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**FRIEDBERG ASSET ALLOCATION FUND LTD.**

*(A Cayman Islands Exempted Company)*

**CONFIDENTIAL INFORMATION MEMORANDUM  
JULY 2025**

**NOT FOR USE OR DISTRIBUTION IN THE UNITED STATES OR TO ANY UNITED STATES PERSON**

**SHARES OF THE FUND CANNOT BE PURCHASED OR HELD BY RESIDENTS OF CANADA EXCEPT FOR CANADIAN RESIDENTS THAT ARE EITHER (I) INSTITUTIONAL INVESTORS THAT ARE (AND CERTIFY IN WRITING AND PROVIDE SUCH EVIDENCE AS MANAGEMENT OF THE FUND MAY REASONABLY REQUEST) EXEMPT FROM TAX UNDER PART I OF THE INCOME TAX ACT (CANADA) OR (II) ARE INVESTMENT FUNDS WHICH ARE MAKING INVESTMENT ON THE BASIS THAT THE ONLY HOLDERS OF SECURITIES OF THE INVESTMENT FUND (OR OF THE CLASS OF SECURITIES OF THE INVESTMENT FUND THAT WILL HAVE AN ECONOMIC INTEREST, DIRECT OR INDIRECT, IN THE INVESTMENT IN SHARES OF THE FUND) ARE ENTITIES OF THE TYPE DESCRIBED IN THE FOREGOING ITEM (I).**

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## NOTICES

By accepting the delivery of this Memorandum, each recipient agrees that it will not copy, reproduce or distribute this Memorandum to others (except to its professional advisors), in whole or in part, at any time without the prior written consent of Friedberg Mercantile Group Ltd., that it will keep permanently confidential any information contained herein not already public and that it will use this Memorandum only for the purpose of evaluating a possible investment in the securities described herein.

An investment in the securities described herein involves special considerations and any person reviewing this Memorandum should carefully consider all of the information contained herein. In view of the significant risk factors disclosed in this Memorandum, an acquisition of the securities described herein should be considered only by persons who can bear the economic risk of their investment for an indefinite period of time and can afford a total loss of their investment.

The contents of this Memorandum are not to be construed as legal, tax or business advice. Any person interested in the contents of this Memorandum should consult its own attorney and tax and business advisor as to the legal, tax, business and related matters concerning the securities and markets described herein.

Prospective investors should inform themselves as to the legal requirements and tax consequences within the countries of their residence and domicile for the acquisition, holding or disposal of Shares and any foreign exchange restrictions that may be relevant to them. No dealer, placement agent or any other person has been authorized to give any information or to make any representation with respect to the Fund or the Shares not contained in this Memorandum, and any information not contained herein must not be relied upon as having been authorized by the Fund or any of its agents. Applications to purchase Shares are subject to acceptance by the Fund in the Cayman Islands. Neither the delivery of this Memorandum nor any sale hereunder shall under any circumstance create any implication that there has been no change in the affairs of the Fund since the date of this Memorandum or that the information contained herein is correct as of any time subsequent to the date hereof.

This Memorandum does not constitute an offer of, or an invitation by or on behalf of anyone to subscribe for or purchase, any of the Shares in any jurisdiction in which such offer or invitation is not authorized or to any person to whom it is unlawful to make such offer or invitation. It may not be used for or in connection with any offer to, or solicitation by, anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation. Shares that are acquired by persons not entitled under the Fund's Articles of Association to hold them may be compulsorily redeemed by the Fund in its absolute discretion.

In this Memorandum all references to "Dollars", "\$" or "cents" are to dollars of the United States, unless otherwise indicated.

**THE SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH, OR RECOMMENDED BY, ANY SECURITIES COMMISSION OR REGULATORY AUTHORITY IN ANY JURISDICTION. FURTHERMORE, NO SUCH COMMISSIONS OR AUTHORITIES HAVE CONFIRMED THE ADEQUACY OR ACCURACY OF THIS MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

**THE SHARES OF THE FUND HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE LAWS OF CANADA OR ANY PROVINCE THEREOF. SHARES OF THE FUND CAN ONLY BE PURCHASED OR HELD BY RESIDENTS OF CANADA WHICH ARE EITHER (I) INSTITUTIONAL INVESTORS WHICH ARE (AND CERTIFY IN WRITING AND PROVIDE SUCH EVIDENCE AS MANAGEMENT OF THE FUND MAY REASONABLY REQUEST) EXEMPT FROM TAX UNDER PART I OF THE INCOME TAX ACT (CANADA) OR (II) ARE INVESTMENT FUNDS WHICH ARE MAKING INVESTMENT ON THE BASIS THAT THE ONLY HOLDERS OF SECURITIES OF THE INVESTMENT FUND (OR OF THE CLASS OF SECURITIES OF THE INVESTMENT FUND WHICH WILL HAVE AN ECONOMIC INTEREST, DIRECT OR INDIRECT, IN THE INVESTMENT IN SHARES OF THE FUND) ARE ENTITIES OF THE TYPE DESCRIBED IN THE FOREGOING ITEM (I). EACH APPLICANT FOR SHARES WILL BE REQUIRED**

TO CERTIFY THAT IT IS EITHER NOT A RESIDENT OF CANADA OR ENTITIES OF THE TYPE DESCRIBED IN THE PRECEDING SENTENCE.

THE SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT") OR THE SECURITIES LAWS OF ANY OF THE STATES OF THE UNITED STATES. THE SHARES MAY NOT BE OFFERED, SOLD OR DELIVERED DIRECTLY OR INDIRECTLY IN THE UNITED STATES OF AMERICA, ITS TERRITORIES OR POSSESSIONS OR IN ANY STATE OF THE UNITED STATES OR IN THE FEDERAL DISTRICT OF COLUMBIA (THE "UNITED STATES") OR TO OR FOR THE ACCOUNT OR BENEFIT OF ANY "U.S. PERSON," AS DEFINED HEREIN, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO THE REGULATORY REQUIREMENTS OF THE U.S. SECURITIES ACT AND ANY APPLICABLE SECURITIES LAW. ANY RE-OFFER OR RESALE OF ANY OF THE SHARES IN THE UNITED STATES OR TO U.S. PERSONS MAY CONSTITUTE A VIOLATION OF UNITED STATES LAW. EACH APPLICANT FOR SHARES WILL BE REQUIRED TO CERTIFY THAT IT IS NOT A "U.S. PERSON."

NEITHER THE FUND NOR THE INVESTMENT ADVISOR ARE REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED.

THE SHARES OF THE FUND ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFERABILITY AND RESALE. ALTHOUGH THE SHARES WILL BE REDEEMABLE AS OF EACH VALUATION DAY INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

THIS MEMORANDUM DOES NOT CONSTITUTE AN OFFER OR INVITATION TO THE PUBLIC IN THE CAYMAN ISLANDS TO SUBSCRIBE FOR SHARES.

A MUTUAL FUND LICENCE ISSUED OR A FUND REGISTERED BY THE CAYMAN ISLANDS MONETARY AUTHORITY DOES NOT CONSTITUTE AN OBLIGATION OF THE AUTHORITY TO ANY INVESTOR AS TO THE PERFORMANCE OR CREDITWORTHINESS OF THE FUND.

FURTHERMORE, IN ISSUING SUCH A LICENCE OR IN REGISTERING A FUND, THE AUTHORITY SHALL NOT BE LIABLE FOR ANY LOSSES OR DEFAULT OF THE FUND OR FOR THE CORRECTNESS OF ANY OPINIONS OR STATEMENTS EXPRESSED IN ANY PROSPECTUS OR OFFERING DOCUMENT.

Any questions regarding this Memorandum and the matters discussed therein should be directed exclusively to:

**Mr. Dan Scheiner**  
**Friedberg Mercantile Group Ltd.**  
**220 Bay Street, Suite 600**  
**Toronto, Ontario, M5J 2W4**  
**Canada**  
e-mail: [dscheiner@friedberg.ca](mailto:dscheiner@friedberg.ca)  
\* \* \*

## SUMMARY OF TERMS

The following summary is qualified in its entirety by more detailed information included elsewhere in this Memorandum, the Fund's Memorandum and Articles of Association, and the contracts and agreements referenced herein. Certain capitalized terms used in this summary have the meaning ascribed thereto in this Memorandum.

### **The Fund**

Friedberg Asset Allocation Fund Ltd. (the "**Fund**") is an exempted company incorporated under the laws of the Cayman Islands. The Fund has authorized two classes of shares to be issued in U.S. Dollars. The Fund's participating non-voting redeemable shares (the "**Shares**") are being privately offered to eligible investors pursuant to this Memorandum. The Fund's voting non-redeemable and non-participating shares (the "**Ordinary Shares**") are owned by FCMI Financial Services (Cayman) Ltd. ("**FCMI**"), a wholly owned subsidiary of FMG (as defined below). The Fund is one of several Cayman Islands open-ended private investment companies which are sponsored, operated and managed by non-U.S. affiliates of Friedberg Mercantile Group Ltd., a Canadian corporation ("**FMG**"). See "The Fund".

### **Investment Objectives**

The Fund is a multi-strategy fund whose investment objective is to seek significant total investment returns, consisting of a combination of interest income, dividend income, currency gains and capital appreciation by investing in the following four discrete groups of investments: (i) equity securities generally; (ii) fixed income securities generally; (iii) commodity forwards and futures contracts and options thereon, and over-the-counter traded derivatives instruments related thereto ("**Commodity Futures Instruments**") and commodities; and (iv) cash and cash equivalents ("**Money Instruments**"). The underlying value of the Fund's aggregate positions in derivatives entered into for non-hedging purposes (determined as of the time of acquiring a position in a derivative) will not exceed the value of the Fund's holdings of Money Instruments.

The Fund will make use of currency futures and forwards (and options thereon) ("**Currency Futures Instruments**") only for hedging purposes or to change the currency exposure of a particular security thereby producing a synthetic security, while it will use Commodity Futures Instruments also to seek to gain from such investments. The Fund will use Commodity Futures Instruments, but only as a substitute for holding spot physical commodities, and in no case will the Fund use leverage (determined as of the time of acquiring a position in a derivative) to acquire an exposure in Currency Futures Instruments and Commodity Futures Instruments in excess of the Fund's net assets.

In order to seek to achieve the Fund's investment objective, the Investment Advisor (as defined below) will allocate the Fund's capital among the four asset classes in the respective proportions which the Investment Advisor believes optimal from time to time. There are no fixed percentage ranges for allocating the Fund's assets among the four classes, and the Investment Advisor may determine that all or most of the Fund's assets should be allocated to only certain (or only one) of such asset classes.

No assurance may be given that the Fund will achieve its investment objective. See "Investment Objectives" and "Investment Strategies".

### **Board of Directors**

The board of directors (the "**Board of Directors**") are responsible for the overall management and control of the Fund in accordance with the Fund's Memorandum and Articles of Association. However, the Board of Directors are

not responsible for the day to day operations and administration of the Fund, nor are they responsible in their capacity as directors for making or approving any investment decisions. The investment responsibilities and certain other functions have been delegated to the Investment Advisor pursuant to the Investment Advisory Agreement whilst the administrative functions have been delegated to the Administrator pursuant to the Fund Administration Agreement. See "Management of the Fund".

**Investment Advisor** The assets of the Fund are primarily managed and invested on a discretionary basis by FMG (in such capacity, the "**Investment Advisor**"). The Investment Advisor and its controlling principal, Mr. Albert D. Friedberg, have particular expertise in investing in securities, currencies and commodity interests worldwide. The Investment Advisor will make all investment decisions for the Fund in accordance with the investment objective of the Fund as further described herein. See "The Investment Advisor".

**Administrator** The Board of Directors has entered into an administration agreement with SGGG Fund Services (Cayman) Inc. (the "**Administrator**") pursuant to which the Administrator has agreed to provide the Fund with certain administrative services, including processing subscription and redemption requests, communicating with investors, providing periodic reports, remitting subscription proceeds, remitting redemption proceeds, payment of the expenses of the Fund, and other day-to-day administrative tasks. The Administrator is responsible, subject to the overall supervision of the Board of Directors, for the maintenance of the accounting records of the Fund and for the calculation and the dissemination of the Net Asset Value (as defined below) of the Fund and the Net Asset Value of the Shares. The Administrator is also responsible for performing the requisite anti-money laundering procedures on behalf of the Fund. The Administrator is a Cayman Islands company that is licensed as a Mutual Fund Administrator in the Cayman Islands and regulated by the Cayman Islands Monetary Authority.

**Offering** The minimum initial subscription per investor is U.S. \$50,000, with no minimum additional contribution. Subscriptions may be made in cash or, in the discretion of the Investment Advisor, in kind with securities having a value at the time of subscription equal to the minimum cash investment amount. The Board of Directors may require subscriptions of larger amounts or may reduce the minimum initial subscription in its discretion. See "Subscription and Redemption of Shares".

**Subscriptions** Each investor is required to complete the subscription application form and to forward a signed original to the Administrator at least five days prior to the last business day of the month in which the investor intends to subscribe. Shareholders are admitted at the discretion of the Board of Directors of the Fund which, based on the recommendations of the Investment Advisor, may discontinue the offering and issue of Shares at any time. Shares will be privately offered on the last business day of each month (each a "**Valuation Day**"), at a price per Share equal to the Net Asset Value (as defined below) per Share calculated as of the close of business on such Valuation Day. See "Subscription and Redemption of Shares".

**Fees and Expenses** The Fund will bear all of its ordinary and extraordinary operating expenses. Such expenses may include brokerage commissions and trading-related expenses, custodial fees, Administrator's fees, expenses of the continuous offering of interests in the Fund, interest charges, the fees and expenses of any secretary, accountants, auditors, attorneys and consultants, plus taxes and the

management and incentive fees payable to the Investment Advisor. The Investment Advisor is entitled to a monthly management fee of 1/12 of 1% of the Net Asset Value of the Fund (the "**Management Fee**") and a quarterly incentive fee (the "**Incentive Fee**") equal to 15% of the cumulative total return of the Fund (being the aggregate increase in Net Asset Value per Share for each of the outstanding Shares over the respective high water marks per Share) for the period that began immediately after the last quarter for which an Incentive Fee was paid, subject to a hurdle rate. The Fund will reimburse to the Administrator and the Investment Advisor the out-of-pocket expenses and fees of their unaffiliated agents. See "Fees and Expenses".

As more fully described under "Fees and Expenses", the Investment Advisor will reduce the above noted Management Fee and Incentive Fee rates for investors making large investments in the Fund. Following the end of each month, the Fund will make distributions to qualifying investors equal to the fee reductions in the preceding month allocable to their investments. Such distributions will be in the form of reinvestment in additional Shares of the Fund.

**Net Asset Value**

The net asset value of the Fund equals the total assets of the Fund (consisting principally of the Fund's direct investments, but also including all cash, Redemption Charges and interest income), less the total liabilities of the Fund (including brokerage commissions, trading expenses and recurring fees) (the "**Net Asset Value**"). The Net Asset Value of the Fund and the Net Asset Value per Share are calculated by the Administrator as of each Valuation Day and on such other dates as the Fund's Board of Directors deems appropriate. See "Net Asset Value".

**Redemptions**

The Shares of the Fund will be redeemable at the Net Asset Value per Share prevailing as of the close of business on the applicable Valuation Day (less the Redemption Charge referred to below), upon the giving of not less than five (5) business days prior written notice to the Administrator. After deduction of a redemption charge payable at a rate of 0.375% of the aggregate Net Asset Value per Share of the Shares redeemed (the "**Redemption Charge**"), the net redemption proceeds will generally be paid in cash and in full within 15 calendar days following the applicable Valuation Day. The Redemption Charge is payable to the Fund for the benefit of the remaining shareholders and may be waived by the Fund in its sole discretion. The Redemption Charge is intended to cover the costs of liquidating the Fund's investments to the extent required to satisfy redemption requests. Under certain circumstances, such as the closure or suspension of trading on any money market, stock exchange or over the counter market rendering it impracticable for the Fund to realize any investments, or where the disposal of investments cannot be effected normally or without prejudicing the shareholders, the Board of Directors may suspend the determination of the Net Asset Value of the Fund and/or Net Asset Value per Share and defer acceptance of redemption requests until such time as any such suspension has been lifted. With the prior consent of the Board of Directors and subject to certain restrictions implemented to preserve the tax and regulatory structure of the Fund, the Shares will be freely transferable. See "Subscription and Redemption of Shares".

**Distributions**

Any distributions, whether in cash or in kind, will be made at the sole discretion of the Fund's Board of Directors. See "Distributions".

**Conflicts of Interest**

The relationships among the Investment Advisor, the Directors and other service providers may create potential conflicts between their respective obligations to act in the best interest of the Fund and their interests in generating

commissions, revenues and other benefits for themselves, their affiliates and principals. The Board of Directors of the Fund will undertake to resolve any conflict of interest which comes to its knowledge in the best interest of the Fund's shareholders. See "Risk Factors".

**Indemnification**

The Articles of Association of the Fund provide the Investment Advisor, its respective affiliates, directors, officers and agents, and certain other persons, will be indemnified from the Fund's assets against all claims, liabilities, damages and expenses, including legal fees, to which they may be or become subject by reason of their activities in connection with the operation of the Fund so long as any act or failure to act giving rise to such claims, liabilities, damages or expenses is not in violation of such Articles of Association and does not involve gross negligence, willful misconduct or reckless disregard of duties. The Investment Advisor and its affiliates and the Administrator and other service providers will be entitled to indemnification out of the assets of the Fund under such terms and conditions as are provided under the terms of their service provider agreements.

**Reporting**

Shareholders will receive from the Fund an unaudited monthly account summary and an audited annual financial report. The functional and reporting currency of the Fund is the U.S. Dollar. The fiscal year of the Fund is the calendar year. See "Shareholder Reports".

**Listing**

The Board of Directors has no current intention to list the Shares of the Fund on any stock exchange.

**Legal Counsel and Auditors**

Walkers, Grand Cayman, Cayman Islands is Cayman Islands counsel to the Fund. Willkie Farr & Gallagher LLP, New York, New York is counsel to the Fund with respect to U.S. regulatory matters. The Board of Directors has appointed Zeifmans Cayman, Grand Cayman, Cayman Islands, to serve as auditors for the Fund. See "Legal Counsel and Auditors".

**Risk Factors**

**An investment in the Shares involves significant risk factors and potential conflicts of interest.** See "Risk Factors".

**Tax Considerations**

There is, at present, no direct taxation in the Cayman Islands and interest, dividends and gains payable to the Fund will be received free of all Cayman Islands taxes. The Fund is registered as an "exempted company" pursuant to the Companies Act (as amended). The Fund has received an undertaking from the Governor in Cabinet of the Cayman Islands to the effect that, for a period of twenty years from the date of the undertaking, no law that thereafter is 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, will apply to any property comprised in or any income arising under the Fund, or to the Shareholders thereof, in respect of any such property or income.

**Defined Terms**

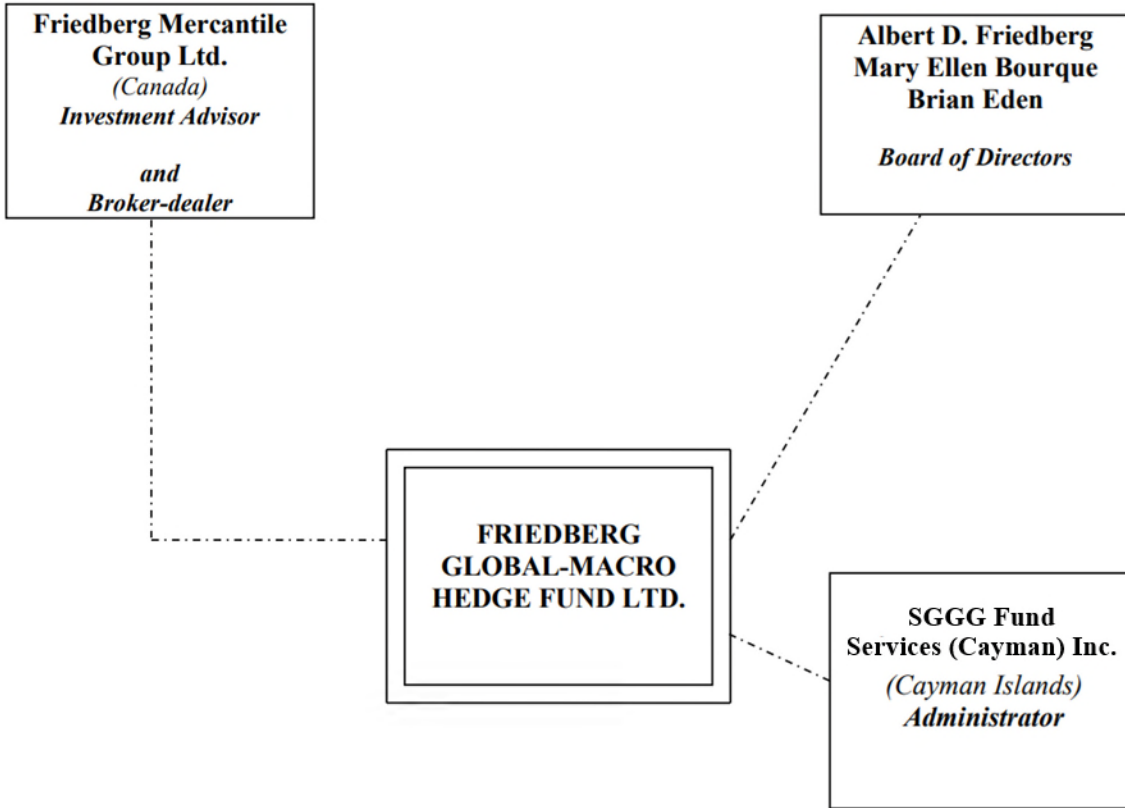
The following is a summary of certain defined terms used in this Memorandum:

<b>The Investment Advisor, FMG</b>	Friedberg Mercantile Group Ltd.
<b>The Administrator</b>	SGGG Fund Services (Cayman) Inc.

\* \* \*



**ORGANIZATIONAL CHART**



## THE FUND

The Fund was incorporated as an exempted company under the Companies Act (as amended) of the Cayman Islands on April 27, 2009 and does not have a stated term. Its general corporate purpose, as provided in the Fund's Memorandum of Association, is unrestricted and includes the carrying on of the business and investment operations provided in this Memorandum. The objects of the Fund are unrestricted, except as may be prohibited by law. The registered office address of the Fund is c/o Intertrust Corporate Services (Cayman) Limited, One Nexus Way, Camana Bay, George Town, Grand Cayman KY1-9005, Cayman Islands. The Fund has been incorporated for an indefinite period and the Board of Directors may, acting upon the recommendation of the Investment Advisor, terminate and dissolve the Fund at any time. Additional information regarding the organization of the Fund and the rights and obligations of its shareholders are set forth under the section of this Memorandum titled "General Information". Copies of the Memorandum of Association and Articles of Association of the Fund, which are the governing instruments of the Fund, may be obtained as indicated in the section of this Memorandum titled "General Information".

The Fund may from time to time prepare supplements to this Memorandum. Such supplements are incorporated herein by this reference and any potential investor in the Fund should obtain and review the most recent supplement and the Fund's most recently available financial statements before investing. Distribution of this Memorandum is not authorized unless it is accompanied by a copy of the latest audited annual financial report issued by the Fund, if any. Such supplements, reports and this Memorandum together form the offering memorandum for the issue of Shares (this "**Memorandum**").

## INVESTMENT OBJECTIVES

The Fund is a multi-strategy fund whose investment objective is to seek significant total investment returns, consisting of a combination of interest income, dividend income, currency gains and capital appreciation by investing in the following four discrete groups of investments: (i) equity securities generally; (ii) fixed income securities generally; (iii) commodity forwards and futures contracts and options thereon, and over-the-counter traded derivatives instruments related thereto ("**Commodity Futures Instruments**") and commodities; and (iv) cash and cash equivalents ("**Money Instruments**"). The underlying value of the Fund's aggregate positions in derivatives entered into for non-hedging purposes will not exceed the value of the Fund's holdings of Money Instruments.

The Fund will make use of currency futures and forwards (and options thereon) ("**Currency Futures Instruments**") only for hedging purposes or to change the currency exposure of a particular security thereby producing a synthetic security, while it will use Commodity Futures Instruments also to seek to gain from such investments. The Fund will use Commodity Futures Instruments, but only as a substitute for holding spot physical commodities, and in no case will the Fund use leverage (determined as of the time of acquiring a position in a derivative) to acquire an exposure in Currency Futures Instruments and Commodity Futures Instruments in excess of the Fund's net assets.

## INVESTMENT STRATEGIES

As more fully described below, the Fund will invest in four distinct categories of investments. Of the three asset classes other than Money Instruments, two (investments in equity securities generally and investments in fixed income securities generally) are comprised of individual securities and/or baskets of securities and the third (investments in commodities and Commodity Futures Instruments) is comprised of physical commodities and/or exchange traded instruments that represent individual or a basket of commodities and/or commodities futures (provided that, as described above, the underlying value of all of the Fund's derivatives positions entered into for non-hedging purposes (determined as of the time of acquiring a position in a derivative) will not exceed the value of the Fund's holdings of Money Instruments, and the Fund will not use leverage (determined as of the time of acquiring a position in a derivative) to acquire exposure to Commodity Futures Instruments and Currency Futures Instruments in excess of the Fund's net assets.

In order to seek to achieve the Fund's investment objective, the Investment Advisor will allocate the Fund's capital among the four asset classes in the respective proportions which the Investment Advisor believes optimal from time to time. There are no fixed percentage ranges for allocating the Fund's assets among the four classes, and the Investment Advisor may determine that all or most of the Fund's assets should be allocated to only certain (or only one) of such asset classes.

The following is a concise description of the respective investment strategies that are employed in respect of the Fund's groups of investments.

Although the Investment Advisor attempts to reasonably diversify the interests and assets it invests in, there are no limitations on the concentration of the Fund's assets in any issuer, market sector, country, currency or securities of any particular maturity.

#### *Equity Investments Generally*

For the purposes of the Fund, "equity securities" are defined to include, without limitation, common stock, preferred stock, securities convertible into common or preferred stock, stock warrants and rights, limited partnership interests, units or shares of undertakings for collective investment, depository receipts, investment trusts and exchange traded funds.

The Fund may use stock index futures (whose underlying value does not exceed the Fund's holdings of Money Instruments). The Fund may use, in addition to individual securities, derivatives based on a basket of securities and exchange traded funds. The Fund may write covered call options, and may grant put options (provided that for any "naked" put options, the Fund will hold Money Instrument cover for purposes of its positions in such options that, together with margin posted by the Fund, is not less than the strike price of the option). The Fund may purchase call options as a substitute for an outright long equity position and may purchase put options to hedge existing long positions of the same security or broadly similar securities. The Investment Advisor may decide to hedge the currency component of an equity security or may decide to change the currency denomination of a particular equity security through the use of Currency Futures Instruments, thereby producing a synthetic security.

The Fund may engage in short selling of equity securities, but only for hedging (for these purposes, hedging of a long position in equity securities of an issuer meaning the taking of a short position in either the securities of such issuer or securities of another issuer otherwise correlated in terms of industry, market or other specific exposure factor).

#### *Fixed Income Investments Generally*

The Fund invests in both investment grade and non-investment grade fixed income obligations and debt securities of governmental and corporate issuers denominated in various currencies, including corporate bonds and preferred stock, which investments may be issued anywhere in the world. The Fund may invest in securities of any maturity. The Investment Advisor, may, in its absolute discretion, dispose of or retain equity securities acquired by the Fund through exercise of the conversion of convertible securities.

The Investment Advisor manages the Fund's portfolio of fixed income obligations to take advantage of changing economic and market conditions. The Investment Advisor analyzes three main areas when considering a security for investment: (i) currency of denomination (currency risk), (ii) average maturity (interest rate risk), and (iii) the financial and other characteristics of specific issuers (credit and liquidity risk). The Investment Advisor may, however, determine to hedge the currency component of a fixed income security or to effectively change the currency denomination or interest rate risk of a particular fixed income security through the use of Currency Futures Instruments, thereby producing a synthetic security.

### *Commodities and Commodities Futures Instruments*

The Fund may invest in commodities and Commodity Futures Instruments of any kind.

The Fund may invest in Commodity Futures Instruments that most closely reflect the value of the underlying commodity but which also offer the best relative liquidity and carrying costs at the time the investment is contemplated. The Fund may write covered calls against these instruments and may grant put options (provided that for any “naked” put options the Fund holds Money Instrument cover for purposes of its positions in such options that, together with margin posted by the Fund, is not less than the strike price of the option). The Fund may purchase call options as a substitute for taking an outright long position in a commodity and may purchase put options in order to hedge existing long positions of the same commodity or of broadly similar commodities.

The Fund may invest on any major United States or foreign commodity futures exchange from time to time, although a majority of the exchange transactions entered into by the fund are expected to generally be entered into on United States futures exchanges. Non-exchange transactions will be entered into by the fund through major international brokers and banks.

### *Money Instruments*

In addition to cash, the Fund will also hold cash equivalents. “**Cash equivalents**” are debt instruments with a term to maturity of one year or less and which are issued or guaranteed by (i) the federal or a provincial government of Canada, (ii) the federal or a state government of the United States, (iii) other governmental or supranational agencies whose debt is highly rated or (iv) a licensed Canadian or U.S. financial institution or foreign licensed financial institution whose debt is highly rated.

## **RISK FACTORS**

The Fund’s investment performance is directly related to the investment performance generally of the strategies in which it invests, as well as the allocation of assets among those strategies. **There is no assurance or guarantee that the Fund’s investment objective will be achieved or that there will be any return of capital and investment results may vary substantially on a monthly, quarterly or annual basis.** The following considerations, which do not attempt to analyze all the risk aspects of an investment in the Fund, should be carefully considered by prospective shareholders.

**Investment Practices** – In addition to its principal investments, the Fund may invest in foreign securities, enter into futures and options contracts, make short sales, purchase illiquid and restricted securities, borrow, and engage in various other investment practices involving various degrees of risk. Certain of these investment practices are described below:

**Borrowing and Leverage** – The Fund may borrow money from time to time on a limited basis for administrative or temporary emergency purposes, including to facilitate redemption requests, but not for the purpose of leveraging the Fund’s investments. However, in respect of its investments in Commodity Futures Instruments and Currency Futures Instruments, the Fund will use leverage (compared to investments in assets other than futures and options contracts), although it is intended that the Fund will not use leverage (determined as at the time of acquiring a position in a derivative) to acquire an exposure to Currency Futures Instruments and Commodity Futures Instruments in excess of the Fund’s net assets. The use of leverage may cause the Fund to suffer losses on any open position significantly in excess of the assets allocated to such position as margin or of the line of credit permitting the Fund to maintain such position. In addition to the general risks involved in leveraging, forward contracts (and futures contracts, to the extent not guaranteed by an exchange) involve significant counterparty risks. The use of such instruments will increase the Fund’s overall investment exposure and may result in losses.

**Repurchase Agreements** – The Fund may enter into repurchase agreements. Repurchase agreements are contracts under which the seller of a security agrees at the time of sale to

repurchase the security at an agreed upon price and date. Such resale price reflects an agreed upon interest rate effective for the period the security is held by the purchaser and is unrelated to the interest rate on the instrument. Repurchase agreements are generally considered as loans collateralized by the underlying security. When the Fund enters into a repurchase agreement, the seller may be required to maintain the value of the securities subject to the repurchase agreement. Repurchase agreements may involve risks in the event of insolvency or other default by the seller, including possible delays and expenses in liquidating or restrictions on the Fund's ability to dispose of the underlying security, decline in its value and loss of interest.

**Securities Risks – Fixed Income Obligations** – Fixed income obligations are subject to the risk of an issuer's ability to meet principal and interest payments on the obligation (credit risk), and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (market risk).

Lower or unrated securities are more likely to react to developments affecting market and credit risk than are more highly rated securities, which primarily react to movements in the general level of interest rates. Investors should be aware that ratings are relative and subjective and are not absolute standards of quality. Subsequent to its purchase by the Fund, an issue of securities may cease to be rated or its rating may be reduced. Neither event will require sale of such securities by the Fund, although the Investment Advisor will consider such event in its determination of whether the Fund should continue to hold the securities. The market value of securities in lower-rated categories is more volatile than that of higher quality securities. In addition, the Fund may have difficulty disposing of certain of these securities because there may be a thin trading market. The lack of a liquid secondary market for certain securities may have an adverse impact on the Fund's ability to dispose of such securities and may make it more difficult for the Fund to obtain accurate market quotations for purposes of valuing the Fund and to calculate its Net Asset Value (as defined in the Summary of Terms above).

**Equity Securities and Equity Related Instruments** – The Fund invests in equities and equity-related instruments. Stocks and other equity-related instruments may be subject to various types of risk, including market risk, liquidity risk, counterparty credit risk, legal risk and operations risk. In addition, equity-related instruments can involve significant economic leverage and may, in some cases, involve significant risk of loss. "Equity securities" may include common stocks, preferred stocks, interests in real estate investment trusts, convertible debt obligations, convertible preferred stocks, equity interests in trusts, partnerships, joint ventures or limited liability companies and similar enterprises, warrants and stock purchase rights. Equity securities fluctuate in value and such fluctuations can be pronounced. In general, stock values fluctuate in response to the activities of individual companies and in response to general market and economic conditions. Accordingly, the value of the stocks and other securities and instruments that the Fund holds may decline over short or extended periods of time. The stock markets tend to be cyclical, with periods when stock prices generally rise and periods when stock prices generally decline. The volatility of equity securities means that the value of an investment in the Fund may increase or decrease.

**Foreign Securities** – There are certain risks involved in investing in equity and fixed income securities of companies and governments of foreign nations which are in addition to the usual risks inherent in U.S. or Canadian investments, including without limitation those risks described below. These risks include those resulting from fluctuations in currency exchange rates, revaluation of currencies, future adverse political and economic developments and the possible imposition of currency exchange blockages or other foreign governmental laws or restrictions, reduced availability of public information concerning issuers, the lack of uniform accounting, auditing and financial reporting standards and other regulatory practices and requirements that are often less rigorous than those applied in the United States or Canada. The yield of the Fund may be adversely affected by fluctuations in the value of one or more currencies relative to the U.S. dollar which is expected to be the functional currency of each class of Shares of the Fund. Moreover, securities of many foreign companies may be less liquid and their prices more volatile than those of securities of comparable U.S. or Canadian companies. Certain foreign countries are known to experience long delays between the trade and settlement dates of securities purchased or sold. In addition, with respect to certain foreign countries, there is the possibility of expropriation, nationalization, confiscatory taxation and limitations on the use or removal of funds or other assets of the Fund, including

the withholding of dividends. Moreover, individual foreign economies may differ favorably or unfavorably from the U.S. or Canadian economies in such respects as growth of gross national product, rate of inflation, capital reinvestment, resource self-sufficiency and balance of payments positions. Investment in foreign securities may also result in higher operating expenses due to the cost of converting foreign currency into U.S. dollars, higher valuation and communications costs and the expense of maintaining securities with foreign custodians.

**Lending of Portfolio Securities** – The Fund bears a risk of loss in the event that the other party to the loan agreement defaults on its obligations or becomes bankrupt and the Fund is delayed or prevented from exercising its right to retrieve and dispose of loaned securities, including the risk of a possible decline in the value of the loaned securities during the period in which the Fund seeks to assert its rights.

**Delayed-Delivery Transactions** – Due to fluctuations in the value of securities purchased or sold on delayed-delivery basis, the yields obtained on such securities may be higher or lower than the yields available in the market on the dates when the investments are actually delivered to the buyers.

**Short Sales** – Possible losses from short sales differ from losses that may be incurred from purchases of securities, because losses from short sales may be unlimited, whereas losses from purchases may only equal the total amount invested. To deliver securities to the purchaser, the Fund must arrange through a broker to borrow the securities and, in so doing, the Fund becomes obligated to replace the securities borrowed at their market price at the time of replacement, whatever that price may be. A short sale involves the theoretically unlimited risk of loss occasioned by an increase in the market price of the security between the date of the short sale and the date on which the Fund covers its short position. In addition, the Fund may have to pay a premium to borrow the securities and must pay any dividends or interest payable on the securities until they are replaced.

**Options, Futures and Currency Transactions** – The Fund may purchase and write (sell) put and call options on equity securities, securities indices and currencies. Options may be traded on or off an exchange. The Fund may purchase and sell stock index futures and related options. The Fund may engage in trading forward contracts in foreign currencies. Options and futures contracts may be used for hedging purposes or to attempt to realize greater current returns (speculation).

Options, futures and currency transactions involve certain risks:

- These transactions involve the risk that the Fund will not forecast relevant interest rate, currency or market movements correctly.
- The Fund may be unable at times to close out positions, or hedging may not accomplish the intended purpose because of imperfect market correlation.
- There can be no assurance that a liquid secondary market on an exchange or board of trade will exist for any particular option or futures contract or at any particular time or at an acceptable price.
- Options, futures and forward markets are highly volatile. Price movements may be influenced by, among other things, fiscal, monetary and exchange control programs and policies; national and international political and economic events; climatic conditions; and changes in interest rates.
- The potential loss associated with trading in gold options is limited to the premiums paid for such options, and the premium paid would also partially offset any gains achieved from the use of such options.

These risks are described more fully below:

**Hedging** – By hedging a particular position held by the Fund, the Fund may limit any potential gain from an increase in value of such position. The movement in the portfolio position hedged may not be of the same magnitude as the movement in the hedge. For example, the prices of futures, for a number of reasons, may not correlate perfectly with movements in the underlying securities, index or currency due to certain market distortions. First, margin deposit requirements may cause investors to close futures contracts through offsetting transactions which could distort the normal relationship between the underlying security, index or currency markets. Second, in general the margin requirements in the futures markets are less onerous than margin requirements in the securities markets and as a result, the futures markets may attract more speculators than the securities markets. Increased participation by speculators in the futures markets may cause temporary price distortions. Due to the possibility of price distortion, even a correct forecast of general market trends by the Investment Advisor may not result in a successful transaction. In addition to the above risks, the use of currency transactions may result in losses for the Fund from the imposition of foreign exchange controls, suspension of settlement or other governmental actions or unexpected events.

The Fund will incur brokerage fees in connection with its securities, futures and options transactions. While futures contracts and options on futures may be purchased and sold to reduce certain risks, those transactions themselves entail certain other risks. Thus, while the Fund may benefit from the use of futures and related options, unanticipated changes in interest rates or securities price movements may result in a poorer overall performance of the Fund than if it had not entered into any futures contracts or options transactions.

**Principal Risk Factors of Currency Interests Trading – Currency Trading is Speculative** – Currency futures and forward markets are highly volatile. While the Fund will only trade currency interests to hedge its investment positions, and such trades will be limited to the value of the securities being hedged, the profitability of the Fund's trading will depend on the ability of the Investment Advisor to analyze the currency markets. In addition, governments from time to time intervene, directly and by regulation, in the currency markets, with the specific intention of influencing exchange rates. The effect of such intervention may be heightened by a group of governments acting together. Although other factors have significant influence on the currency markets, these markets are, in general, highly interest rate sensitive. Consequently, it would be possible for substantially all of the Fund's open positions to move against it at or about the same time.

**Trading in Forward Foreign Currencies** – The Fund will generally contract through its broker to make or take future delivery of a particular foreign currency. Although the foreign currency market is not believed to be necessarily more volatile than the market in other commodities, there is less protection against defaults in the forward trading of currencies than there is in trading such currencies on an exchange since such forward contracts are not guaranteed by an exchange or clearing house. Investors are not afforded the regulatory protections of such exchanges or the U.S. Commodity Futures Trading Commission (“CFTC”); rather, banks and dealers act as principals in such markets. Neither the CFTC nor U.S. banking authorities regulate trading in forward foreign currencies. The Fund will trade currency forward contracts only with banks, brokers, dealers, financial institutions and other entities which the Investment Advisor has determined to be creditworthy. However, principals are not required to continue to make markets in these contracts. In the United States, the CFTC has indicated that it may assert jurisdiction over forward contracts in foreign currencies and attempt to prohibit certain entities from engaging in such transactions. In the event that such prohibition included the Fund, the Fund could cease trading such contracts. The Investment Advisor intends to trade forward contracts in foreign currencies for the account of the Fund and thus, such a cessation of forward trading would have a substantial adverse effect on the Fund's performance. See “Over-the-Counter Trading”.

**Trading on Foreign Exchanges and Trading in Physical Currencies** – The Fund may trade in currency contracts on exchanges located outside of Canada or the United States. Trading on such exchanges is not regulated by the U.S. or Canadian authorities and may be subject to more risks than trading on United States or Canadian exchanges, such as the risks of exchange controls, expropriation,

burdensome taxation, moratoria and political or diplomatic events. The Fund may engage in spot currency transactions. Some of such transactions may be entered into in conjunction with exchange for physical transactions.

**Possible Effects of Competition** – The Fund may experience increased competition for the best prices on the same contracts, because of the utilization by other persons of trend following trading strategies. Trading orders for such accounts similar to those of the Fund are likely to occur contemporaneously.

**Absence of Secondary Market** – Positions in exchange-listed options and futures contracts may be closed out only on an exchange (or board of trade for futures) which provides a secondary market for such futures or options, as the case may be, of the same series. There can be no assurance that a liquid secondary market on an exchange (or board of trade for futures) will exist for any particular futures or option contract, as the case may be, or at any particular time. Accordingly, for exchange-listed options and futures contracts, there can be no assurance that the Fund will be able to effect closing transactions at any particular time or at an acceptable price. If it is not possible for the Fund to enter into a closing transaction to close out an option or futures position as the case may be, the Fund may be forced to continue to hold, or to purchase at a fixed price, a security on which it has sold an option at a time when the Investment Advisor believes it is inadvisable to do so. In addition, higher than anticipated trading activity or order flow or other unforeseen events might cause an exchange to institute special trading procedures or restrictions that might restrict the Fund's use of options and futures.

**Over-the-Counter Trading** – It is expected that the Fund will engage in over-the-counter (“OTC”) contracts trading. OTC contracts are not traded on exchanges; rather banks and dealers act as principals in their markets. OTC contract trading is substantially unregulated; there is no limitation on the daily price movements of OTC contracts and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the OTC contracts they trade. There have been periods during which certain participants in the forward markets have refused to quote prices for OTC contracts in certain commodities or have quoted prices with an unusually wide spread between the price at which they are prepared to buy and that at which they are prepared to sell. The imposition of exchange and credit controls or the fixing of currency exchange rates by governmental authorities might eliminate or substantially reduce trading in certain currencies and might also limit such forward trading to less than that which the Investment Advisor would otherwise recommend, to the possible detriment of the Fund.

**Aggressive Investment Technique** – The Fund uses investment techniques and financial instruments that may be considered aggressive, including the use of futures contracts, options on futures contracts, forward contracts, swap agreements and similar instruments. While the Fund will limit its exposure involving such instruments so that it does not exceed the Net Asset Value of the Fund at any time, such techniques, particularly when used to create leverage, nonetheless may expose the Fund to potentially dramatic changes (losses) in the value of the instruments and imperfect correlation between the value of the instruments and the reference security, currency or commodity.

**Futures Trading May Be Illiquid** – Commodity and futures exchanges limit fluctuations in stock index futures and currency contract prices during a single day by regulations referred to as “daily price fluctuation limits” or “daily limits”. During a single trading day, no trades may be executed at prices beyond the daily limit. Once the price of a particular futures contract has increased or decreased by an amount equal to the daily limit, positions in the contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. These restrictions could prevent the prompt liquidation of unfavorable positions and subject the Fund to substantial losses.

**Possible Effects of Position Limits** – The CFTC and certain exchanges have established limits referred to as “speculative position limits” on the maximum net long or net short position which any person may hold or control in particular futures and options on futures, and most exchanges have established limits referred to as “trading limits” on the amount of fluctuation in futures contracts. It is possible that the trading instructions of an adviser for the Fund may have to be modified and that positions held by

the Fund may have to be liquidated in order to avoid exceeding such limits. Such modification or liquidation, if required, could adversely affect the operations and profitability of the Fund. Furthermore, in the event positions in other pools operated by the Investment Advisor and/or other accounts managed by the Investment Advisor or its principals are required to be aggregated with the Fund's positions, it is likely that the trading instructions of the Investment Advisor for the Fund may have to be modified and that positions held by the Fund would have to be liquidated in order to avoid exceeding such limits. Neither regulatory nor exchange position nor trading limits apply to forward contracts.

**Commodities Generally** – The Fund's exposure to the commodities markets may subject the Fund to greater volatility than investments in traditional securities. The value of commodity linked derivative instruments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or sectors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and international economic, political and regulatory developments.

**Failure of Futures Commission Merchant** – There is a risk that assets of the Fund deposited as margin with a futures commission merchant may, in certain circumstances, be used to satisfy losses of other clients of the futures commission merchant which cannot be satisfied by such other clients or by the futures commission merchant.

## **General Factors**

**Non-Diversification** – The Fund has no restrictions relating to the diversification or concentration of investments and may concentrate investments in a particular issue, issuer, market sector or country or in securities of any particular maturity or credit rating. Accordingly, the Fund may be more vulnerable to particular economic, political, regulatory or other developments than would a more diversified portfolio.

**Lack of Liquidity of Fund Shares** – The Shares are not expected to be listed on any stock exchange, and it is not expected that an active secondary market will develop for the Fund's Shares. If the Fund determines to suspend redemptions and the valuation of Shares (see the sections of this Memorandum titled "Net Asset Value" and "Subscription and Redemption of Shares"), the shareholders' right to request and obtain the redemption of their Shares will be similarly suspended. If the Investment Advisor determines that prevailing market conditions do not permit the liquidation of the Fund's investments to the extent required to satisfy all redemption requests received in respect of any Valuation Day without impairing the interests of the non-redeeming shareholders, the Investment Advisor may recommend the Board of Directors of the Fund to suspend redemptions. In these circumstances, the Board of Directors may also determine to satisfy the Fund's redemption obligations by transferring to the redeeming shareholders portions of the Fund's assets and investments, provided that it is not prejudicial to the remaining shareholders. In the event of a suspension of valuations and redemptions, all redemption requests received and not withdrawn will be generally carried forward to the succeeding Valuation Day or Days and will be satisfied in priority to subsequent requests. No assurance may be given that the Fund will be able to satisfy its shareholders' redemption requests as of each applicable Valuation Day.

**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 "Certain Tax Considerations". Such actions may include, but are not limited to the following:

(a) 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.

(b) The Fund may compulsorily redeem any 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.

**Tax Risks** – There is no assurance that the structure of the Fund or any investment is or will be tax efficient for any particular shareholder or that any particular tax result will be achieved. Prospective shareholders should consult their own professional advisors with respect to the tax consequences to them of an investment in the Fund (and the purchase, sale and redemption of Shares) under the laws of the jurisdiction in which they are liable to taxation. If the Fund is required to pay taxes, or becomes subject to any record keeping or reporting obligations in any jurisdiction as a result of the subscriptions made by one or more of its shareholders, such shareholders will be required to indemnify the Fund against any expenses, losses and liabilities incurred as a consequence of such contributions. See “Certain Tax Considerations”.

**Dependence on Key Personnel** – The Investment Advisor is dependent upon the expertise of certain of its key employees providing investment advisory services, including Mr. Albert D. Friedberg and other key investment personnel. If the Investment Advisor were to lose the services of these persons, its ability to service the Fund could be adversely affected.

**Lack of Management Rights** – Except as may be otherwise provided under Cayman Islands laws, holders of the Fund’s Shares generally have no right to participate in the management of the Fund or vote at any general meeting. All of the Fund’s Ordinary Shares, which carry voting rights, have been issued to FCMI.

**Charges to the Fund** – The Fund is subject to certain charges described under “Fees and Expenses,” which are payable irrespective of overall profitability of the Fund.

**Institutional Risks – Institutions**, such as brokerage firms and banks, have custody of the Fund’s assets. These institutions may encounter financial difficulties that impair the operating capabilities or the capital position of the Fund. Bankruptcy laws generally require that, in the event of the bankruptcy of a broker, all property held by the broker, including property specifically traceable to a customer, will be returned, transferred or distributed to the broker’s customers only to the extent of each customer’s pro rata share of all property available for distribution to customers. If any broker retained by the Fund were to become bankrupt, it is possible that the Fund would be able to recover none or only a portion of its assets held by such broker.

**Side Letters** – The Fund may from time to time enter into letter agreements or other similar agreements (collectively, “**Side Letters**”) with one or more Shareholders which provide such Shareholder(s) with additional and/or different rights (including, without limitation, with respect to access to information, management fees and incentive fees, minimum investment amounts, and liquidity terms) than such Shareholder(s) have pursuant to this Memorandum. As a result of such Side Letters, new Classes of Shares in the Fund may be established by the Directors without the approval of the existing Shareholder(s) and certain Shareholders may receive additional benefits (including, but not limited to, reduced fee obligations, the ability to redeem Shares on shorter notice and/or expanded informational rights) which other Shareholders will not receive. For example, a Side Letter may permit a Shareholder to redeem Shares on less notice and/or at different times than other Shareholders. **The terms of such Side Letters may also enhance the ability of certain Shareholders either to: (i) to redeem Shares of that class; or (ii) to make a determination as to whether to redeem Shares of that class, and which in either case might reasonably be expected to put other holders of Shares of that class who are in the same position at a material disadvantage in connection with the exercise of their redemption rights.** Should the Fund experience a decline in performance over a period of time, a Shareholder who is party to a Side Letter that permits less notice and/or different redemption times may be able to redeem Shares prior to other

Shareholders. The Board of Directors will not be required to notify any or all of the other Shareholders of any such Side Letters or any of the rights and/or terms or provisions thereof, nor will the Board of Directors be required to offer such additional and/or different rights and/or terms to any or all of the other Shareholders. The Board of Directors may enter into such Side Letters with any party as the Board of Directors may determine in its sole and absolute discretion at any time. The other Shareholders will have no recourse against the Fund, the Investment Advisor and/or any of their affiliates in the event that certain Shareholders receive additional and/or different rights and/or terms as a result of such Side Letters.

### **Conflicts of Interest**

**Generally** – The Investment Advisor, the Directors, the Administrator (as defined below), Auditor, Prime Brokers and other service provider may from time to time act in a similar capacity to, or otherwise be involved in, other funds or investment schemes, some of which may have similar investment objectives to those of the Fund. Thus, each may be subject to conflicting demands in respect of allocating management time, services and other functions between the activities each has undertaken with respect to the Fund and the activities each has undertaken or will undertake with respect to other investors or other accounts. 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 shareholder. The Directors will endeavour to ensure that any conflicts are resolved fairly. The Investment Advisor and other affiliates, including those involved in the investment activities and business operations of the Fund, may be engaged in businesses in addition to, or unrelated to, the Fund. This is a consideration of which investors in the Fund should be aware.

**Other Clients of the Investment Advisor** – The Investment Advisor and its principals, employees and affiliates may invest in securities in which the Fund invests for their own accounts and the account of their other clients, and the performance achieved and the investment policies followed by or for such other accounts will not be made available to the Fund or its shareholders. The Investment Advisor and its affiliates may act as managers or advisors to other client accounts with investment objectives that are similar to the objective of the Fund. Investments for such accounts will be made generally *pari passu*. The Investment Advisor will provide investment management and administrative services to other pooled investment vehicles as well as the Fund.

Although investment decisions for the Fund are made by the Investment Advisor independently from its other client accounts, the Investment Advisor and its principals may be subject to conflicting demands in respect of allocating management time, services and other functions. The Investment Advisor will have a conflict between its general obligation to manage its client accounts in a fair and equitable manner and its interest in favoring certain accounts which provide the Investment Advisor with greater financial benefits than those derived from the management of the Fund's account. The Investment Advisor, recognizing its fiduciary obligations to the Fund and its other clients, will allocate their time, services and investment and divestment opportunities in a manner deemed fair and reasonable among all their accounts, including the account of the Fund. The Investment Advisor, its principals and affiliates may purchase Shares or direct their clients to subscribe or redeem Shares in the Fund at any time.

**Affiliations of the Directors and Others** – Certain directors on the Fund's Board of Directors are principals of FMG or its affiliates and may serve as directors of several service providers to and affiliates of the Fund. Mr. Brian Eden, a director, is not affiliated with FMG. Mr. Eden is a partner with Pontis Global and is to be regarded as interested in any contract or other arrangement with Pontis Global. Mrs. Mary Ellen Bourque, also a director, is a director of Pan Atlantic Holdings Ltd., a Barbados-based Foreign Currency Permit Holder affiliated with FMG through common control. Mr. Albert D. Friedberg is currently a director of the Fund and FMG. Mrs. Bourque and Mr. Friedberg will be allocating time and services among these other entities in their discretion and may have a conflict between their obligation to act in the best interest of the Fund's shareholders and their interest in generating revenues or other benefits for such other entities, as well as his fiduciary responsibilities to the Fund. The duties of the Directors to the Fund may compete with or be different from the interests of its service providers. Furthermore, the Directors may also serve as directors of other investment vehicles and, to the extent that the interests of the Fund and such other investment vehicles are inconsistent, such Directors may have a conflict of interest.

**Affiliations of the Service Providers to the Fund** – The Investment Advisor serves in the same or in a similar capacity for other pooled investment vehicles and are affiliates of each other, which may create potential conflicts between their respective obligation to act in the best interest of the Fund, their obligation to act in the best interest of such other pooled investment vehicles and their interest in generating commissions, revenues and other benefits for themselves, their affiliates and principals. Mrs. Bourque and Mr. Friedberg may have a conflict between their responsibility to manage the Fund for the benefit of its shareholders and its interest, having an affiliation with FMG, to maintain the contractual relationships between the Fund and FMG (which receives a fixed Management Fee and the Incentive fee based on the Net Asset Value of the Fund). Further, FMG has agreed to provide their respective services in good faith and with a view to the best interests of the Fund and its shareholders.

**Brokerage and Transactions of the Fund with its Affiliates** – To avoid any conflict of interest that would otherwise arise, the Fund will not execute securities transactions by or through FMG. However, the Board of Directors has not adopted any other restrictions on the ability of the Investment Advisor to cause the Fund to enter into securities transactions with its affiliates, including, without limitation any other client account of the Investment Advisor or from engaging in principal transactions. However, without the consent of the Board of the Directors, the Fund will not acquire investments from, nor sell investments to, any other accounts managed by the Investment Advisor or any of its principals or purchase from, sell to or invest in any other entity in which the Investment Advisor its affiliates, clients or principals hold a material investment or are in a position to control except under circumstances where all accounts are participating in the purchase or sale on the same basis and provided that the terms of any such transaction are as favorable to the Fund as would be obtained at the time for a comparable transaction at arm's length with an unrelated third party that was not obliged to enter into the transaction, and the transaction is otherwise consistent with applicable law.

**Incentive Fee** – The payment to the Investment Advisor of the Incentive Fee may create an incentive for the Investment Advisor to cause the Fund to make investments that are more speculative than would be the case in the absence of such incentive based compensation.

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THE FOREGOING LIST DOES NOT PURPORT TO BE A COMPLETE EXPLANATION OF THE RISKS INVOLVED IN THIS OFFERING. PROSPECTIVE INVESTORS SHOULD READ THE ENTIRE MEMORANDUM BEFORE DETERMINING TO INVEST IN THE FUND AND SHOULD CONSULT THEIR FINANCIAL CONSULTANTS AND PROFESSIONAL ADVISORS.

## FEES AND EXPENSES

The following is a summary of the principal fees and expenses payable by the Fund or its affiliates:

Operating Expenses. The Fund bears all of its ordinary and extraordinary operating expenses including, but not limited to, administrative expenses, expenses of the continuous offering, interest charges, the fees and expenses of its secretary, directors and professional advisers (such as accountants, auditors, attorneys and consultants), plus taxes and governmental registration fees.

Management Fee. The Fund pays to the Investment Advisor a management fee payable monthly in arrears at the rate of 1/12 of 1% per month (1% per annum) of the month-end Net Asset Value of the Fund (the “**Management Fee**”).

Incentive Fee. The Fund pays to the Investment Advisor a quarterly incentive fee (the “**Incentive Fee**”) equal to 15% of the cumulative total return of the Fund for the period that began immediately after the last quarter for which an Incentive Fee was paid (the “**Previous IF Quarter**”). For such purposes, the “**cumulative total return**” is the aggregate increase in the Net Asset Value per Share for each of the outstanding Shares over the respective high water marks of the outstanding Shares (being the greater of the Net Asset Value per Share as at the end of the Previous IF Quarter and the Net Asset Value per Share at which the subject Share was initially issued).

An Incentive Fee will, however, only be payable to the extent that the cumulative total return of the Fund exceeds an annualized rate of return equal to the yield on the 2 Year U.S. Treasury Note (the “**Hurdle Rate**”). The Hurdle Rate for each calendar year will be the rate quoted by an external pricing service, such as Bloomberg or Reuters, designated by the Investment Advisor, as of the first day of business in a calendar year, will be pro-rated for each quarter of that year and will be compounded as of the beginning of each calendar year. For 2025, and the base for compounding, the Hurdle Rate is 4.2416%.

The Incentive Fee is calculated with respect to the Fund as a whole. Accordingly, under certain circumstances, an Incentive Fee may be paid to the Investment Advisor before a shareholder recovers its entire pro rata share of previously incurred net depreciation and a shareholder’s actual pro rata interest in any Incentive Fee may be greater or less than 15% of the net appreciation in the Net Asset Value per Share of the Shares held by such investor.

Fee Rebates and Distributions. The Investment Advisor will reduce the above noted Management Fee and Incentive Fee rates for investors making large investments in the Fund, as follows:

	Management Fee Rate	Incentive Fee Rate
\$3 million to \$4.99 million	0.88%	8.75%
\$5 million to \$9.99 million	0.5%	5.0%
\$10 million or more	0.375%	1.25%

Following the end of each month, the Fund will make distributions to qualifying investors equal to the Management Fee and Incentive Fee reductions in the preceding month allocable to their investments. Such distributions will be in the form of reinvestment in additional Shares of the Fund.

The Investment Advisor reserves the right to discontinue or change such fee reductions at any time.

Reimbursement of Third-Party Expenses to the Administrator and the Investment Advisor. The Fund reimburses the Administrator and the Investment Advisor for all reasonable fees, commissions and expenses attributable to services rendered to the Fund by unaffiliated agents (such as legal, accounting, printing and secretarial services). Neither the Fund nor its agents will reimburse any placement agent for expenses incurred by the placement agent through the services it renders to the Fund in its capacity as placement agent.

Prime Brokerage and Custody Fees and Expenses. The Fund pays brokerage commissions to the Prime Broker (as defined below) and other brokers through which it executes trades and custodial fees to the Prime Broker at commercially reasonable rates. The Fund bears all other expenses incurred in connection with its trading and investment activities, including, but not limited to, all execution, give-up, option premiums, brokerage, floor, exchange, clearing and regulatory fees, interest and borrowing charges on margin accounts, borrowed money and other indebtedness, and all other trading-related expenses and costs.

Administrator Fees. The Fund pays the Administrator a fixed monthly fee for its administration services. The Fund also pays the Administrator annual fees for AML and foreign account tax reporting services.

Except as otherwise noted, FMG and the Administrator are responsible for their respective overhead expenses incurred in rendering services to the Fund (such as compensation for their directors and employees, the costs of office space, office equipment and utilities, and any governmental registration fees).

## MANAGEMENT OF THE FUND

The Board of Directors are responsible for the overall management and control of the Fund in accordance with the Memorandum and Articles of Association of the Fund. However, the Board of Directors are not responsible for the day to day operations and administration of the Fund, nor are they responsible in their capacity as directors for making or approving any investment decisions. The investment responsibilities have been delegated to the Investment Advisor pursuant to the Investment Advisory Agreement, whilst the day to day administrative functions have been delegated to the Administrator pursuant to the Fund Administration Agreement (as defined below). In each case, the delegation has been made in accordance with the Directors' powers of delegation. In performing their duties, the Directors are entitled to rely upon, and generally rely upon the work performed by and information received from the Fund's service providers, including the Investment Advisor and the Administrator. The Board of Directors will periodically review the performance of the Investment Advisor and the Administrator. As of the date of this Memorandum, the Fund's Board of Directors are Mr. Brian Eden, Mrs. Mary Ellen Bourque and Mr. Albert Friedberg. The Board of Directors meets at least twice every fiscal year outside of the United States and Canada to review the investment operations, trading performance and administrative affairs of the Fund. The members of the Board of Directors (other than Albert Friedberg) receive remuneration from the Fund. The members of the Board of Directors will be reimbursed all reasonable expenses (including travel expenses) properly incurred in their capacity as directors of the Fund.

**Albert D. Friedberg.** A profile on Mr. Friedberg is included in this Memorandum under the section titled "The Investment Advisor".

**Mary Ellen Bourque.** Mrs. Bourque is the Managing Director and President of The Corporate Secretary Limited and Cartrust Corporation Limited. She is currently a director of Pan Atlantic Holdings Ltd., a Barbados based Foreign Currency Permit Holder registered and licensed under the International Financial Services Act of 2002 and a company affiliated with FMG through common control. Mrs. Bourque has been involved in a number of private business pursuits Mrs. Bourque is registered as a director with the Monetary Authority pursuant to the Directors Registration and Licensing Act, 2014.

**Brian Eden.** Mr. Eden holds both an MBA and Bachelor of Administration in Finance from the University of Miami. He is the assistant secretary of the Cayman Islands Directors Association and is an accredited director with the Chartered Governance Institute of Canada. Mr. Eden is licensed as a director with CIMA pursuant to the Directors Registration and Licensing Act, 2014. Mr. Eden is a co-founding partner of Pontis Global. In his capacity as a director of a variety of investment fund structures, Mr. Eden provides an independent layer of review and oversight to the structures he serves. Mr. Eden possesses a strong corporate governance background and wide-ranging knowledge of investment funds. Prior to co-founding Pontis Global, Mr. Eden was an independent director with Ironstone Global Solutions ("**Ironstone**"), a subsidiary of the Intertrust Group, a CSC company, having joined its predecessor in 2012. Before joining Ironstone, Mr. Eden was a Vice President at Maples Fiduciary Services ("**MaplesFS**") in the Cayman Islands, providing fiduciary services to a wide range of investment fund products, including multi-manager funds, hedge funds, and unit trust structures. He also acted as an independent director to various registered and un-registered investment vehicles. Prior to his employment with MaplesFS, Mr. Eden worked for CIMA, where he was responsible for the on-going regulation and monitoring of a portfolio of Cayman Islands hedge funds and mutual fund administrators operating in the Cayman Islands to ensure their compliance with the applicable laws, rules and guidelines.

## THE INVESTMENT ADVISOR

The Investment Advisor to the Fund is Friedberg Mercantile Group Ltd. (the "**Investment Advisor**" or "**FMG**"). The Investment Advisor currently serves as portfolio manager, investment adviser and/or commodity trading advisor to many other Canadian based private and public investment funds and commodity pools, including The Friedberg Asset Allocation Fund, a Canadian investment fund that follows a similar investment strategy as that of the Fund, and the Friedberg Global-Macro Hedge Fund Ltd.

FMG is one of the largest independent securities, futures and foreign currency brokers in the Canadian financial services industry. FMG is a leading Canadian broker and investment management firm providing a full range of financial and investment services to individual, corporate and institutional clients worldwide. FMG operates in all major international markets, and is a member firm of the Investment Industry Regulatory Organization of Canada, the Canadian Investor Protection Fund and all Canadian exchanges. FMG currently serves as administrator or sub-administrator of several private and public investment funds operated or managed by its affiliates.

### **The Investment Advisory Agreement**

Under the Investment Advisory Agreement, the Investment Advisor has been granted the authority to determine the Fund's trading strategies and policies in accordance with the investment objective set forth herein. The Investment Advisor will, among other things, (i) invest and reinvest the Fund's assets in accordance with the Fund's investment objective and strategies; (ii) monitor the performance of the Fund, and (iii) monitor compliance of the Fund with any regulatory requirements applicable to it.

The Investment Advisor and its officers, employees and directors, and the officers, employees, shareholders and directors of the Investment Advisor's affiliates are permitted to trade for their own accounts so long as such trading is not incompatible with the Investment Advisor's obligations to the Fund. Shareholders of the Fund will not be permitted to inspect the performance records of the foregoing persons and entities.

The Investment Advisory Agreement provides that the Investment Advisor will not be liable to the Fund or any of its shareholders for any loss which arises out of any action or inaction of the Investment Advisor if such course of conduct did not constitute willful misconduct, bad faith or gross negligence ("**disabling conduct**") of the Investment Advisor. The Investment Advisory Agreement also provides that the Fund will indemnify the Investment Advisor (and its principals, shareholders, officers, directors, agents and employees) against, and hold it harmless from, any and all losses, claims, damages, liabilities or expenses (including reasonable legal counsel fees and expenses), including any amounts paid in satisfaction of judgments, in compromise or as fines or penalties, not resulting from disabling conduct by the Investment Advisor and provided that such course of conduct was done in good faith and in a manner the Investment Advisor reasonably believed to be in the best interests of the Fund. .

The Investment Advisory Agreement, which is governed by the laws of Canada, has been entered into for an indefinite term. The Investment Advisory Agreement will terminate in the event of the insolvency of the Investment Advisor or the Fund and may be terminated if the Investment Advisor defaults in the performance of its obligations and the Board of Directors of the Fund votes to terminate the agreement. The Investment Advisor must give the Fund at least 180 days' notice of its intention to terminate the Investment Advisory Agreement.

The Investment Advisor is entitled to the Management Fee and the Incentive Fee payable by the Fund, as provided under the section herein titled "Fees and Expenses".

The backgrounds of the principals of the Investment Advisor are as follows:

**Albert D. Friedberg**, born October 1946, has been the President and a Director and the indirect controlling person of FMG from 1971. Mr. Friedberg currently is in charge of futures and securities trading activities at FMG, and a substantial portion of his activities in connection therewith consists of his management of discretionary trading accounts. Mr. Friedberg established Friedberg & Co. Ltd., formerly a futures brokerage firm and foreign exchange dealer in Ontario, in 1971, with which he was associated until November 1978, when FMG succeeded to its futures brokerage business. Mr. Friedberg has a B.A. degree in Economics from Johns Hopkins University, an M.B.A. degree in International Banking from Columbia University and a Doctor of Philosophy in Near and Middle Eastern Civilization from the University of Toronto.

Mr. Friedberg has written numerous articles on the commodities and futures markets. In addition, since 1971 he has been responsible for writing and publishing an analysis entitled *Commodity & Currency Comments*. In October 1979, Mr. Friedberg was appointed by the Premier of the Province of Ontario as one of the five members of the Commodity Futures Investment Advisory Board of Ontario, and he served as Chairman of the Toronto Futures Exchange from March 1985 to June 1988. Mr. Friedberg is registered as a director with the Monetary Authority pursuant to the Directors Registration and Licensing Act, 2014.

**Dan Scheiner**, born August 1977, is the Chief Operating Officer, and Vice President of FMG and has been with the Investment Advisor since 2009. He holds primary responsibility for overseeing all legal and operational aspects of FMG and its affiliates. Mr. Scheiner has a B.A. degree in History from Brooklyn College and a J.D. from Osgoode Hall law school.

**Daniel A. Gordon**, born June 1955, is the Chief Compliance Officer and a Director and has been employed with the Investment Advisor since November 1979. He has held various positions of increasing responsibility since that time. Mr. Gordon holds primary responsibility for overseeing compliance by FMG and its affiliates with all Canadian and United States laws and regulations. Mr. Gordon has a B.A. degree from Brooklyn College, and he subsequently attended Benjamin N. Cardozo School of Law.

**Enrique Zauderer**, born March 1954, is a Vice President and a Director and has been employed at FMG since September 1981. He is an Investment Officer, primarily in the areas of futures markets, foreign exchange and debt securities. Mr. Zauderer has a B.A. degree in Economics and Business Administration from Bar Ilan University, Tel Aviv, Israel.

**Michael Y.D. Ng**, born March 1957, is a Vice-President and has been an employee of FMG (and its predecessor entity) since 1988. His primary area of responsibility at FMG has been associated with the order desk and order execution in stocks and commodities. Mr. Ng has a B.A. in Economics from York University Toronto.

**Richard Knight**, born November 1969, is a Chief Financial Officer and has been an employee of FMG since 2017. Mr. Knight oversees the operation of FMG's accounting department, data processing and treasury functions. Mr. Knight has a B.A. (Honours) in Chartered Accountancy Studies from the University of Waterloo. Mr. Knight is a Chartered Accountant and Chartered Professional Accountant registered in Canada. Mr. Knight also holds a Chartered Financial Analyst designation.

## THE PRIME BROKER AND CUSTODIAN

Pursuant to a prime brokerage agreement (the "**Prime Brokerage Agreement**"), JP Morgan Clearing Corp., JP Morgan Securities Inc. and affiliates of each, have been appointed to act as the Fund's prime broker (the "**Prime Broker**"). The Prime Broker is a broker-dealer registered with the U.S. Securities and Exchange Commission (the "**SEC**") and subject to regulation by the SEC, the Financial Industry Regulatory Authority, Inc. ("**FINRA**") and the New York Stock Exchange. The Prime Broker will clear the Fund's securities transactions which are effected through other brokerage firms and also acts as the custodian of the Fund's securities. The Prime Broker provides for: (i) safekeeping of all the Fund's assets which are held by the Prime Broker; (ii) provision of financing for the Fund's assets in the portions of the Prime Broker Accounts representing margin or short positions; (iii) collection of dividends and other payments in respect of the securities held by the Prime Broker on behalf of the Fund; (iv) the delivery of securities sold by the Fund against payment; and (v) payment for securities purchased by the Fund, assuming the Fund has sufficient assets to pay for such securities.

All of the assets of the Fund will normally be held with the Prime Broker in one or more accounts (the "**Prime Broker Accounts**"). The Prime Broker may hold the Fund's assets through one or more banks or securities brokers ("**Sub-custodians**") selected by a Prime Broker. The Prime Broker will select any Sub-custodian with due care and only upon prior notice to the Investment Advisor but is not otherwise responsible for the safekeeping of cash or securities held by any Sub-custodian and is not liable for any loss arising from the insolvency, bankruptcy or liquidation of any Sub-custodian.

The Prime Brokerage Agreement provides that the Fund will hold the Prime Broker harmless from any loss or damage which the Fund may sustain and will indemnify the Prime Broker for any loss or damage which it may sustain, in each case as a result or in the course of the discharge by the Prime Broker of its duties under such agreement, except where the Prime Broker has failed to meet the minimum standard of conduct specified in the Prime Brokerage Agreement.

The Prime Brokerage Agreement will continue for an indefinite period but may be terminated with due notice by the Prime Broker or the Fund, at which time a suitable prime broker or sub-custodian will be designated as a replacement.

The Fund will pay the Prime Broker such normal commercial rates for its services as the Fund negotiates from time to time. The Prime Broker will also be reimbursed by the Fund for all reasonable out-of-pocket expenses. Additional costs could be incurred in connection with the Fund's international investment activities. Non-U.S. brokerage commissions generally are higher than in the United States. Increased custodian costs as well as administrative difficulties (such as the applicability of foreign laws to a foreign custodian in various circumstances, including bankruptcy, ability to recover lost assets, expropriation, nationalization and record access) may be associated with the maintenance of assets in foreign jurisdictions.

The Prime Broker has no involvement in the management of the Fund or any decision-making discretion relating to the Fund's investments.

The Investment Advisor and the Board of Directors reserve the right to replace the Prime Broker or to retain other brokers, including prime brokers, at any time.

#### **THE ADMINISTRATOR**

The Fund has entered into an administration agreement (the "**Fund Administration Agreement**") with SGGG Fund Services (Cayman) Inc. (the "**Administrator**") pursuant to which the Administrator has agreed to provide the Fund with certain administrative services, including processing subscription and redemption requests, communicating with investors, providing periodic reports, remitting subscription proceeds, remitting redemption proceeds, payment of the expenses of the Fund, and other day-to-day administrative tasks. The Administrator is responsible, subject to the overall supervision of the Board of Directors, for the maintenance of the accounting records of the Fund and for the calculation and the dissemination of the Net Asset Value of the Fund and the Net Asset Value of the Shares. The Administrator is also responsible for performing the requisite anti-money laundering procedures on behalf of the Fund.

In calculating the Net Asset Value, the Administrator will rely on the information provided by the Board of Directors, investment advisors, independent third-party pricing services, and other service providers and will not be liable for any loss suffered by reason of any error in calculation resulting from any inaccuracy in the information provided.

The Fund Administration Agreement is governed by the laws of the Cayman Islands and is subject to termination by the Administrator or the Fund upon 90 days' written notice or, under certain circumstances, shorter notice. Under the provisions of the Fund Administration Agreement, the Fund has agreed to hold harmless and indemnify the Administrator against all actions, proceedings and claims (including claims of any person purporting to be the beneficial owner of any part of the investments) and against all costs, demands and expenses (including legal and professional expenses) arising therefrom which may be brought against, suffered or incurred by the Administrator by reason of the performance of the Administrator's duties under the terms of the Fund Administration Agreement save where any such actions, proceedings, claims, costs, demands or expenses arise as a result of the Administrator's wilful misfeasance, fraud, misconduct, bad faith, gross negligence (as defined in the Fund Administration Agreement) or disregard of its duties.

The Administrator will review subscriptions for Shares with regard to the qualifications of prospective investors, although in doing so the Administrator will rely upon the representations of prospective investors.

The Administrator will be paid a fee based upon the terms of the Fund Administration Agreement. The Administrator is also entitled to other fees for specific services that may be provided as well as reimbursement for actual out-of-pocket expenses incurred on behalf of the Fund.

In calculating the Net Asset Value, the Administrator is not responsible for valuing the Fund's investments, ensuring that the investments by the Fund are in accordance with any limits or restrictions set out in this Memorandum or the adequacy or accuracy of this Memorandum. The Administrator may delegate certain services to affiliates subject to applicable confidentiality provisions.

The Administrator is a Cayman Islands company that is licensed as a Mutual Fund Administrator in the Cayman Islands and regulated by the Cayman Islands Monetary Authority (the "**Monetary Authority**").

### **BROKERAGE**

The Fund's securities transactions generate a substantial amount of brokerage commissions and other compensation, all of which the Fund, not the Investment Advisor, is obligated to pay. The Board of Directors has delegated to the Investment Advisor complete discretion in deciding what brokers and dealers the Fund uses and in negotiating the rates of compensation the Fund will pay. In addition to using brokers as "agents" and paying commissions, the Fund may buy or sell securities directly from or to dealers acting as principals at prices that include markups or markdowns, and may buy securities from underwriters or dealers in public offerings at prices that include compensation to the underwriters and dealers.

The Investment Advisor will generally allocate brokerage on the basis of best available execution and in consideration of such broker's provision or payment of the costs of brokerage, research and other services that are of benefit to the Fund and other clients of the Investment Advisor. Accordingly, if the Investment Advisor determines in good faith that the amount of commissions charged by a broker is reasonable in relation to the value of the brokerage and research services provided by such broker, the Fund may pay commissions to such broker in an amount greater than the amount another firm might charge. Such brokerage and research services furnished by brokers through which the Fund effects securities transactions may include the cost of investment research, and may be used by the Investment Advisor or its affiliates in advising other clients or funds and not necessarily the Fund.

The Investment Advisor may combine orders on behalf of the Fund with orders for other accounts for which it or its affiliates have trading authority, or in which it or its affiliates have an economic interest. In such cases, the Investment Advisor will generally allocate the securities or proceeds arising out of those transactions (and the related transaction expenses) on an average price basis among the various participants. While the Investment Advisor believes combining orders in this way will, over time, be advantageous to all participants, in particular cases the average price could be less advantageous to the Fund than if the Fund had been the only account effecting the transaction or had completed its transaction before the other participants. In addition, the securities available for purchase by the Fund may be reduced at times as a result of such order aggregation by the Investment Advisor.

### **NET ASSET VALUE**

The determination of the Net Asset Value of the Fund and the Net Asset Value per Share has been delegated to the Administrator. The Net Asset Value of the Fund and the Net Asset Value per Share are determined in U.S. dollars on each Valuation Day and on such other dates as the Board of Directors deems appropriate, in accordance with the principles specified in this Memorandum and the Fund's Articles of Association (and, when no principle is specified, in accordance with the International

Financial Reporting Standards consistently applied under the accrual basis of accounting, with such modifications as the Board of Directors may determine from time to time). For the purpose of calculating the Net Asset Value per Share, the Net Asset Value of the Fund is divided by the total number of Shares issued and outstanding. The Net Asset Value of the Fund equals the value of the total assets of the Fund (including all cash and interest income), as computed by the Administrator, less the value of the total liabilities of the Fund (including brokerage commissions, trading-related expenses and recurring fees). In determining the Net Asset Value of the Fund:

(a) securities and other traded instruments and contracts are valued at fair market value, defined as the value at which the Fund can dispose of the investments under normal market conditions. Under normal market conditions, the value of these instruments and contracts are based on external pricing sources to the extent possible. Generally, at 4:00 pm eastern time on each trading day the relevant closing, bid, ask and/or average prices are obtained from broker-dealers and exchanges. Such prices may be adjusted, however, if a more accurate fair value can be obtained from recent trading activity or by incorporating other relevant information that may not have been reflected at the time the pricing information was obtained from external sources. In such instances the price may be adjusted by adding a premium to, or taking a discount off, the price to reflect FMG's best estimate of the price. A copy of the current valuation policies for certain classes of securities, instruments and contracts traded by the Fund – including equities, equity options, futures, FX and other OTC contracts, bonds, money market instruments and swaps-- is available from FMG upon request.

(b) the value of any cash on hand or on deposit, bills and demand notes and accounts receivable, prepaid expenses, cash dividends and interest declared or accrued and not yet received is deemed to be the full amount thereof, unless it is unlikely to be paid or received in full, in which case the value thereof shall be arrived at after making such discount including contingent liabilities, as the Board of Directors of the Fund, who may consult with the Investment Advisor, may consider appropriate to reflect the true value thereof;

(c) all liabilities of the Fund (including any borrowings and accruals for the Management Fee and Incentive Fee) and such provisions and allowance for contingencies (including tax and other governmental charges) as the Board of Directors of the Fund, who may consult with the Investment Advisor, thinks appropriate and accrued costs and expenses payable by the Fund shall be deducted; and

(d) any value not in U.S. dollars is converted into U.S. dollars at the rate of exchange (using prevailing spot market rates consistently applied) which the Board of Directors of the Fund, who may consult with the Investment Advisor, in its discretion deems appropriate to the circumstances having regard, inter alia, to any premium or discount which it considers may be relevant and to the costs of exchange.

The Board of Directors may, in consultation with the Investment Advisor, modify the valuation methods described above if it determines that such modifications are appropriate and reasonable to reflect the value of any securities or other assets or liabilities. Valuations of securities, assets and liabilities not specifically described above will be determined by the Investment Advisor.

In computing the Net Asset Value per Share, the Fund may, in respect of any shareholder, determine to include all applicable duties and charges. The Articles of Association of the Fund provide that "duties and charges" include, without limitation, all duties, taxes, bank or governmental charges which may be payable by the Fund or any of its agents as a result of any subscription or redemption, and exclude all fees and commissions previously accounted for in computing the Net Asset Value of the Fund.

### **CERTAIN TAX CONSIDERATIONS**

The following discussion of certain tax considerations relating to an investment in the Fund is based upon applicable laws, treaties, regulations and interpretations thereof as in effect on the date hereof. This summary does not consider all aspects of taxation which may be relevant to a particular

investor in light of the investor's particular circumstances. Except as expressly referred to below, confirmation is not being sought from any tax authorities.

**PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN PROFESSIONAL ADVISORS WITH RESPECT TO THE TAX CONSEQUENCES TO THEM OF AN INVESTMENT IN THE FUND AND THE PURCHASE, SALE OR REDEMPTION OF SHARES UNDER THE LAWS OF THE JURISDICTIONS IN WHICH THEY ARE LIABLE TO TAXATION.**

**Certain Cayman Islands Tax Considerations**

It is the responsibility of all persons interested in purchasing 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 Shares. Investors should therefore seek their own separate tax advice in relation to their holding of Shares and accordingly neither the Fund nor the Administrator accept any responsibility for the taxation consequences of any investment into the Fund by an investor.

**Taxation of the Fund**

There is, at present, no direct taxation in the Cayman Islands and interest, dividends and gains payable to the Fund will be received free of all Cayman Islands taxes. The Fund is registered as an "exempted company" pursuant to the Companies Act (as amended). The Fund received an undertaking from the Government of the Cayman Islands to the effect that, for a period of twenty years from the date of the undertaking, no law that thereafter is 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, will apply to any property comprised in or any income arising under the Fund, or to the Shareholders thereof, in respect of any such property or income.

**AEOI**

"AEOI" means one or more of the following, as the context requires:

(a) 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 ("**US 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;

(b) 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 (a); and

(c) any legislation, regulations or guidance implemented in the Cayman Islands to give effect to the matters outlined in the preceding paragraphs.

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 US FATCA. The US IGA is intended to result in the automatic exchange of tax information under US 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, 2014 (as amended) (the "**US**

**FATCA Regulations**) to accompany the Tax Information Authority Act (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.

## **SUBSCRIPTION AND REDEMPTION OF SHARES**

**Subscriptions.** Shares will be privately offered on each Valuation Day at a price per Share equal to the Net Asset Value per Share calculated as of the close of business on such Valuation Day. Each prospective shareholder is required to complete the subscription application form and to forward a signed original to the Administrator at least five days prior to the applicable Valuation Day. On any Valuation Day, the minimum initial subscription per investor is U.S. \$50,000, with no minimum additional contribution, subject to the right of the Board of Directors to require, in its discretion, initial subscriptions of larger amounts. Subscriptions may be made in cash or, in the discretion of the Investment Advisor, in kind with securities having a value at the time of subscription equal to the minimum cash investment amount. Based on the recommendations of the Investment Advisor, the Board of Directors may discontinue the offering and issue of Shares in the Fund at any time. The full subscription amount is generally due no later than one business day prior to the applicable Valuation Day. No interest is paid to subscribers on subscriptions made to the Fund prior to any Valuation Day.

Prior to acceptance of any subscription for Shares, each prospective shareholder must make certain representations to the Fund and provide additional information listed in the Subscription Booklet and sign a form of subscription application. Any transferee of Shares is required to make a similar certification to the Fund. Regulations aimed towards prevention of money laundering may require a prospective shareholder to provide his or her identity to the Fund. This obligation is absolute unless (1) the subscription is being made via a recognized financial intermediary or (2) payment is made through a banking institution, which in either case operates in a country with equivalent money laundering regulations. The Board of Directors of the Fund, in its sole discretion, may redeem any shareholder who has not provided all the information required to comply with any applicable anti-money laundering regulations. The

subscriptions are irrevocable and subscribers will not be permitted to withdraw their subscription application and subscriptions to the Fund's subscription account maintained at the Administrator. With the prior consent of the Fund's Board of Directors and subject to certain restrictions implemented to preserve the tax and regulatory status of the Fund, the Shares will be freely transferable. See "Distribution and Selling Restrictions".

**Redemptions.** The Shares of the Fund will be redeemable at the Net Asset Value per Share prevailing on the applicable Valuation Day (less the Redemption Charge (as defined below)), upon the giving of not less than five (5) business days' prior written notice to the Administrator. After deduction of a redemption charge payable at a rate of 0.375% of the aggregate Net Asset Value per Share of the Shares redeemed (the "**Redemption Charge**"), the net redemption proceeds will generally be paid in cash and in full within 15 calendar days following the applicable Valuation Day. The Redemption Charge is payable to the Fund and may be waived by the Investment Advisor in its sole discretion. The Redemption Charge is intended to cover the costs of liquidating the Fund's investments to the extent required to satisfy redemption requests. The Board of Directors, will, to the extent possible, satisfy redemption requests from cash assets, incoming capital contributions and bank loan proceeds. Under certain circumstances, such as the closure or suspension of trading on any money market, stock exchange or over the counter market rendering it impracticable for the Fund to realize any investments, or where the disposal of investments cannot be effected normally or without prejudicing the shareholders, the Board of Directors of the Fund may suspend the determination of the Net Asset Value of the Fund and/or the Net Asset Value per Share and/or payment of any amount to a redeeming shareholder in connection with the redemption of Shares and/or defer acceptance of redemption requests until such time as any such suspension has been lifted. Redemption requests are generally irrevocable. The Fund's Board of Directors has the power to divide the whole or any part of the Fund's assets in specie and transfer such assets (including securities) in satisfaction or part satisfaction of the redemption price, provided such actions do not prejudice the remaining shareholders.

**Compulsory Redemption.** The Board of Directors reserves the right to compel redemption of some or all of a shareholder's Shares at any time for any or no reason. The Board of Directors expects to do so (by way of example and not limitation) if the aggregate Net Asset Value of any shareholder's Shares would fall below U.S. \$10,000 or if, in the sole judgment of the Board of Directors, the holding of such Shares by such shareholder may result in a regulatory, pecuniary, legal, taxation or material administrative disadvantage for the Fund or its shareholders. No Redemption Charge will payable with respect to any compulsory redemption.

Redemption requests should be submitted to the Administrator at the address noted at the end of this Memorandum.

## **DISTRIBUTION AND SELLING RESTRICTIONS**

The Fund does not intend to make a public offering of the Shares in any jurisdiction.

The Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**") or the securities laws of any of the states of the United States. The Shares generally may not be offered, sold or delivered directly or indirectly in the United States of America, its territories or possessions or in any state of the United States or in the federal District of Columbia (the "**United States**") or to or for the account or benefit of a U.S. Person (as defined below) absent the consent of the Board of Directors. The Fund will not be registered under the United States Investment Company Act of 1940 and the Investment Advisor is not registered under the United States Investment Advisers Act of 1940. Any re-offer or resale of any of the Shares in the United States or to U.S. Persons may constitute a violation of United States law. Each applicant for Shares is required to certify that it is not a U.S. Person.

For purposes of this Memorandum, but subject to applicable law and to such changes as may be notified by the Administrator to subscribers and transferees, the term "**U.S. Person**" includes: (a) any natural person who is a resident of the United States; (b) any partnership or corporation organized

or incorporated under the laws of the United States; (c) any estate of which any executor or administrator is a U.S. Person; (d) any trust of which any trustee is a U.S. Person; (e) any agency or branch of a foreign entity located in the United States; (f) any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a U.S. Person; (g) any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organized, incorporated, or, if an individual, resident in the United States; or (h) any partnership or corporation if (1) organized or incorporated under the laws of any foreign jurisdiction and (2) formed by a U.S. Person principally for the purpose of investing in securities not registered under the U.S. Securities Act, unless it is organized or incorporated, and owned, by accredited investors (as defined in Rule 501(a) under the U.S. Securities Act) who are not natural persons, estates or trusts; or (i) any entity organized principally for passive investment such as a commodity pool, investment company or other similar entity (other than a pension plan for the employees, officers or principals of an entity organized and with its principal place of business outside the United States) (1) in which U.S. Persons hold units of participation representing in the aggregate 10 per cent, or more of the beneficial interest in the entity; or (2) which has as a principal purpose the facilitating of investment by a U.S. Person in a commodity pool with respect to which the operator is exempt from certain requirements under the United States Commodity Exchange Act and the regulations thereunder by virtue of its participants being non-U.S. Persons. The term “**U.S. Person**” does not include: (a) a discretionary account or similar account (other than an estate or trust) held for the benefit or account of a non-U.S. Person by a dealer or other professional fiduciary organized, incorporated or, if an individual, resident in the United States; (b) any estate of which any professional fiduciary acting as executor or administrator is a U.S. Person if (i) an executor or administrator of the estate who is not a U.S. Person has sole or shared investment discretion with respect to the assets of the estate and (ii) the estate is governed by foreign law; (c) any trust of which any professional fiduciary acting as trustee is a U.S. Person if a trustee who is not a U.S. Person has sole or shared investment discretion with respect to the trust assets, and no beneficiary of the trust (and no settlor if the trust is revocable) is a U.S. Person; (d) an employee benefit plan established and administered in accordance with the law of a country other than the United States and customary practices and documentation of such country; or (e) any agency or branch of a U.S. Person located outside the United States if (i) the agency or branch operates for valid business reasons and (ii) the agency or branch is engaged in the business of insurance or banking and is subject to substantive insurance or banking regulation, respectively, in the jurisdiction where located.

Neither the Fund nor its Shares have been nor will be registered with the Ontario Securities Commission or any other Canadian governmental or regulatory authority. Except as noted below, the Shares may not be offered, sold or delivered, directly or indirectly to any resident of Canada. Shares of the Fund may be purchased or held by residents of Canada which are either (i) institutional investors which are (and certify in writing and provide such evidence as the Fund may reasonably request) exempt from tax under Part I of the Income Tax Act (Canada) or (ii) are investment funds which are making investment on the basis that the only holders of securities of the investment fund (or of the class of securities of the investment fund which will have an economic interest, direct or indirect, in the investment in Shares of the Fund) are entities of the type described in the foregoing item (i) (each, a “**Permitted Canadian Investor**”). Any re-offer or resale of any of the Shares to residents of Canada may constitute a violation of Canadian laws. Each applicant for Shares is required to certify that it is not a resident of Canada or is a Permitted Canadian Investor.

The Board of Directors will not knowingly permit any U.S. Persons or residents of Canada, other than Permitted Canadian Investors, to hold Shares of the Fund and may decline to register a transfer of Shares to or for the account of any U.S. Person or resident of Canada, or require the mandatory transfer or repurchase of Shares beneficially owned by any U.S. Persons or residents of Canada who are shareholders of the Fund. Where the Board of Directors becomes aware that a shareholder of record of the Fund is a U.S. Person or a resident of Canada, other than a Permitted Canadian Investor, or is holding Shares for the account of any such persons, or that Shares are being held in circumstances which, in the Board of Directors’ opinion, could require the Shares to be registered under the U.S. Securities Act or cause the Fund (or any of its agents) to lose the benefit of any exemption available under the U.S. Securities Act or any other law in reliance on which the Shares have been offered or sold, or that a shareholder is holding Shares in breach of any applicable regulation, law or requirement or may prejudice the tax status or residence of the Fund or cause the Fund or its shareholders to suffer any pecuniary disadvantage, the

Board of Directors may give notice to such person to transfer his Shares to a person designated by the Board of Directors and provide evidence of the transfer to the Fund or to make a request that the Fund redeems the Shares within ten days (or such shorter period as the Board of Directors may determine) of the service of notice. If such transfer or redemption is not effected within ten days of service of notice, the Fund may compulsorily redeem the Shares so held in accordance with its Articles of Association. The redemption price is equal to the aggregate Net Asset Value per Share of the Shares held by the redeeming shareholder on the relevant valuation day less an amount equal to the Redemption Charge and any duties and charges which would be incurred upon the disposal of the Fund's investments in order to fund such redemption. Until such transfer or redemption is effected, the holder of such Shares shall not be entitled to any rights or privileges attaching to such Shares.

In order to give effect to the foregoing restrictions, the certificates (if any) representing the Shares are endorsed with a legend describing the substance of such restrictions, and, except for a U.S. Person or resident of Canada acquiring Shares with the prior written consent of the Board of Directors, applicants for Shares and all persons applying for registration in respect of Shares at any time are required to make the representation and warranties set forth in the form of subscription application approved by the Board of Directors.

### **DIVIDENDS AND DISTRIBUTIONS**

Distributions out of all or a portion of the Fund's net investment income accruing on its portfolio investments, and from net realized capital gains earned and received in cash will be made at the discretion of the Board of Directors, subject to applicable law. The amount and payment date of any such distributions to the shareholders of the Fund will be determined at the sole discretion of the Board of Directors in accordance with Cayman Islands law and the Fund's Articles of Association.

### **SHAREHOLDER REPORTS**

Shareholders of the Fund will receive the following reports: (i) a monthly account summary providing the total number of Shares held by the shareholder, the Net Asset Value per Share of such Shares and the aggregate Net Asset Value per Share of the Shares held by the Shareholder; (ii) a quarterly report reporting on the Investment Advisor's trading programs and their results and (iii) an annual audited financial report containing a list of investments held at the end of the year and their valuations, and whatever other information the Investment Advisor or the Fund's independent auditors deem necessary or appropriate. The estimated Net Asset Value per Share will be available from the Investment Advisor upon request and is available from FMG's website at <http://www.friedberg.ca>.

The Directors shall determine which accounting principles shall apply to the calculation of the Fund's financial statements. 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 generally accepted accounting principles as applied in International Financial Reporting Standards ("**IFRS**"). Reserves (whether or not in accordance with IFRS) may be established for estimated or accrued expenses, liabilities or contingencies.

### **LEGAL COUNSEL AND AUDITORS**

Walkers has been retained as Cayman Islands counsel for the Fund. Willkie Farr & Gallagher LLP ("**Willkie**" and, together with, Walkers, "**Fund Counsel**") has been retained as counsel for the Fund with respect to U.S. regulatory matters. No attorney-client relationship exists between Fund Counsel and any other person solely by reason of such person making an investment in the Fund.

Fund Counsel has not assumed any obligation to update this Memorandum. Fund Counsel may also advise the Investment Advisor and its affiliates in matters relating to the operation of the Fund on an ongoing basis. Prospective investors must recognize that, as they have had no representation in the organization process, the terms of the Fund relating to themselves and the Shares have not been

negotiated at arm's length. Fund Counsel's engagement by the Investment Advisor and its affiliates in respect of the Fund is limited to the specific matters as to which it is consulted and, therefore, there may exist facts or circumstances which could have a bearing on the Fund's financial condition or operations with respect to which Fund Counsel has not been consulted or informed and for which Fund Counsel expressly disclaims any responsibility. More specifically, Fund Counsel does not undertake to monitor the compliance of the Investment Advisor and its affiliates with the investment program, valuation procedures and other guidelines set forth herein, nor does it monitor compliance with applicable laws. In advising with respect to the preparation of this Memorandum, Fund Counsel relied upon information furnished to it by the Fund and/or the Investment Advisor, and did not investigate or verify the accuracy and completeness of information set forth herein concerning the Investment Advisor, the Fund's service providers and their affiliates and personnel.

The Board of Directors has appointed Zeifmans Cayman, Grand Cayman, Cayman Islands, to serve as independent auditors for the Fund.

### **CAYMAN ISLANDS MUTUAL FUNDS ACT**

The Fund falls within the definition of a "Mutual Fund" in the Mutual Funds Act (as amended) of the Cayman Islands (the "**Act**"), and accordingly is regulated by the Act. Because the minimum aggregate equity interest purchasable by a prospective investor in the Fund is less than US\$100,000, the Fund is required either to be licensed or to employ a licensed mutual fund administrator to provide its principal office in the Cayman Islands. The Administrator is a licensed mutual fund administrator and will provide the principal office of the Fund.

As a regulated mutual fund, the Fund is subject to the supervision of the Monetary Authority. The Fund must file this Memorandum and details of any change that materially affect any information in this document with the Monetary Authority. The Fund must also file annually with the Monetary Authority accounts approved by an approved auditor, together with a return containing particulars specified by the Monetary Authority, within six months of its financial year end or within such extension of that period as the Monetary Authority may allow. A prescribed fee must also be paid annually.

The Monetary Authority may, at any time, instruct the Fund to have its accounts audited and to submit them to the Monetary Authority within such time as the Monetary Authority specifies. In addition, the Monetary Authority may ask the Board of Directors to give the Monetary Authority such information or such explanation in respect of the Fund as the Monetary Authority may reasonably require to enable it to carry out its duty under the Act.

The Monetary Authority shall, whenever it considers it necessary, examine, including by way of on-site inspections or in such other manner as it may determine, the affairs or business of the Fund for the purpose of satisfying itself that the provisions of the Act and applicable anti-money laundering regulations are being complied with.

The Board of Directors must give the Monetary Authority access to or provide at any reasonable time all records relating to the Fund and the Monetary Authority may copy or take an extract of a record it is given access to. Failure to comply with these requests by the Monetary Authority may result in substantial fines on the part of the Board of Directors and may result in the Monetary Authority applying to the court to have the Fund wound up.

The Monetary Authority may take certain actions if it is satisfied that a regulated mutual fund:

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

(c) has contravened any provision of the Mutual Funds Act or of the Anti-Money Laundering Regulations (as amended);

(d) is not being managed in a fit and proper manner; or

(e) has persons appointed as director, manager or officer that is not a fit and proper person to hold the respective position.

The powers of the Monetary Authority include, inter alia, the power to require the substitution of Board of Directors, to appoint a person to advise the Fund on the proper conduct of its affairs or to appoint a person to assume control of the affairs of the Fund. There are other remedies available to the Monetary Authority including the ability to cancel the registration of the Fund and to apply to the court for approval of other actions.

## **ANTI-MONEY LAUNDERING REGULATIONS**

### **Cayman Islands**

As part of the Fund's responsibility for the prevention of money laundering, terrorist financing and proliferation financing, 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 certain conditions are satisfied.

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 Act (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 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 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 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 Shares.

Further details as to the required documentation may be obtained from the Administrator.

### **Sanctions and Required Representations**

The operator of the Fund requires each prospective and existing investor to inform the Fund if such investor is, or becomes at any time while it owns or holds an interest in the Fund, a "**Sanctions Subject**", meaning (a) an individual or entity named on any sanctions list maintained by the United Kingdom (including as extended to the Cayman Islands by Orders in Council) or the Cayman Islands or any similar list maintained under applicable law or is otherwise subject to applicable sanctions in the Cayman Islands, or (b) an entity owned or controlled directly or indirectly by such an individual or entity, as determined by the Fund in its sole discretion. If this is the case, or is otherwise believed by the Fund or its duly authorised delegates or agents (including the administrator or affiliates) ("**Fund Agents**") to be the case, then the Fund or Fund Agents may immediately and without notice to the investor cease any further dealings with the investor or freeze the interests or accounts of the investor or freeze the assets of the Fund (including interests or accounts of other investors who are not Sanctions Subjects), until the investor ceases to be a Sanctions Subject or a licence is obtained under applicable law to continue such dealings and may be required to report such action or failure to comply with information requests and to disclose the investor's identity (and/or the identity of the investor's beneficial owners and control persons) to the Monetary Authority, the Cayman Islands Financial Reporting Authority, or other applicable governmental or regulatory authorities (without notifying the investor that such information has been so provided) (each such action being a "**Sanctioned Persons Event**"). The Fund and its Fund Agents have no liability whatsoever for any liabilities, costs, expenses, damages and/or losses (including but not limited to any direct, indirect or consequential losses, loss of profit, loss of revenue, loss of reputation and all interest, penalties and legal costs and all other professional costs and expenses) incurred by any investor as a result of a Sanctioned Persons Event.

### **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 Investment Advisor.

### **BENEFICIAL OWNERSHIP REGIME**

As a Cayman Islands company, the Fund is subject to the Cayman Islands Beneficial Ownership Transparency Act, (as amended) (the "**BOTA**"). Under the BOTA, an in-scope entity is required to maintain a beneficial ownership register, which includes identifying its registrable beneficial owners ("**RBOs**") and providing certain details of such RBOs to its corporate service provider to file with the Registrar of Companies (the "**Registrar**"). As the Fund is regulated as a mutual fund under the Mutual Funds Act (as amended), the Fund may, as an alternative route to compliance with the BOTA, appoint a contact person for the purposes of the BOTA, and provide details of such contact person to its corporate service provider to file with the Registrar. A contact person may from time to time be required to provide information about the Fund's RBOs to the competent authorities in the Cayman Islands in response to a request for such information. Such information will be limited to particulars of: (i) any person who ultimately owns or controls directly or indirectly (including through a joint arrangement) 25% or more of the shares or voting rights in respect of the Fund; (ii) any person who otherwise exercises ultimate effective control of the management of the Fund; or (iii) any person who is identified as exercising control over the Fund through other means.

## DATA PROTECTION

Prospective investors should note that personal data must be supplied in order for an investment in the Fund to be made and for that investment in the Fund to continue. Certain personal data must be supplied to enable the investment to be redeemed. If the required personal data is not provided, a prospective investor will not be able to invest or continue to invest in the Fund.

The Fund's use of personal data is governed by the Cayman Islands Data Protection Act, 2017 and, in respect of EU data subjects, the EU General Data Protection Regulation (together, the "**Data Protection Legislation**").

Under the Data Protection Legislation, individual data subjects have rights and the Fund as a data controller has obligations with respect to the processing of personal data by the Fund and its affiliates and delegates, including but not limited to the Administrator. Breach of the Data Protection Legislation by the Fund could lead to enforcement action. The Fund's privacy notice provides information on the Fund's use of personal data under the Data Protection Legislation. The Fund's privacy notice is contained in the Subscription Agreement and is made available to existing investors via routine investor communications.

If you are an individual prospective investor, the processing of personal data by and on behalf of the Fund is directly relevant to you. If you are an institutional investor that provides personal data on individuals connected to you for any reason in relation to your investment with us (for example directors, trustees, employees, representatives, shareholders, investors, clients, beneficial owners or agents), this will be relevant for those individuals and you should transmit the privacy notice to such individuals or otherwise advise them of its content.

## GENERAL INFORMATION

**Material Contracts.** As of the date of this Memorandum, the material contracts of the Fund are as follows:

- (a) The Fifth Amended and Restated Investment Advisory Agreement between the Fund and the Investment Advisor; and
- (b) The Fund Administration Agreement between the Fund and the Administrator.

**Capital.** The capital of the Fund is U.S. \$50,000, divided into 100 voting Ordinary Shares of U.S. \$0.01 par value each, and 4,999,900 non-voting participating redeemable Shares of U.S. \$0.01 par value each. The liability of the Fund's shareholders is limited. All Ordinary Shares have been issued and allotted to FCMI.

**Objects.** The Memorandum of Association of the Fund provides that the objects for which the Fund is established are unrestricted and include the carrying on of the business referred to herein.

**Legal Proceedings.** There are no legal or arbitration proceedings pending or threatened against the Fund that may have or have had a significant adverse effect on the Fund's financial position.

**Borrowing Powers.** Under the Fund's Articles of Association, the Board of Directors may exercise all the powers of the Fund to borrow money and to secure such borrowings in any manner. The Board of Directors retains the right to cause the Fund to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Fund or of any third party. The Fund may also borrow money from time to time on a limited basis for administrative or temporary emergency purposes, including to facilitate redemption requests.

**Options.** No participating Share or loan capital of the Fund has been issued or agreed to be issued and no such capital of the Fund is proposed to be issued or is under option or agreed conditionally or unconditionally to be put under option. None of the Fund's directors nor any other agent of the Fund is prohibited from purchasing Shares.

**Changes in Capital and Variation of Rights.** The Fund's Memorandum and Articles of Association provide that, subject to and insofar as permitted by the laws of the Cayman Islands, the Fund may from time to time by ordinary resolution of its shareholders entitled to vote increase, consolidate and divide its share capital and may by special resolution of such shareholders, reduce its share capital. The rights attaching to any class of Shares may, whether or not the Fund is being wound up, be varied with the consent in writing of the holders of three-fourths of the issued Shares of that class, or with the sanction of a resolution passed by a three-fourths majority of the holders of the issued Shares of that class at a separate meeting of the holders of the Shares of that class.

**Share Certificates.** Shares are issued in book entry form and, unless specifically requested, no share certificates are delivered. If share certificates have been issued in respect of any Shares to be redeemed or transferred, such redemption or transfer is conditional upon receipt by the Fund of the certificates so issued and the shareholder's signature must be appropriately guaranteed. Shareholders may be required to bear the costs of a replacement certificate and indemnity bonds if the original certificate has been lost or destroyed. The Administrator will confirm in writing to each subscriber the number of Shares (and fractions thereof) issued or held and shareholders will be provided with a monthly statement setting out the number of Shares held and the aggregate Net Asset Value per Share of such Shares.

**Indemnification by the Fund.** The Articles of Association of the Fund provide that every Director, service provider or agent of the Fund shall be indemnified by the Fund against all costs, losses and expenses which any such person may incur or become liable to by reason of any contract entered into, or act or thing done in the discharge of its duties (except if such costs, losses or expenses involve negligence, willful misconduct or reckless disregard of duties), and the amount for which such indemnity is provided shall immediately attach as a lien on the property of the Fund. The Investment Advisor and its affiliates and Administrator and other service providers will be entitled to indemnification out of the assets of the Fund under such terms and conditions as provided under the terms of their service provider agreements

**Business Days.** The term "**business day**" means any day (except Saturday and Sunday) on which banks in New York, N.Y., U.S.A. and the Cayman Islands, are open for business, or such other day as the Board of Directors may determine.

**Notices.** Notices required to be given by the Fund to addresses outside of the Cayman Islands are forwarded by prepaid airmail.

**Shareholder Requests to Review Agreements.** Shareholder requests to review the material contracts described in this Memorandum should be sent to the Administrator. Copies of the Fund's Memorandum and Articles of Association are available from the Investment Advisor and the Administrator on payment of any reasonable disbursements associated with the making and forwarding of such copies. Copies of the following documents may be inspected at the offices of the Fund, the Administrator or FMG:

- (a) the Memorandum of Association and Articles of Association of the Fund;
- (b) each of the material contracts referred to above;
- (c) the most recent report(s) of the Fund's independent auditors; and
- (d) this Memorandum.

**REGISTERED OFFICE OF THE FUND**

**Friedberg Asset Allocation Fund Ltd.**  
c/o Intertrust Corporate Services (Cayman) Limited  
One Nexus Way  
Camana Bay  
George Town  
Grand Cayman, KY1-9005  
Cayman Islands

**ADMINISTRATOR**

**SGGG Fund Services (Cayman) Inc.**  
Camana Bay  
18 Forum Lane, 2<sup>nd</sup> Floor  
P.O. Box 10312  
Grand Cayman KY1-1003, Cayman Islands

**INVESTMENT ADVISOR**

**Friedberg Mercantile Group Ltd.**  
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Toronto, Ontario M5J 2W4 Canada

**LEGAL ADVISORS**

*as to United States legal matters,  
to the Fund*

**Willkie Farr & Gallagher LLP**  
787 Seventh Avenue  
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*as to Cayman Islands legal matters,  
to the Fund*

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190 Elgin Avenue  
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**AUDITORS**

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