Participating Shareholder. Redemption payments may also be remitted by a local US Dollar cheque drawn on the Fund's Cayman Islands clearing bank made payable to the Participating Shareholder. No interest will accrue on the redemption proceeds pending payment. No redemption proceeds will be paid to third parties.

For the purpose of determining the value to be ascribed to any assets of the Fund used for an in-kind redemption, the value ascribed to such assets shall be the value of such assets on the Valuation Day immediately preceding the relevant Redemption Day. The risk of a decline in the value of such assets in the period from the relevant Valuation Day to the date upon which such assets are distributed to the Redeeming Shareholder, and the risk of any loss or delay in liquidating such securities, will be borne by the Redeeming Shareholder.

The Fund will pay a Redeeming Shareholder the amount due to such Redeeming Shareholder within twenty calendar days after the relevant Redemption Day, based upon the Net Asset Value per Participating Share, as determined by the Directors or their duly authorised agent in accordance with this Memorandum and the Articles, and estimated in good faith by the Directors or their duly authorised agent, based upon the Company's unaudited interim financial reports.

Where permitted, partial redemptions must be for that number of Participating Shares leaving a total redemption value in excess of the Minimum Redemption and will be declined if they would cause an investor to have an interest of less than the Minimum Holding. The Investment Manager may in its absolute discretion accept redemptions for less than the Minimum Redemption.

The Company may at any time compulsorily redeem any or all of a Shareholder's Participating Shares for any reason or for no reason.

In the event a Participating Shareholder redeems all or part of its Participating Shares on or before the expiry of the third Anniversary Year of the issue of such Participating Shares, an Early Redemption Charge of up to 5% of the redemption proceeds is payable to the Fund unless varied or waived by the Investment Manager in its absolute discretion. The proceeds of such Early Redemption Charge, if imposed, will be retained for the benefit of the Fund. No redemption penalties shall apply to redemptions of Participating Shares made after the expiry of the third Anniversary Year of the issuance.

### **Key Man Event**

In the event that the Key Man Event occurs, the remaining Directors shall instruct the Administrator (or such other person as the Directors may appoint for such purpose) to notify all Participating Shareholders promptly of its occurrence and shall compulsorily redeem all Participating Shares and wind-down the Fund in an orderly manner with the assistance of the Administrator (or such other person as the Directors may appoint for such purpose) and may also engage the services of a liquidation practitioner to assist with the wind-down.

The "**Key Man Event**" means, in respect of Mr. Tate, (a) the services of Mr. Tate not being available to the Investment Manager or the Fund for a period of ninety consecutive calendar days, whether by reason of illness, accident or otherwise, or (b) the death or disability of Mr. Tate.

The business of the Fund includes the realisation and distribution of the Fund's assets to Shareholders during a wind down of the Fund's operations.

### **Suspension of Redemptions and Subscriptions**

The Directors may declare a suspension of:

1. the determination of Net Asset Value; and/or
2. the subscription for Participating Shares; and/or
3. the redemption of Participating Shares at the option of the Shareholder (either in whole or in part); and/or
4. the purchase of Participating Shares; and/or
5. the payment of any amount to a Redeeming Shareholder in connection with the redemption of Participating Shares, in each case for the whole or any part of any period and in such circumstances as the Directors may determine.

If a redemption request is not withdrawn by a Participating Shareholder following declaration of a suspension of a redemption of Participating Shares at the option of the Shareholder, the redemption will be completed as of the Valuation Day next following the month in which such suspension is ended, unless the Directors determine otherwise, on the basis of the Net Asset Value per Participating Share as at the last Valuation Day.

## Transfers

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

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

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

## Modification of Rights attaching to the Participating Shares

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

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

The rights attaching to the Participating Shares shall be deemed not to be varied by the creation, allotment or issue of further shares ranking **pari passu** with the Participating Shares or ranking behind the Participating Shares, the redemption or repurchase of any shares, the passing of a Directors resolution to change or vary the investment objective, investment technique and strategy and/or investment policy, or any modification of the fees payable to any service provider to the Fund.

## Directors

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

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

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

## ADDITIONAL INFORMATION

### Taxation

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

There are no laws enacted in the Cayman Islands imposing any tax or duty to be levied on profits, income or on gains or appreciation, or any tax in the nature of estate duty or inheritance tax, that apply to any asset comprised in or any income arising under the Fund, or to the Shareholders thereof, in respect of any such asset or income. Accordingly, no provision for such taxes shall be made in the Fund's records, Net Asset Value or financial statements.

On 29 November 2013, the Cayman Islands government entered into an inter-governmental agreement with the US (the "**US IGA**") in connection with the implementation of FATCA. The US IGA is intended to result in the automatic exchange of tax information under FATCA. The two governments have also signed a Tax Information Exchange Agreement which outlines the legal channels through which tax information will automatically be exchanged.

On 4 July 2014, the Cayman Islands government issued the Tax Information Authority (International Tax Compliance) (United States of America) Regulations (as amended) (the "**US FATCA Regulations**") to accompany the Tax Information Authority Law (as amended) (the "**TIA Law**"). The US FATCA Regulations implement the provisions of the US IGA. The US FATCA Regulations provide for the identification of and reporting on certain direct and indirect US investors who are US citizens, and impact the Fund and its investors.

Investors in the Fund will be required to provide identifying information to the Fund in order for the Fund to correctly classify the investor for the purposes of US FATCA, and should note that in the event an investor does not supply such information on request, such investor may be classified as a 'US Reportable Account' and information pertaining to such investor (and its holding in the Fund) may be passed to the Cayman Islands Tax Information Authority or its delegate (the "**TIA**"), who may then provide it to the United States Internal Revenue Service (the "**IRS**"). Each investor should also note that any information provided to the Fund which identifies its direct or indirect ownership of an interest in the Fund may be reported to the TIA and/or the IRS.

On 29 October 2014, the Cayman Islands along with 50 other jurisdictions signed a Multilateral Competent Authority Agreement to demonstrate its commitment to implement the CRS. Local regulations, which require due diligence to be undertaken on new and pre-existing accounts, were enacted on 16 October 2015 and 14 December 2016 with reporting on such accounts commencing during 2017. More than 100 countries have since agreed to implement the CRS, which imposes similar reporting and other obligations as the US IGA with respect to investors who are tax resident in other signatory jurisdictions. The Fund will be required to report to the TIA on an annual basis, with account information being disseminated by the TIA to tax authorities around the globe. The Cayman Islands government may also enter into additional agreements with other countries in the future, and additional countries may adopt CRS, which will likely further increase the reporting and/or withholding obligations of the Fund.

Each investor acknowledges that the Fund may take such action as it considers necessary in relation to such investor's holding or redemption proceeds to ensure that any withholding tax payable by the Fund, and any related costs, interest, penalties and other losses and liabilities suffered by the Fund, the Administrator or any other investor, or any agent, delegate, employee, director, officer, manager, member

or affiliate of any of the foregoing persons pursuant to AEOI, arising from such investor's failure to provide the requested information to the Fund, is economically borne by such investor.

## **Anti-Money Laundering**

### **Cayman Islands**

As part of the Fund's responsibility for the prevention of money laundering, the Fund and the Administrator (including its affiliates, subsidiaries or associates) will require a detailed verification of the applicant's identity and the source of payment. Depending on the circumstances of each application, a detailed verification might not be required where:

5. the applicant is a relevant financial business required to comply with the Anti-Money Laundering Regulations (as amended) or is a majority-owned subsidiary of such a business; or
6. the applicant is acting in the course of a business in relation to which a regulatory authority exercises regulatory functions and which is in a country listed by the Cayman Islands Anti-Money Laundering Steering Committee ("**Equivalent Jurisdiction**") or is a majority-owned subsidiary of such an applicant; or
7. the applicant is a central or local government organisation, statutory body or agency of government in the Cayman Islands or an Equivalent Jurisdiction; or
8. the applicant is a company that is listed on a recognised stock exchange and subject to disclosure requirements which impose requirements to ensure adequate transparency of beneficial ownership, or is a majority-owned subsidiary of such a company; or
9. the applicant is a pension fund for a professional association, trade union or is acting on behalf of employees of an entity referred to in sub-paragraphs (1) to (4); or
10. the application is made through an intermediary which falls within one of sub-paragraphs (1) to (5). In this situation the Fund may rely on a written assurance from the intermediary which confirms (i) that the requisite identification and verification procedures on the applicant for business and its beneficial owners have been carried out; (ii) the nature and intended purpose of the business relationship; (iii) that the intermediary has identified the source of funds of the applicant for business; and (iv) that the intermediary shall make available copies of any identification and verification data or information and relevant documents.

Alternatively, if the subscription payment is remitted from an account (or joint account) held in the applicant's name at a bank in the Cayman Islands or a bank regulated in an Equivalent Jurisdiction, a detailed verification might not be required at the time of subscription. In this situation the Fund may require evidence identifying the branch or office of the bank from which the monies have been transferred, verify that the account is in the name of the applicant and retain a written record of such details. However, a detailed verification will need to be carried out prior to any redemption.

The Fund and the Administrator reserve the right to request such information as is necessary to verify the identity of an applicant. In the event of delay or failure by the applicant to produce any information required for verification purposes, the Administrator will refuse to accept the application and the subscription monies relating thereto.

If any person who is resident in the Cayman Islands (including the Administrator) has a suspicion that a payment to the Fund (by way of subscription or otherwise) contains the proceeds of criminal conduct that person is required to report such suspicion pursuant to the Proceeds of Crime Law (as amended).

By subscribing, applicants consent to the disclosure by the Fund and the Administrator of any information about them to regulators and others upon request in connection with money laundering and similar matters both in the Cayman Islands and in other jurisdictions.

### **Other Jurisdictions**

The Fund will comply with applicable US anti-money laundering regulations. In addition, many jurisdictions are in the process of changing or creating anti-money laundering, embargo and trade sanctions, or similar laws, regulations, requirements (whether or not with force of law) or regulatory policies and many financial intermediaries are in the process of changing or creating responsive disclosure and compliance policies (collectively "**Requirements**") and the Fund could be requested or required to obtain certain assurances from applicants subscribing for Participating Shares, disclose information pertaining to them to governmental, regulatory or other authorities or to financial intermediaries or engage in due diligence or take other related actions in the future. It is the Fund's policy to comply with Requirements to which it is or may become subject to and to interpret them broadly in favour of disclosure. Each applicant will be required to agree in the Subscription Agreement, and will be deemed to have agreed by reason of owning any Participating Shares, that it will provide additional information or take such other actions as may be necessary or advisable for the Fund (in the sole judgment of the Fund and/or Administrator) to comply with any Requirements, related legal process or appropriate requests (whether formal or informal) or otherwise. Each applicant by executing the Subscription Agreement consents, and by owning Participating Shares is deemed to have consented, to disclosure by the Fund and its agents to relevant third parties of information pertaining to it in respect of Requirements or information requests related thereto. Failure to honour any such request may result in redemption by the Fund or a forced sale to another investor of such applicant's Participating Shares.

### **Anti-Money Laundering Officers**

Pursuant to the Anti-Money Laundering Regulations (as amended), the Fund must designate natural persons to act as its Anti-Money Laundering Compliance Officer, Money Laundering Reporting Officer and Deputy Money Laundering Reporting Officer (the "**AML Officer Roles**"). The Directors have ensured that natural persons have been designated to perform the AML Officer Roles in accordance with Cayman Islands law. Investors can obtain further information in respect of the AML Officer Roles from the Directors or the Investment Manager.

### **Requests for Information**

The Fund or any of its respective directors or agents domiciled in the Cayman Islands, may be compelled to provide information, subject to a request for information made by a regulatory or governmental authority or agency under applicable law; for example by the Cayman Islands Monetary Authority, either for itself or for a recognised overseas regulatory authority, under the Monetary Authority Law (as amended), or by the Tax Information Authority, under the Tax Information Authority Law (as amended) and associated regulations, agreements, arrangements and memoranda of understanding. Disclosure of confidential information under such laws shall not be regarded as a breach of any duty of confidentiality and, in certain circumstances, the Fund or any of its respective directors or agents, may be prohibited from disclosing that the request has been made.

### **Cayman Islands Mutual Funds Law**

Although the Fund falls within the definition of a "Mutual Fund" in terms of the Mutual Funds Law (as amended) of the Cayman Islands (the "**Mutual Funds Law**"), the Fund is not required to be registered with the Cayman Islands Monetary Authority as the equity interests in the Fund are held by not more than 15 investors, a majority of whom are capable of appointing or removing the Directors.

The Directors may at any time, and without the consent of Shareholders, cause the Fund to become registered as a mutual fund under the Mutual Funds Law.

## **Reports to Shareholders**

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

## **Amendments**

This Memorandum may be amended, supplemented or otherwise modified at any time as determined by the Directors in their discretion for the purpose of:

1. clarifying any inaccuracy or ambiguity or reconciling any inconsistency in its provisions, or as between the provisions of this Memorandum and the provisions of the Memorandum and Articles of Association, or with respect to matters or questions arising under this Memorandum which are not inconsistent with the provisions of the Memorandum and Articles of Association or this Memorandum;
2. complying with any law, rule or regulation applicable to the Fund or any of its service providers;
3. reflecting a change of location of the principal place of business of the Fund;
4. reflecting and describing an amendment or supplement to, or other modification of, the terms of any agreement entered into by the Fund and described herein, or reflecting and describing the terms of any agreement entered into by the Fund following the date of this Memorandum;
5. changing this Memorandum in any manner that does not, in the opinion of the Directors, adversely affect the Shareholders in any material respect or that is required or contemplated by the provisions of the Memorandum and Articles of Association or by any provisions of this Memorandum; or
6. making any other amendment, supplement or other modification similar to the foregoing that the Directors determine to be in the best interests of the Fund provided always that such amendment, supplement or other modification does not conflict with the terms of the Memorandum and Articles of Association.

By subscribing for Participating Shares, Shareholders accept that:

1. the terms of this Memorandum may be amended, supplemented or otherwise modified by the Directors in accordance with the foregoing criteria without any advance notification to, or consent of, the Shareholders; and
2. any amendments or supplements to, or other modifications of, this Memorandum effected by the Directors in accordance with the foregoing criteria shall be announced to the Shareholders following the adoption thereof.

## **RISK FACTORS**

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

### **Absence of Operating History**

The Fund is a newly organised entity and there is limited operating history upon which investors may base an evaluation of the Fund's likely performance. The Fund's results will depend upon the availability of suitable investment opportunities for the Fund and the performance of the Fund's investments.

### **Nature of Investments**

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

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

The Fund's investment program may include short selling and trading in options and futures (upon the receipt of any necessary regulatory exemptions or approvals). Such investments can be extremely volatile and substantially increase the impact of adverse price movements on the sale of Participating Shares. There can be no assurance that the strategy adopted for investing in options will be profitable or that a Participating Shareholder will not lose some or all of his investment.

### **Leveraging**

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

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

### **Limited Diversification**

The amount that the Fund may invest in a particular security is not subject to any restrictions although the Investment Manager intends to seek to diversify the Fund's investments as it deems appropriate in pursuit of the Fund's investment objective. If the Fund's investment portfolio is concentrated in a small number of investments, the portfolio will be subject to a greater level of volatility. Also, the use of a single Investment Manager could mean lack of diversification and, consequentially, higher risk.

## **Reliance on Investment Manager**

Although the Directors have the ultimate authority and responsibility for the management of the Fund, all decisions relating to the investment of the Fund's assets has been delegated to, and will be made by, the Investment Manager, who will therefore have total trading authority over the Fund. The Fund's expertise in trading is therefore largely dependent on the continuation of an agreement with the Investment Manager and the services and skills of its officers and employees. The loss of the Investment Manager's services (or that of one of its key personnel) could materially and negatively impact the value of the Fund as it may lead to the loss of the use of any proprietary investment methodology developed by the Investment Manager. Participating Shareholders will have no right or power to take part in the management of the Fund.

## **Effect of Redemptions**

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

## **Outperformance Fee**

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

## **Counterparty Default**

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

## **Absence of Secondary Market**

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

## **Operating Deficits**

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

## **Economic Conditions**

Changes in economic conditions, including, for example, interest rates, inflation rates, employment conditions, competition, technological developments, political and diplomatic events and trends, and tax laws can affect substantially and adversely the business and prospects of the Fund. None of these conditions is within the control of the Investment Manager and no assurances can be given that the Investment Manager will anticipate these developments.

## **Calculation of Net Asset Value**

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

## **Conflicts of Interest**

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

## **Regulations**

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

## **Dividends and Distributions**

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

## **Market Risk**

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

## **Exchange Fluctuations**

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

## **International Investing**

A portion of the trades executed for the Fund take place on foreign exchanges. Additional risks of international investing include political or economic instability in the country of issue, and the possible imposition of exchange controls or other laws or restrictions. In addition, prices of securities in non US markets are generally subject to different economic, financial, political and social factors than are the prices of securities in US markets. With respect to some countries there may be the possibility of expropriation or confiscatory taxation, limitations on liquidity of securities, or political or economic developments which could affect the non US investments of the assets held by the Fund. Moreover, securities of foreign issuers generally will not be registered with the US Securities and Exchange Commission (the "SEC"), and such issuers will generally not be subject to the SEC's reporting requirements. Accordingly, there is likely to be less publicly available information concerning certain of the non US issuers of securities held by the Fund than is available concerning US companies. Non US companies are also generally not subject to uniform accounting, auditing or financial reporting standards, or to practices and requirements comparable to those applicable to US companies. There may also be less government supervision and regulations of foreign broker-dealers, financial institutions and listed companies than exist in the US these factors could make investments made by the Fund, especially those made in developing countries, more volatile than investment in US companies. All of the above issues should be considered before investing in Participating Shares. Some emerging markets countries may have fixed or managed currencies that are not free floating against the US Dollar. Further, certain currencies may not be traded internationally. Certain of these currencies have experienced a steady devaluation relative to the US Dollar. This could have an impact on Participating Shares.

## **No Guarantee**

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

## **Consequences for Investors as a result of AEOI**

The Fund may take such action as it considers necessary in relation to an investor's holding or redemption proceeds, as a result of relevant legislation and regulations, including but not limited to, AEOI, as further detailed in the section of this Memorandum entitled "Taxation". Such actions may include, but are not limited to the following:

1. The disclosure by the Fund, the Administrator or such other service provider or delegate of the Fund, of certain information relating to an investor to the TIA or equivalent authority and any other foreign government body as required by AEOI. Such information may include, without limitation, confidential information such as financial information concerning an investor's investment in the Fund, and any information relating to any shareholders, principals, partners, beneficial owners (direct or indirect) or controlling persons (direct or indirect) of such investor.
2. The Fund may compulsorily redeem any Participating Shares held by an investor in accordance with the terms of this Memorandum and may deduct relevant amounts from a recalcitrant investor so that any withholding tax payable by the Fund or any related costs, debts, expenses, obligations or liabilities (whether internal or external to the Fund) are recovered from such investor(s) whose action or inaction (directly or indirectly) gave rise or contributed to such taxes, costs or liabilities. Failure by an investor to assist the Fund in meeting its obligations pursuant to AEOI may therefore result in pecuniary loss to such investor.

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

## **SUBSCRIPTION INSTRUCTIONS**

### **Subscription Applications**

Applications may be made only by using the accompanying Subscription Form. All applications should be directed to the Investment Manager at the address shown on the Subscription Form. The Fund reserves the right to require additional information and certification to comply with applicable laws and regulations (including money laundering regulations) or to reject subscriptions in whole or in part, in which event subscription payments will be refunded at the applicant's risk and expense, without interest.

A properly completed and signed copy of the Subscription Form and supporting documentation must be submitted to the Investment Manager by email to [robert.tate@globalrationalcapital.com](mailto:robert.tate@globalrationalcapital.com) no later than 3pm (Cayman Islands time) fifteen calendar days prior to the Subscription Day (or such earlier or later date and time as may be agreed to by the Investment Manager in its sole discretion).

If the Subscription Form and supporting documentation is received after the deadline, it will (unless otherwise determined by the Investment Manager) be treated as a request for subscription on the next Subscription Day.

### **Subscription Payments**

Payments in full for the amount subscribed should be made by bank telegraphic transfer or by a local US Dollar cheque drawn on the Subscriber's Cayman Islands clearing bank made payable to the Fund in accordance with the separate payment instructions to be provided by the Investment Manager once and if the completed Subscription Form and necessary supporting documentation has been received and approved by the Investment Manager and Administrator.

The completed Subscription Form and necessary supporting documentation must be approved by the Investment Manager and Administrator and the subscription monies must be received in cleared funds prior to the relevant Subscription Day (or such earlier or later date as determined by the Investment Manager in its sole discretion).

If the Subscription Form and supporting documentation is approved or cleared funds are received after the deadline, it will (unless otherwise determined by the Investment Manager) be treated as a request for subscription on the next Subscription Day.

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

1. name of the subscriber;
2. US\$ amount subscribed;
3. subscriber's address;
4. name and address of the financial institution remitting the subscription payment; and
5. approximate date as of which the payment is being wired to the Fund's account.

To ensure the amount received in the Fund's bank account matches the amount indicated on the Subscription Form, subscribers must make payments net of all bank wire transfer fees. To facilitate prompt and accurate credit of subscription payments, subscribers must email proof of payment to the Investment Manager at the address shown on the Subscription Form.

**Confirmations**

Confirmations will be sent to subscribers via email showing the details of each subscription. Any investor who has not given the necessary status and residence declarations and confirmations will be required to complete and return a Subscription Form to the Investment Manager as soon as possible and in any event within fourteen calendar days thereafter.

## APPENDIX A

### INVESTMENT VALUES

We uphold the following set of business and investment values which provide a consistent and comprehensive framework to foster rational decisions for the benefit of the Fund over the long-term:

#### **Focus**

We manage one Fund and our sole objective is to ensure it outperforms the global equity market. We are focused on long-term investment outperformance and our objective gives us a sense of purpose and justifies our existence.

We believe focus is vital for success and this is why we will never manage the investments of more than one fund or any segregated client accounts because this would distract us from our sole objective. We will not dilute our time across competing priorities at the expense of investment performance. We also believe that a lot of choice doesn't necessarily help you make better investment decisions.

#### **Alignment**

All of our investable net worth is in the Fund alongside the interests of all shareholders. So if we underperform, it hurts us just as much as it hurts you.

The first question you should ask any investment manager is: "Are you going to be invested in the fund that I'm going to be invested in?". Many managers don't invest in the fund(s) they manage, or they only invest a small portion of their net worth.

At Global Rational Capital, we don't simply try to avoid conflicts of interest, we eliminate them, and we start by being fully and solely invested in the Fund so that it is impossible to put our interests against yours. We are all in this together.

#### **Incentives**

Our fees are more sensitive to investment outperformance than to assets under management. Which means that you only pay over-and-above a minimal fee of 0.5% per annum when we outperform the benchmark over all periods to date. And the outperformance fees we earn must be reinvested back into the Fund.

Our fee structure forces us to prioritise long-term investment outperformance over short-term profitability and it provides a powerful incentive against gathering assets under management at the expense of investment performance. It's very different from the traditional "heads manager wins, tails clients lose" fee structure.

If we can't beat the benchmark, there is no reason for our existence. The fee structure is designed so that if we don't outperform, we will not profit, and we will not benefit by simply idling on a rising market tide.

Our efforts are focused entirely on the Fund's performance because the long-term success of Global Rational Capital is dependent on our ability to outperform. We have the courage to design the compensation structure in this unconventional manner because we believe we have the ability to outperform and will continue to prove it.

## **Rational**

We look for good businesses we can understand and buy at a price below intrinsic value. The approach is simple, but it requires a lot of time, effort and emotional intellect.

Intrinsic value is an estimate of the discounted value of the cash that can be taken out of a business during its remaining life. The lower the price of a share as compared to its assessed intrinsic value, the higher the margin of safety, and the more attractive we consider the share.

We view each stock investment as if we are the owners of the entire underlying business. This enables us to invest intelligently in a business-like manner and helps us avoid contagious irrational market emotions. We avoid the popular opinion and have the courage to foster contrarian insights.

We know that in the short-term, share prices are affected by market psychology; but over the long-term, share prices are determined by the economic progress of the underlying business and that is precisely what we pay attention to. We believe that market prices are there to serve us, not to instruct us.

Our investment research is focused on understanding businesses, estimating intrinsic value, and seeking undervalued companies with excellent potential. A key component of our research process is direct contact with company management through calls and face-to-face meetings.

We believe that successful investing is 90% hard work and our annual goal is to have over 100 company meetings and to read over 400 financial statements.

## **Long-term**

We view all shareholders as owner-partners who have entrusted their capital to us for the long-term. Having shareholders with a long-term orientation is the most important factor in enabling us to take a long-term time frame while the world puts disproportionate pressure on short-term results.

We put our clients' interests first and treat them as we would want to be treated if our roles were reversed and we believe our promises to manage the investments of only one fund and to be fully invested in the Fund are important commitments that will benefit you and us over the long-term.

The Fund is suitable for those investors who:

- Seek exposure to listed equities globally to provide long-term capital growth
- Are comfortable with stock market fluctuations, i.e. short- to medium-term volatility
- Are prepared to accept the risk of capital loss
- Have a long-term orientation and an investment horizon of at least five years
- Understand that we generally assess investments using a five-year time horizon

The Fund is available to long-term investors globally and while we may not be the best fit for everyone, we can help you decide if we are the right partner for you.

## APPENDIX B

### INVESTMENT STRATEGY

We look for good businesses we can understand and buy at a price below intrinsic value. The approach is simple, but it requires a lot of time, effort and emotional intellect.

#### **We seek a discount to intrinsic value**

Intrinsic value is an estimate of the discounted value of the cash that can be taken out of a business during its remaining life. It is what a prudent businessman would be prepared to pay for an entire business with consideration for the company's long-term prospects.

The lower the price of a share as compared to its assessed intrinsic value, the higher the margin of safety, and the more attractive we consider the share. The margin of safety is by definition, a favourable difference between price on the one hand and intrinsic value on the other.

#### **We believe market prices are there to serve us, not to instruct us**

We view each stock investment as if we were the owner of the entire underlying business because investing is most intelligent when it is most business like. In the short-term, share prices are affected by market psychology; but over the long-term, share prices are determined by the economic progress of the underlying business.

There are times when a company's share price is above its intrinsic value, often when investors are overly optimistic and expect the price to continue to increase as greed dominates. There are also times when a company's share price is below intrinsic value, often when investors are overly pessimistic and expect developments to continue to worsen as fear dominates.

#### **We take a contrarian view**

We are often attracted to shares that are disliked or unfollowed by others and are less likely to find great investments in areas that other investors or the financial community are excited about. Underappreciated securities are often underpriced by the market because sellers typically outnumber buyers.

#### **We take a long-term view**

We cannot predict the length of time it will take for a stock to be priced more rationally, therefore we take a long-term view and will hold an investment through short-term market pessimism and wait for the market to eventually recognise the company's true value.

We are unable to time and predict a share price trough or peak and make no effort to do so. Instead, we focus on assessing a business's intrinsic value and we wait to buy at prices below and sell at prices above such value.

#### **We focus on risk**

We believe that risk is the possibility of a permanent loss of capital and we focus on the margin of safety because we believe it is important for absorbing the effect of miscalculations or worse than average luck. If an investment is bought on a bargain basis, even a moderate decline in the earning power need not prevent it from showing satisfactory results. The margin of safety will then have served its proper purpose.

When the market becomes greedy and high-quality undervalued businesses become harder to find, we prefer to keep more cash in the Fund to be utilised when appropriately priced opportunities become

available. This approach offers a certain level of protection in the event of a market downturn but may cause us to be underinvested at times.

### **We prefer wonderful businesses**

Businesses with wonderful economic characteristics and which can increase intrinsic value over time at an attractive rate are preferred. Other businesses with less promising long-term prospects are also considered, however a wider discount to intrinsic value shall be sought when purchasing shares in these companies.

### **We work hard to understand businesses**

Our investment research is focused on understanding businesses, estimating intrinsic value, and seeking undervalued companies. Research includes but is not limited to: reviewing company and competitor financial statements and historical records; meeting company management; testing company products and services; questioning industry contacts; reading industry news; and screening various databases for undervalued businesses.

A key component of our research process is direct contact with company management through calls and face-to-face meetings. This is because we believe that company management should be industry experts best positioned to explain drivers of the industry's supply-demand dynamic and profitability. We believe that successful investing is 90% hard work and our annual goal is to have over 100 company meetings and to read over 400 financial statements.

Investment evaluation includes an assessment of: the earning power and quality of company assets; the level of company debt and cash; the quality and integrity of company management; and the competitiveness of the company and the industry. Companies which are poorly managed or are vulnerable due to excessive debt or competition are avoided.

### **We consider specific investment categories and characteristics**

To foster an organised rational decision-making process, we classify investments of interest into specific Investment Categories (described in Appendix C) and consider whether a potential investment possesses certain specific favourable Investment Characteristics (described in Appendix D).

### **We monitor the portfolio by ranking investments**

We constantly monitor portfolio positions and the correlation between them to control diversification. Investments with the highest expected return and the lowest risk are prioritised. Conviction is based on how well we know the company and to what extent the outcome is predictable.

### **We acknowledge the wisdom of intelligent investors**

Although there is no monopoly on investment ideas, one must give credit where it is clearly due. Our investment philosophy is based on the shared wisdom and generous teaching of Benjamin Graham, Peter Lynch and Warren Buffett.

## APPENDIX C

### INVESTMENT CATEGORIES

We are discerning about public disclosure of individual securities since good investment ideas are rare, valuable and subject to competitive appropriation; however, we explain how we think so that you can assess our capital allocation approach. We classify investments into the following Investment Categories to foster an organised rational decision-making process.

#### **Fast Growers**

Fast growers are small to medium sized companies that can grow earnings quickly and have room to grow. The ideal fast grower should have a proven accelerating expansion record; a low institutional investor and analyst following; and a sensible unleveraged Price to Earnings ("P/E") ratio.

The P/E ratio is often a useful measure of whether a stock is overpriced, fairly priced, or underpriced relative to a company's earning power. The average P/E for a slow grower will be lower than the average P/E for a medium grower, and that in turn will be lower than the average P/E of a fast grower. A bargain P/E for a medium grower isn't necessarily the same as a bargain P/E for a fast grower.

Fast growers can be held for a long time provided there continues to be adequate room to grow and provided they have not become too expensive.

Fast growers are often upstart enterprises which learn to succeed in one place, and then duplicate the winning formula over and over, city by city etc. The expansion into new markets results in accelerating earnings which drives the stock's price higher.

One should consider the fast grower's debt and whether the company is growing too aggressively and unsustainably. Larger fast growers risk a rapid devaluation when they begin to falter. The key for fast growers is to determine when they'll stop growing and how much to pay for the growth. The total return from a fast grower is driven primarily by the growth in the company's earning power.

#### **Stalwarts**

Stalwarts, sometimes called medium growers, are large well-established companies with durable competitive advantages that enable them to produce satisfactory and consistent earnings growth.

Stalwarts typically offer good protection during recessions. One may check for possible unwise diversification that may negatively affect the company and reduce earnings in the future. If the P/E strays too far beyond the normal range, one may consider selling the company and waiting to buy it back later at a lower price. Satisfactory returns can be made by compounding a series of gains in stalwarts and one may consider taking profits more readily than with young fast growers.

Stalwarts with heavy institutional ownership and analyst coverage that have outperformed and are overpriced are due for stagnation or a decline. The total return from a stalwart is primarily driven by a combination of: moderate growth in earning power; and narrowing of the margin between price and intrinsic value.

#### **Cyclicals**

Cyclicals are companies which operate in commoditised industries and supply standardised products that cannot be easily differentiated. Cost leadership and low debt are important qualities of sustainable cyclical companies. The earnings of cyclical companies fluctuate widely in line with the industry cycle and their stock charts often look like the Alps with sharp peaks and deep troughs.

It is important to have a comprehensive understanding of the cyclical industry. The best time to buy a cyclical is at the bottom of the cycle and those who have a thorough understanding of the industry have an advantage in determining the bottom. Insider buying possibly offers the strongest signal to buy.

Coming out of a recession, cyclicals tend to rise much faster than the prices of the stalwarts. With most stocks, a low P/E ratio is regarded as a good thing, but not with the cyclicals. The average earning power of the business over a full cycle is a useful indicator for assessing the normalised value of the business. The total return from these investments is primarily driven by an upturn in the cycle.

## **Turnarounds**

A turnaround could be a company that had been doing well; however, due to a temporary mishap, the company's short-term results are affected and its stock price plummets.

The mishap must be temporary in nature and not harm the long-term fundamentals and growth of the company. One should find out if the company can survive this mishap, emerge from it and return to its former earning power over time. One should determine what management is doing to correct the mishap and whether they are redressing it effectively. Key focus areas are company management and debt.

The most important question is whether the company can survive loan repayment demands by creditors. What is the debt structure? How long can it operate under pressure while working out its problems without becoming insolvent? How is the company supposed to be turning around and is business recovering? Are costs being cut?

There are several types of turnarounds including: 1) a bail-out dependant on government support; 2) a minor tragedy perceived worse than it is (stay away from tragedies that are unmeasurable); 3) a perfectly good company inside a bankrupt company; 4) a restructuring to maximise shareholder value; and 5) a security higher up in the capital structure.

Caution and careful analysis is required because there is a very fine line between turnarounds that are great investment opportunities and those that will become bankrupt. A benefit to investing in successful turnarounds is that of all the categories of stocks, their ups and downs are least correlated to the general market.

## **Asset Plays**

An asset play is a company that owns something valuable that the market has overlooked. The overlooked asset may be cash; real estate; a listed or private company; a brand, patent or license; intellectual property; customer data; or an unutilised tax break.

Asset plays can be low-risk and high-gain investments if one is confident of the asset values. A key issue is determining what will remain after all debts and future costs are taken into account. One should also consider whether there is a catalyst to narrow the discount to intrinsic value such as share buybacks or a potential corporate raider who may help shareholders reap the benefits of the assets.

## APPENDIX D

### INVESTMENT CHARACTERISTICS

We consider whether a potential investment possess one or more of the following specific favourable investment characteristics:

#### **It is simple and easy to understand**

The simpler the business, the better. Excessively complicated companies are best avoided. Ideally, one should be able to draw the product or service with a pen or describe it to a child. If possible, the company's product(s) may be sampled. One should strive to identify and follow the most important industry specific factors that drive the business's profitability.

#### **It is unloved or out-of-favour**

A company with terrific earnings potential and a strong balance sheet may be out-of-favour for non-economic reasons such as the following: it sounds boring (has a boring name); it does something dull (e.g. makes plastic cups); it does something disagreeable (e.g. waste management); it is depressing (e.g. a burial business), or it is listed in a country that is currently out-of-favour etc. In such instances, there may be a lot of time available to purchase the stock at a discount. Then, when the stock becomes trendy and overpriced, one can sell the shares to the trend-followers.

#### **It is a spinoff**

A spinoff is the creation of an independent company through the distribution of new shares in the spinoff company from an existing parent company. Spinoffs of divisions often result in lucrative investments.

Typically, investors are sent shares in the newly created company as a bonus or a dividend for owning the parent company. Large institutions (in particular) which receive spinoff shares tend to dismiss these shares as pocket change or found money and often sell the spinoff shares without regard to intrinsic value. Sometimes large institutional shareholders are not permitted to own the bonus shares because the spinoff company is too small or because it operates in an industry that does not fall within the institution's investment mandate - so the large institutional shareholder sells its allocated spinoff shares for non-economic reasons.

Furthermore, some investors who receive spinoff stock don't want to read the prospectus (sometimes over 800 pages long) that accompanies the offering and, instead, they decide to sell the stock. The prospectus is often blasé and understated and is not accompanied by heavy marketing typical of hot overpriced IPO's.

Often, company insiders want to and are incentivised to invest in the spinoff and are motivated and free to prove their worth through cost cutting and creative measures. The spinoff transaction often uncovers a previously hidden investment opportunity. Large parent companies do not want to spin off divisions and then see those spinoffs get into trouble, because that would bring embarrassing publicity, therefore, the spinoffs normally have strong balance sheets and are well-prepared to succeed as independent entities.

#### **It is unfollowed**

A stock with little or no institutional ownership and analyst following is a potential bargain because the less competition for and interest in the stock, the more likely it is to be undervalued.

### **It operates in a no-growth industry**

Hot fast-growing industries attract a lot of competition which puts pressure on profits. A company operating in a no-growth industry is less likely to face stiff competition and therefore has more leeway to gain market share and grow earnings.

### **It has a niche**

An exclusive franchise is often best positioned to raise prices. For example, drug companies and chemical companies have niches - products that no one else is allowed to make. An aggregate (rock, sand and gravel) business most often has a niche because it's expensive to transport the aggregate and there is typically only one aggregate business per town. Strong brand names are almost as good as niches because they are expensive and it often takes many years to build public confidence in them.

### **It sells products that people must keep buying**

Businesses with recurring revenues (such as razor blade sales) are often less risky and more profitable than businesses with once-off product sales (such as toys).

### **Its insiders are buyers**

The purchasing of shares by company management is often a signal that they are confident in their business. When insiders are purchasing shares aggressively, one can be comfortable that, at a minimum, the company is unlikely to go bankrupt in the next six months.

When management owns stock, then rewarding the shareholders becomes a first priority. Whereas, when management simply collects a paycheck, then increasing salaries becomes a first priority. Since bigger companies tend to pay bigger salaries to executives, there's a natural tendency for corporate wage-earners to expand the business at any cost, often to the detriment of shareholders. This happens less often when management is heavily invested in shares.

It is more telling when lower ranking employees buy shares than when the CEO buys a few shares. Insider selling is not necessarily a sign of trouble, however insider buying is usually a good sign.

### **It is buying back shares**

Buying back shares is often the simplest and best way a company can reward its investors. If a company has faith in its own future and its shares can be purchased at a reasonable price, then it may be wise for the company to invest in itself, just as the shareholders do. When stock is repurchased by the company, it is taken out of circulation, shrinking the number of outstanding shares and increasing the earnings per share, which in turn has a positive effect on the stock price.

## APPENDIX E

### VOLUNTARY ANNUAL DONATION

Robert and Louise Tate, the Founders of the Investment Manager, have, in their absolute sole discretion, elected to make Voluntary Annual Donations, equal to 5% of the Management Fee earned in any given Fiscal Year, to pre-selected charities which help the poor, the sick and or the environment.

The Voluntary Annual Donation may be made by the Founders at their discretion, from their personal capital, after the Fund's Fiscal Year End and may be reported in the Fund's audited annual financial statements. The purpose of the Voluntary Annual Donation is to augment long-term sustainable motivation because the Founders believe that devoting a portion of their fee income to earnest causes will supplement their incentives and fulfilment in alignment with the creation of wealth for the Fund and all Shareholders.

The Founders have no obligation to make any voluntary donation and they may increase, decrease, suspend or cancel the Annual Voluntary Donation at their absolute sole discretion. The Founders have absolute discretion on which charities are selected and in what proportion the Voluntary Annual Donation may be allocated. As of the date of this Offering Memorandum, the pre-selected charities include the following:

- **Rotary International**

Rotary Clubs work together to: 1) promote peace; 2) fight disease; 3) provide clean water, sanitation, and hygiene; 4) save mothers and children; 5) support education; and 6) grow local economies. Rotary is dedicated to these six areas of focus to build international relationships, improve lives, and create a better world to support peace efforts and end polio forever. [www.rotary.org](http://www.rotary.org)

- **WWF**

WWF's mission is to conserve nature and reduce the most pressing threats to the diversity of life on Earth. WWF organise their work around six areas: 1) food; 2) climate; 3) fresh water; 4) wildlife; 5) forests; and 6) oceans. As the world's leading conservation organization, WWF works in 100 countries and is supported by close to five million members globally. [www.worldwildlife.org](http://www.worldwildlife.org)

- **Bill & Melinda Gates Foundation**

The Foundation's mission includes: ensuring more young people survive and thrive; empowering the poorest especially women and girls, to transform their lives; combating infectious diseases that particularly affect the poorest; inspiring people to change public policies, attitudes, and behaviours to improve lives. They are impatient optimist working to reduce inequity. [www.gatesfoundation.org](http://www.gatesfoundation.org)

- **Cancer Research Institute**

Since 1953, the Institute has led the field with support for immunotherapy research and clinical trials and they continue to fund revolutionary breakthroughs to cure all types of cancer. By harnessing the innate powers of the body's immune system, immunotherapy treatments have the potential to achieve complete, long-lasting remissions and cures for all types of cancer. [www.cancerresearch.org](http://www.cancerresearch.org)

**APPENDIX F**

**SUBSCRIPTION FORM  
GLOBAL RATIONAL CAPITAL FUND  
(The "Fund")**

This form duly completed should be sent to:

**Global Rational Capital Management Ltd.** (the "Investment Manager")  
robert.tate@globalrationalcapital.com

I/We the undersigned, having received and read a copy of the Offering Memorandum of the Fund dated 14 November 2018 (the "**Offering Memorandum**") hereby apply for the following value of Participating Shares:

.....(US\$ amount in figures)

.....(US\$ amount in words)

and undertake to have settled therefor in full by US\$ telegraphic transfer / Cayman Islands US\$ cheque (please circle selection),

for value by .....(insert value date).

Payments in full for the amount subscribed should be made by bank telegraphic transfer or by a local US Dollar cheque drawn on the Subscriber's Cayman Islands clearing bank made payable to the Fund in accordance with the separate payment instructions to be provided by the Investment Manager once and if the completed Subscription Form and necessary supporting documentation has been received and approved by the Investment Manager and Administrator.

To ensure the amount received in the Fund's bank account matches the amount indicated on the Subscription Form, subscribers must make payments net of all bank wire transfer fees. To facilitate prompt and accurate credit of subscription payments, subscribers must email proof of payment to the Investment Manager at the address shown on the Subscription Form.

I/We acknowledge that the completed Subscription Form and necessary supporting documentation should be sent to the email addresses shown above no later than 3pm (Cayman Islands time) fifteen calendar days prior to the Subscription Day (or such earlier or later date and time as may be agreed to by the Investment Manager in its sole discretion).

I/We acknowledge that the acceptance of subscriptions as of each Subscription Day is subject to the approval of the Subscription Form and supporting documentation by the Investment Manager and Administrator before such Subscription Day (or such earlier or later date as may be agreed to by the Investment Manager in its sole discretion).

I/We acknowledge that the acceptance of subscriptions as of each Subscription Day is subject to the confirmation of the prior receipt of cleared funds before such Subscription Day (or such earlier or later date as may be agreed to by the Investment Manager in its sole discretion) to the Fund's subscription account.

I/We acknowledge that if the Subscription Form and supporting documentation is approved or cleared funds are received after the deadline, it will (unless otherwise determined by the Investment Manager) be treated as a request for subscription on the next Subscription Day.

**Initials:**

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I/We hereby agree to be bound by the Offering Memorandum and the Memorandum and Articles of Association of the Fund ("**Articles of Association**").

I/We acknowledge that due to money laundering requirements operating within its jurisdiction and/or the requirements of the Money Laundering Regulations, (as amended) of the Cayman Islands and the Guidance Notes issued pursuant thereto, the Investment Manager and Administrator may require further identification of the applicant(s) and necessary supporting documentation before the application can be processed and the Investment Manager and Administrator shall be held harmless and indemnified against any loss arising as a result of a failure to process the application if such information and documentation has been requested by the Investment Manager and/or Administrator and has not been provided by me/us.

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

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

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

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

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

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

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

The Investment Manager and Administrator is hereby authorised and instructed to accept and execute any instructions in respect of the Shares to which this application relates given by me/us in signed written form attached in email to the email addresses listed above.

The Investment Manager and Administrator is hereby authorised and instructed to NOT accept and execute any instructions in respect of the Shares to which this application relates given by me/us in signed written form attached in email unless and until call back procedures have been performed by the Investment Manager and/or Administrator to verify the validity of the instructions.

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

**Initials:**

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

I/We confirm that I/we have the right and authority to request a redemption of Shares and confirm that I/we will comply with the redemption procedures set out in the Offering Memorandum. All redemption instructions may be made in signed written form attached in email to the email addresses listed above. Any applications for redemption made by telephone must be confirmed in signed written form attached in email to the email addresses listed above. The Investment Manager and Administrator shall not process a Redemption Notice unless and until the Investment Manager and/or Administrator has performed call back procedures to verify the validity of the redemption instruction with the applicable shareholder.

I/We acknowledge that in the event I/we redeem all or part of my/our Participating Shares on or before the expiry of the third Anniversary Year of the issue of such Participating Shares, an Early Redemption Charge of up to 5% of the redemption proceeds is payable to the Fund unless varied or waived by the Investment Manager in their absolute sole discretion. I/We acknowledge that the proceeds of such Early Redemption Charge, if imposed, will be retained for the benefit of the Fund. I/We acknowledge that no redemption penalties shall apply to redemptions of Participating Shares made after the expiry of the third Anniversary Year of the issuance.

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

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

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

I/We acknowledge and agree that pursuant to the Articles of Association, the Directors shall, if lawfully required to do so under the laws of any jurisdiction to which the Fund, or any service provider to the Fund is subject, be entitled to disclose any information regarding the affairs of the Fund including without limitation information contained in the Register of Members of the Fund and books of the Fund. The Directors, any person acting as a service provider to the Fund and any other person authorised by the Directors shall have the right to access all information belonging to the Fund.

I/We hereby appoint the Investment Manager or any representative thereof as my/our proxy to attend any General Meeting of the Shareholders of the Fund and to vote and speak at any such meeting on my/our behalf and to represent the Shares in such manner as the Investment Manager in its absolute discretion deems fit.

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

**Initials:**

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I/We warrant that I am / we are, for the purposes of the Securities Investment Business Law (as amended), a sophisticated or high net worth person (as defined in the Securities Investment Business Law).

I/We warrant that I/we specifically identified and initiated contact with the Investment Manager on my/our own initiative with the intention of investing in the Fund and was/were not solicited by the Investment Manager (nor any intermediary acting on its behalf) to invest in the Fund.

I/We agree to provide one or more applicable tax self-certification forms as directed and to provide additional information that is requested, and I/we acknowledge that the Fund may be obliged to share this information with relevant tax authorities.

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

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**Initials:**

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

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

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

(COMPLETE IN BLOCK LETTERS PLEASE)

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

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

.....

Address

.....

.....

Telephone No .....

Email Address .....

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

Bank .....

Address .....

SWIFT address .....

Account number .....

Account name .....

Applicant's signature .....

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

.....

## NOTES

1. To be valid, Subscription Forms must be signed by each applicant.
2. In the case of a firm (not a limited company) applications should be in the name(s) of and signed by the proprietor(s).
3. A corporation should complete this Subscription Form under seal or under the hand of a duly authorised official who should state his capacity and furnish a certified copy of the authority pursuant to which such official is authorised.
4. If this Subscription Form is signed under a power of attorney, such power of attorney or a duly certified copy thereof and confirmation from a local lawyer as to the validity of such power of attorney under its proper or governing law must accompany this Subscription Form.
5. If this Subscription Form is not fully completed and requested supporting documentation is not provided to the satisfaction of the Investment Manager and Administrator, the application may not be accepted.
6. To ensure the amount received in the Fund's bank account matches the amount indicated on the Subscription Form, subscribers must make payments net of all bank wire transfer fees.
7. To facilitate prompt and accurate credit of subscription payments, subscribers must email proof of payment to the Investment Manager at the address shown on the Subscription Form.

**APPENDIX G**

**GLOBAL RATIONAL CAPITAL FUND  
(THE "FUND")**

**REDEMPTION NOTICE  
FOR PARTICIPATING SHARES**

Please email to: robert.tate@globalrationalcapital.com

I/We .....

of .....

give notice that I/we wish to redeem my/our following Participating Shares in Global Rational Capital Fund:

..... Number of Participating Shares or US Dollar amount to be redeemed

REDEMPTION INSTRUCTIONS      US\$ Wire / Cayman Islands US\$ cheque (please circle selection)

Please wire transfer funds to:

Bank name: .....

Bank address: .....

ABA Number Sort Code: .....

Account name: .....

Account number: .....

\*Sub-account name: .....

\*Sub-account number: .....

\* if required

I/We acknowledge that except as noted under Suspension of Redemptions and Subscriptions in the Offering Memorandum, a holder of Participating Shares may redeem some or all of his Participating Shares as of each Redemption Day at the Net Asset Value per Participating Share as at the immediately preceding Valuation Day provided the Redemption Notice is received by the Fund no later than 3pm (Cayman Islands time) at least fifteen calendar days prior to the proposed Redemption Day.

I/We acknowledge that if the Redemption Notice is received after the deadline for receipt of requests for redemption for any particular Redemption Day, it shall (unless otherwise determined by the Investment Manager) be treated as a request for redemption on the next Redemption Day.

**Initials:**

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I/We acknowledge that a request for redemption must be made on the Redemption Notice and sent via email to the email addresses listed above and, once submitted to the Investment Manager, may not be withdrawn except with the consent of the Investment Manager.

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

I/We acknowledge that the Investment Manager and Administrator shall not process the Redemption Notice unless and until the Investment Manager and/or Administrator has performed call back procedures to verify the validity of the redemption instruction with the applicable shareholder.

I/We acknowledge that the Fund will pay a Redeeming Shareholder the amount due to such Redeeming Shareholder within twenty calendar days after the relevant Redemption Day.

I/We acknowledge that all costs of effecting any wire transfer will be borne by the redeeming Participating Shareholder and may be deducted from the redemption proceeds payable to the relevant Participating Shareholder.

I/We acknowledge that in the event I/we redeem all or part of my/our Participating Shares on or before the expiry of the third Anniversary Year of the issue of such Participating Shares, an Early Redemption Charge of up to 5% of the redemption proceeds is payable to the Fund unless varied or waived by the Investment Manager in their absolute sole discretion. I/We acknowledge that the proceeds of such Early Redemption Charge, if imposed, will be retained for the benefit of the Fund. I/We acknowledge that no redemption penalties shall apply to redemptions of Participating Shares made after the expiry of the third Anniversary Year of the issuance.

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

PLEASE SIGN HERE

Please ensure that all the registered shareholders or authorised signatories sign this Redemption Notice.

Name of signatory/signatories

Signature

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Date:

\_\_\_\_\_

## NOTE

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