







FREQUENTLY ASKED QUESTIONS

1. WHAT ARE DAF'S OBJECTIVES?

-  Protect capital against excessive market volatility
-  Deliver targeted 8% net return per annum
-  Additional 'Alpha Strategy' for potential of greater returns
-  Plan and prepare for all market conditions

2. WHAT IS DAF'S INVESTMENT STRATEGY?

The DAF investment strategy plans and prepares for all market conditions to avoid the need for prediction of future economic trends.

The investment committee believes in protecting capital from excessive market volatility whilst generating long-term capital growth, whilst offering discretionary quarterly dividends.

The fund utilises its proprietary lending strategy to create consistent and strong returns without excessive downside volatility. The fund achieves this with its unique Venture debt strategy that underpins its core portfolio returns with additional borrower enhancements that allow the fund to achieve above average returns without additional risk.

The fund's successful track record lies in its conservative approval process and rigorous due diligence of underlying assets, within carefully chosen key sectors.

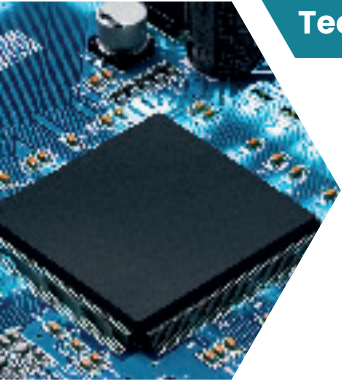
3. INVESTMENT SECTORS





4. WHY DO WE INVEST IN THESE SECTORS?

Technology



DAF invests into **technology** that is **complimentary** rather than disruptive to the current marketplace. A complimentary technology will usually be accepted more easily by the market, and avoids the timing issues that a company with a new or disruptive technology will often encounter.

When corrections inevitably takes place in world markets we see an 'economic downturn'. During a downturn many businesses will attempt to reduce their costs by using additional technology. Technology promotes efficiency and can save businesses and people money.

The committee have a strong track record of finding technology that can offer this efficiency to the market, and in turn can provide strong returns to the fund.

Energy & Renewables



Energy is a **defensive** sector, so it doesn't move with the general financial market. This means it offers less volatility.

Renewable energy is heavily **supported by governments** globally, and it is now deemed essential that renewable energy solutions are implemented in the very short term.

The global support for **renewable energies** is extensive and makes this industry a '**speeding bullet train**' sector.





Sports, Media & Entertainment



Sports, media and entertainment offers **good returns in all stages of the economic cycle** giving the Diversified Alpha Fund great opportunity for alpha returns over and above the 8% target.

Highlights of these sectors are:

Sports - One of the fastest growing sports in the world is Mixed Martial Arts, DAF has backed this sport as a another 'speeding bullet train' investment.

Media - Media is a defensive sector not directly affected by the economic cycle.

Entertainment - The Arts stands aside the normal economic cycle and has great potential for exponential growth.

Commercial Lending



The **Commercial Real Estate** marketplace is a **cyclical** one. It generally expands and retracts in line with the economy. In fact, it is one of the main indicators of an economy's health. This fact along with the mass of data available in this sector make it a relatively easy market to prepare for.

DAF does not invest into direct real estate but provides loans to carefully chosen commercial real estate developers.

Using the investment committee's extensive knowledge of this market they have structured rules into the planning of these real estate loans to assure success for the fund. These include:

1. Only lending to companies with a diverse portfolio of developments
2. Taking security for the loans across multiple sites, not relying on individual sites
3. Demanding a secondary business plan from the borrower to ensure they are prepared to continue to perform in all stages of the economic cycle.

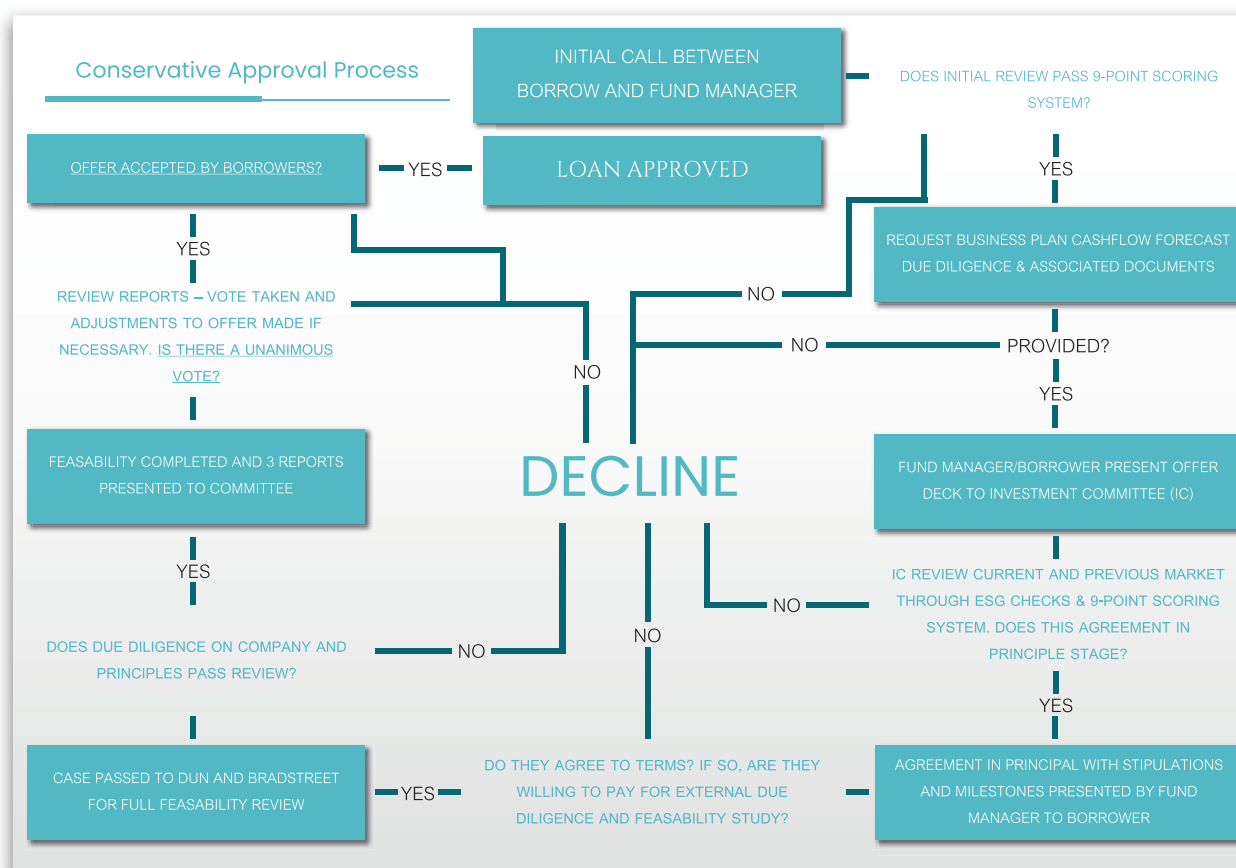




5. WHAT ASSET CLASSES DOES DAF INVEST INTO?

DAF operates a successful venture debt lending strategy. This means the fund lends money to carefully selected and approved companies. DAF receives the agreed interest and capital on the loan over the agreed term, but also takes `enhancements` on the lending. This is usually an equity position in the borrower company, a profit share or an option to convert loans made into stock with the borrower. These enhancements are put in place so that DAF benefits from the success of the underlying companies which has been achieved from the loans made.

6. HOW DOES DAF PERFORM DUE DILIGENCE ON INVESTMENT OPPORTUNITIES?





7. HOW DOES THE FUND SECURE INVESTOR CAPITAL?

The Investment Manager and Investment Committee have a multi-faceted approach to taking security against loans made to underlying companies, to underwriting new loans, and to managing risk on an ongoing basis. Wherever appropriate the fund will take:

- **Collateral assignment** – All assets of the company are assigned to the lender including property and bank accounts.
- **Debenture** – Security over all of assets similar to collateral assignment.
- **First lien / charge** – A direct first or second charge over the property.
- **Corporate/ personal guarantee** – Lending is made to the overarching company therefore corporate guarantee with the sub companies are automatically included in the investment.
- **Board position** - A representative of the fund will usually take a board seat with the borrower to be influential in decision making, have access to management information and to monitor ongoing performance against the agreed business plan.
- **ESG** – A consideration for the Environmental, Social and Governance standards of the proposed borrower is always given before lending. The investment committee ensure that the approach to management and corporate governance is in line with expectations of DAF. This is key to ensure the borrower will continue to perform during difficult stages of the economic cycle.
- **Feasibility** - Before any lending is approved 3 different feasibility studies are completed. This includes an external third-party feasibility study which is completed by Dun and Bradstreet.

8. IS DAF'S NAV BASED ON FAIR VALUE ACCOUNTING?

i. How do we value the fund and when...

The fund is valued by Mainstream Fund Services, our regulated investment administrators, on a monthly basis. Being a venture debt strategy, the valuations are made on the book value of the loans plus interest received. Each underlying borrower reports to the credit team on a monthly basis to assure the ability to make payments. Valuation are completed independently and audited externally on an annual basis.

ii. What is the difference between GAV and NAV...

Gross Asset Value - Valuation before performance fee's **Net Asset Value** – Valuation after performance fee's

When clients buy into the fund, they buy it at **GAV**. Mainstream publish the **NAV** on a monthly basis and send monthly valuation statement to all investors. The DAF share NAV prices are also published monthly by Morningstar and Bloomberg.

Mainstream ensure that all investors only pay the exact performance fees due by using equalisation accounting.

Share class 3 has no performance fee which means the GAV & NAV are the same.





9. IS DAF A REGULATED FUND?



CAYMAN ISLANDS MONETARY AUTHORITY

Yes, the DAF is a Cayman island fund regulated by CIMA - Cayman Island Monetary Authority.

i. Why is DAF domiciled in the Cayman Islands?

The success of Cayman's financial services is attributed to its sound regulatory regime, political and economic stability and tax neutral platform, supported by highly skilled and experienced service providers. The Cayman Islands offers bespoke fund legislation and regulatory regime that have continuously evolved to meet market demands, as well as being a stable British dependency with a judicial system underpinned by English common law.

- The Cayman Islands is the leading domicile for investment funds, attracting 80% of all new offshore fund formations.
- Cayman is estimated to house more than 75% of the world's offshore hedge funds and nearly half of the industry's estimated US\$1.1 trillion of assets under management.
- Over the past 25 years, the Cayman Islands has become a pre-eminent jurisdiction for the formation of alternative investment funds, with around 12,000 regulated open-ended funds and 12,000 regulated closed-ended funds
- Highly regulated Jurisdiction – Regulated by CIMA (Cayman Islands Monetary Authority)
- Leading domicile for investment funds with extensive experience
- Political and Economic stability
- Tax neutrality - there are no direct taxes applicable to Cayman Island
- Strong regulatory regime and bespoke legalisation
- No exchange controls restrictions
- Cayman is on the OECD "White List" and has signed tax information exchange agreements (TIEA) with 19 countries





10. IS THERE A LOCK-IN PERIOD FOR DAF?

The Diversified Alpha Fund has no lock-in period.

11. HOW DO WE ENSURE ADEQUATE LIQUIDITY FOR REDEMPTIONS?

The Diversified Alpha Fund holds money in cash and converted daily traded equities.

12. ARE THERE ANY FEES ON MAKING REDEMPTIONS? SUBSCRIPTION FEES?

There are no initial charges or redemption fees for investing in DAF.

Any initial commission paid on the investment is amortized over the first 24 months on a straight-line basis, and any outstanding amount is deducted from a redemption within this time.

13. WHAT IS DAF'S TARGETED RETURN?

8% is our targeted return. DAF has achieved this each year to date.



14. WHEN WAS THE FIRST MONTH OF TRADING FOR THE FUND?

May 2018

15. ONCE INVESTED, CAN CUSTOMERS ADD TOP UPS TO THEIR INVESTMENTS?

Yes

16. WHO ARE THE FUND'S INVESTORS?

Investors are mainly high net worth individuals, some investing directly but most investing through fund and insurance platforms. DAF also receives money from other investment funds, who wish to complement their own investment strategy with our successful, non-volatile venture debt strategy.

