



# Turning Point Capital

## Quarterly Investor Update Q3 ~ 2020

*"Irrational Volatility is how most Value Investors hunt for bargains."*  
20<sup>th</sup> November 2020

# Turning Point Capital

## Value Fund

### Who We Are ?

- Long-biased / Multicap Hedge Fund
- Concentrated Portfolio (Focusing on the Best Ideas)
- We are a Value Investor (Value Investing Strategy)
- We Invest Alongside You (No conflict of interest)
- We focus where others can't or don't see

### What We Believe ?

- Valuations, Balance Sheets, Cash Flows matter
- Fundamentals, Management and Incentives matter
- Volatility  $\neq$  Risk                      Impairment of Capital = Risk
- If a business does well, the stock eventually follows

# Thinking Too Hard ? Keep it Simple

Trying to predict the short-term fluctuations of the market just isn't worth the effort  
If the company is solid, it will earn more and the stock will appreciate in value

JUST A NORMAL DAY AT THE NATION'S MOST IMPORTANT FINANCIAL INSTITUTION...



Back in March of 2020, global markets were ravaged and sentiment was extremely negative during the start of lockdowns and COVID-19. Investors witnessed the worst global GDP decline since WW2 with corporate bankruptcies surging to record.

As the U.S Federal Reserve stepped in swiftly with huge liquidity support, the markets recovered since then. With retail investors piling into the market at record volumes and a record number of SPAC IPOs, markets continue to rally despite rising COVID cases, deaths.

Many investors, including well-known investment managers / bankers seems to have an opinion about where the market is headed such as speculative mania, tech bubble, extremely high valuations, new cycle, new bull market, etc.

To be honest, we don't have any market views. We don't want to be thinking too hard on what could happen next as the chances of making a correct 'market call' is very low.

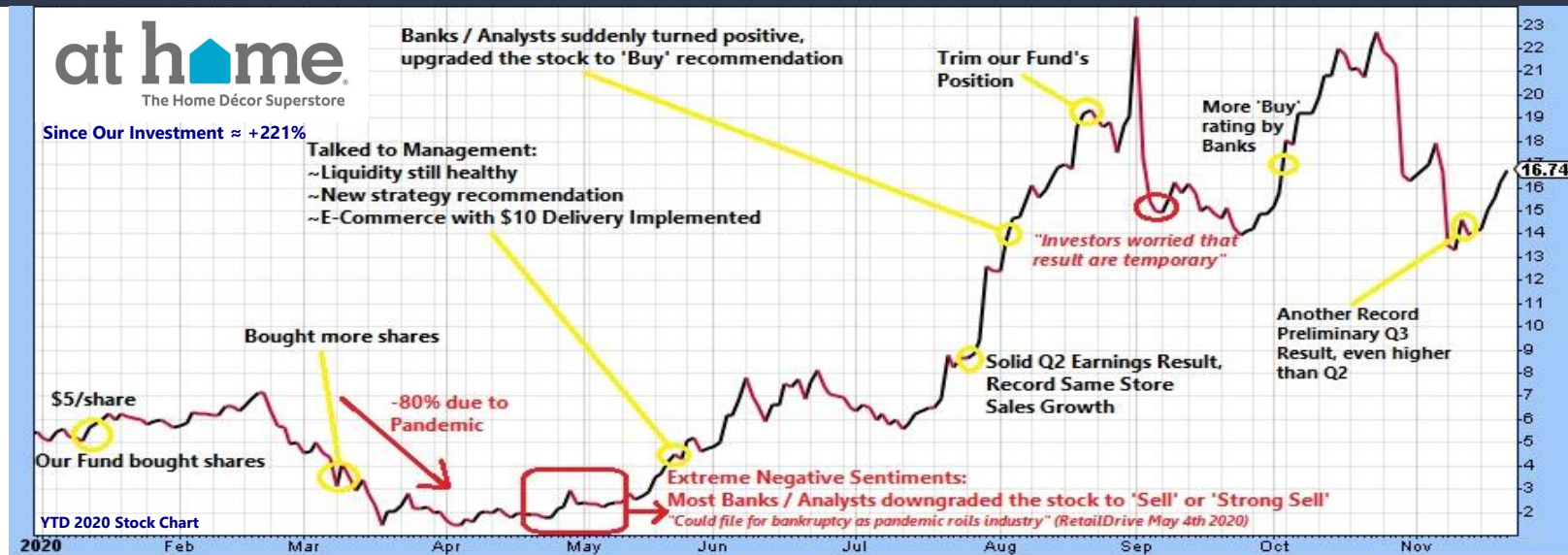
Fortunately, our investment strategy is simple and logical. We believe by investing in great businesses at a reasonable valuations run by good management team can generate meaningful value over the long-term regardless of who win the election, or how fast the GDP grows next quarter and so on.

Today, we have continued low interest rates, massive government spending/liquidity, effective vaccines and a negative YTD money flow to equity markets (Yes, despite the rally). With these factors, we expect the stock market to be positive ahead. Again, these are facts, not our opinion. Even if the outcome turns out to be wrong, you should always assume that we will attempt to take advantage of any market volatility to position for long-term value and opportunities.

# Case Study: Existing Investment

Extreme Negativity = Mispriced + Ignored

Focus on the Business Progress, not the Price



Source: Stockcharts

During the COVID19 sell-off, markets avoided this stock since it is a retailer and all of the banks / analysts downgraded the stock to "Sell" as they focused on the negative stock price movement and do not want to have their reputation tarnished.

Meanwhile, we are pleased that the management focused on the business and introduced online shopping, home delivery, creating a great mix with its physical store and e-commerce.

## Retailers with an elevated risk of bankruptcy

Companies with a FRISK Score of 1 or 2

Source: RetailDive  
(4th May 2020)

RETAILER ▼ ⚡	FRISK SCORE ▼	SECTOR ▼ ⚡
At Home	2	Home goods
The Container Store	2	Home goods
Tuesday Morning	2	Home goods

Despite trimming some of our shares, we remain a long-term investor in the company as they have a path to grow their store base to over 600 stores in the long-term, leading to higher sales, profits and cash flows.

Achieved the lowest leverage ratio in Q2, no more bankruptcy risk



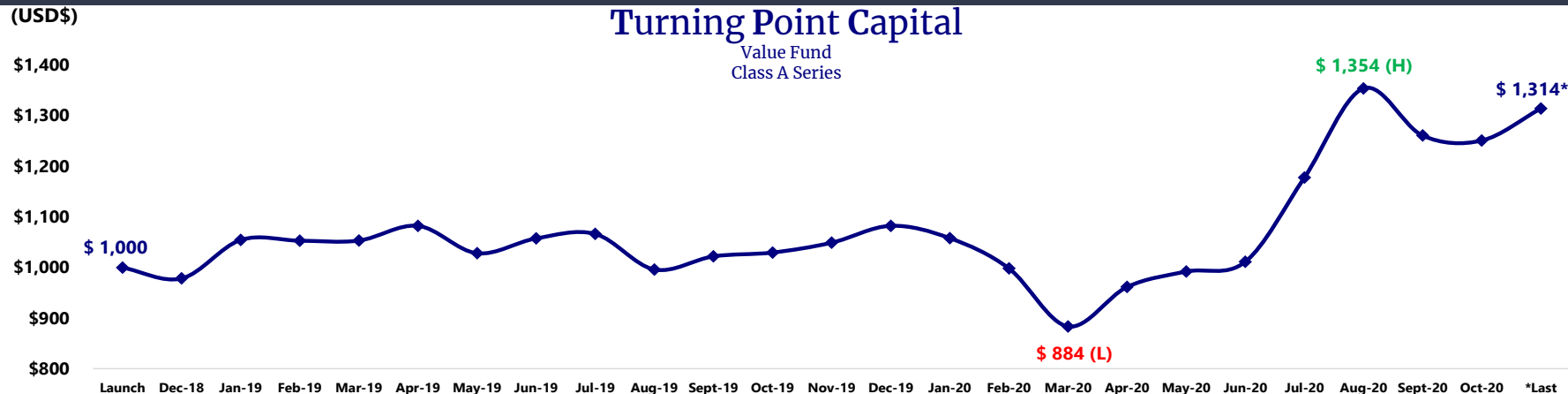
Turning Point Capital

# Fund Performance Review

*"In our private lives, we are all value investors: we like to buy a house, a car or electronics when it is a good value and on sale. Somehow, when it comes to investing, most investors buy what is hot, moving up or widely talked about. That isn't investing, that's speculating."*

# Fund Performance

Net Asset Value (NAV) per share in USD



Fund Statistics Comparison:	Turning Point Capital
Q3 2020 Performance <i>(July 1 to September 30)</i>	+24.68% (USD)
YTD 2020 Performance <i>(January 1 to November 20)</i>	+21.42% (USD)
Since Fund Launch <i>(December 2018 to November 20, 2020)</i>	+31.43% (USD)
Annualized Performance <i>(Average Return Per Year)</i>	+14.63% (USD)
Average Monthly Volatility	± 1.18%
Performance (%) are net of all fees and in USD	

# Performance Overview

## Turning Point Capital (TPC)

Q3: +24.68%

\*YTD: +21.42%

^Since TPC Fund Launch: +31.43%

Annualized Performance: +14.63%

## Global Hedge Fund Index

Q3: +2.74%

\*YTD: +3.64%

^Since TPC Fund Launch: +10.41%

Annualized Performance: +5.08%

## MSCI International Value Fund

Q3: +0.20%

\*YTD: -9.56%

^Since TPC Fund Launch: -6.77%

Annualized Performance: -3.44%

## Manulife Greater Indonesia USD Fund

Q3: +0.23%

\*YTD: -10.19%

^Since TPC Fund Launch: -8.51%

Annualized Performance: -4.35%

### Notes:

Q3: July to September 2020

\*YTD: January 1<sup>st</sup> to 20<sup>th</sup> November 2020

^December 2018 to 20<sup>th</sup> November 2020

Annualized Performance: Average Return Per Year Since TPC Fund Launch

**Performance are net of all fees and in USD**

*MSCI International Value Fund* invest in global equities worldwide using value investing strategy

*Global Hedge Fund Index* tracks the overall hedge fund universe performance of all types of investment strategies

*Turning Point Capital* is a concentrated value fund that invest globally

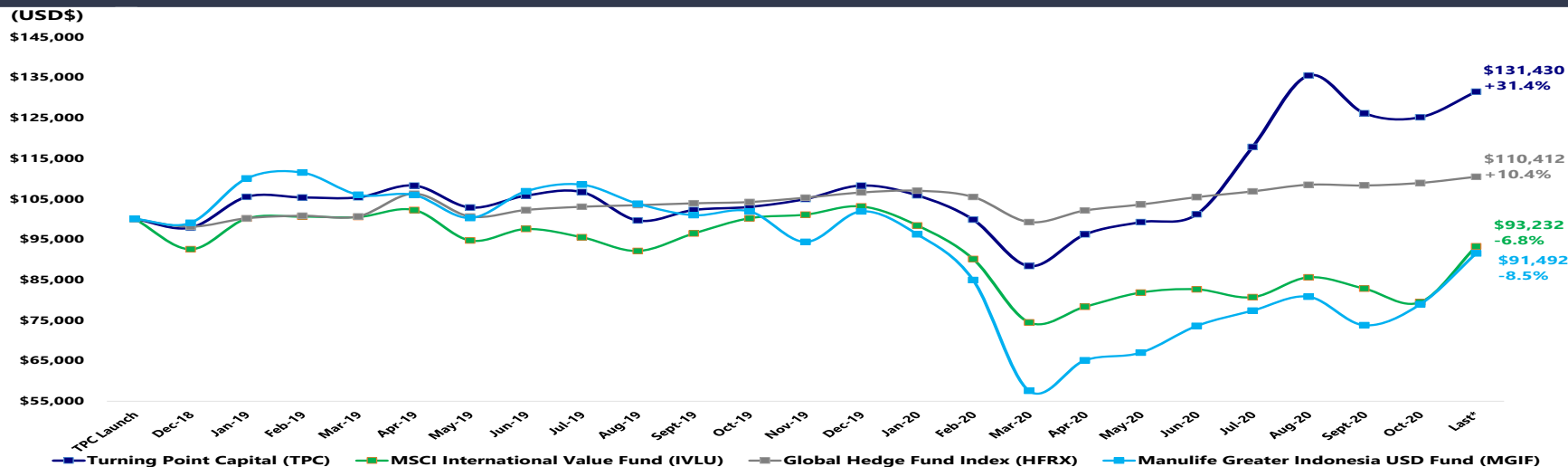
*Manulife Greater Indonesia Fund* invest in Indonesian equities that benefit from long-term economic growth using USD



Turning Point Capital

# Fund Performance Comparison

USD\$100,000 Invested Since TPC Fund Launch, For Illustrative Purposes Only



Turning Point Capital Monthly	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2019	+7.77%	-0.14%	+0.02%	+2.77%	-5.01%	+2.86%	+0.83%	-6.59%	+2.61%	+0.74%	+1.89%	+3.18%
2020	-2.25%	-5.65%	-11.50%	+8.67%	+3.17%	+1.95%	+16.45%	+14.98%	-6.88%	-0.79%	+5.05% IM	
Quarterly Period	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Since TPC Launch*				
Turning Point Capital (TPC)	+7.64%	+0.41%	-3.36%	+5.92%	-18.38%	-3.99%	+24.68%	+31.43%				
MSCI International Value Fund	+8.57%	-2.95%	-1.13%	+6.93%	-27.78%	-21.74%	+0.20%	-6.77%				
Global Hedge Fund Index	+2.60%	+1.58%	+1.61%	+2.57%	-6.85%	+6.19%	+2.74%	+10.41%				
Manulife USD Indonesia Fund	+6.98%	+0.82%	-5.53%	+0.93%	-43.52%	+27.87%	+0.23%	-8.51%				
Annual Period	2018	2019	2020^									
Turning Point Capital	-2.21%	+10.63%	+21.42%									
MSCI International Value Fund	-7.49%	+11.43%	-9.56%									
Global Hedge Fund Index	-1.93%	+8.62%	+3.64%									
Manulife USD Indonesia Fund	-0.95%	+3.16%	-10.19%									

Source: UBS AG, Circle Partners, Turning Point Capital, MSCI, HFRI | \*December 2018 to November 20<sup>th</sup> 2020 | ^January 1<sup>st</sup> 2020 to November 20<sup>th</sup> 2020 | IM: Incomplete Month Data | 2018 data is only December



# Latest Fund Portfolio

BERKSHIRE  
HATHAWAY



oRo co.,ltd.



*Note: Not ALL fund holdings are disclosed here.  
Does not include the fund's position in Bonds, Options and Derivatives.*

# New Investments Review

(By Alphabetical Order)

*"Investing is a business where you can look very silly for a long period of time before you are proven right."*

*William A. Ackman*

# Whole Earth Brands

(\*New Position)

Part 1: Summary

Simple Business, Asset-light, Free Cash Flow Generative Business and Promising Management



**NASDAQ: FREE**

**U.S**

**Small-Cap**

**\*New Position in Q3**

~Wonderful Brands on Sale



## What is it ?

Whole Earth Brands is a packaged foods/ingredients company that came public through a SPAC\* instead of a traditional IPO. They own wonderful brands such as 'Whole Earth', 'Equal', 'Canderel', 'Pure Via', 'Swerve' and 'Mafco'. These are dominant and high-quality brands with a long history. Whole Earth Brands is focused on healthier alternatives such as diet sweetener/sugar, "Free from \_\_\_\_\_ products", etc.

*\*SPAC's 'bad' reputation = people avoid the company without looking and analyzing deeper.*

## Why its worth more ?

- Undemanding expectations with attractive valuations of 1.3x Sales and 6x EBITDA
- Management track record (Built a Food Co. from \$20M to \$2.5B in Sales from the 1990s)
- Potential to trade at a premium vs. peers as they offer healthier alternatives, not traditional
- Using the most conservative valuation equates to at least \$14 fair value (65% upside)

## Why it got cheap ?

- Forced-selling by large shareholder (due to personal liquidity crisis, not company problems)
- Went public through SPAC, which have a 'bad' reputation, thus investors avoid
- Trailing financials data do not represent the true earnings power of the company

# Whole Earth Brands

(\*New Position)

Part 2: Dominant Brands with Solid Market Share



**#1 & #2**  
Rank in Sugar-Free Sweeteners  
Across Key Global Markets

Global Leader of  
Natural Licorice  
Extracts and  
Derivatives

**North America Market Share: 10%**  
**Brand Rank:** #6 in USA, #1 in UK, France, Australia, Thailand, Belgium, #2 in Netherlands and #3 in Italy  
**Global Sweetener Penetration:** Only at 3%, where US/Canada at 13%, Europe 12% and Asia at 2% (Massive Global Market)



# Whole Earth Brands

(\*New Position)

Part 3: Share Buybacks + Management Team Buying Shares = Confidence

## *Management Team displaying confidence, buying shares with their own money*

Insider Trading	Relationship	Date	Transaction	Cost	#Shares	Value (\$)
FALTISCHEK DENISE M	Director	Sep 03	Buy	8.02	5,000	40,124
McMillin John M.	Director	Aug 31	Buy	7.80	7,000	54,600
Rusie Andrew	Chief Financial Officer	Aug 26	Buy	7.85	1,270	9,963
Manzone Albert	Chief Executive Officer	Aug 24	Buy	7.43	10,000	74,284
Rusie Andrew	Chief Financial Officer	Aug 24	Buy	7.29	4,300	31,347

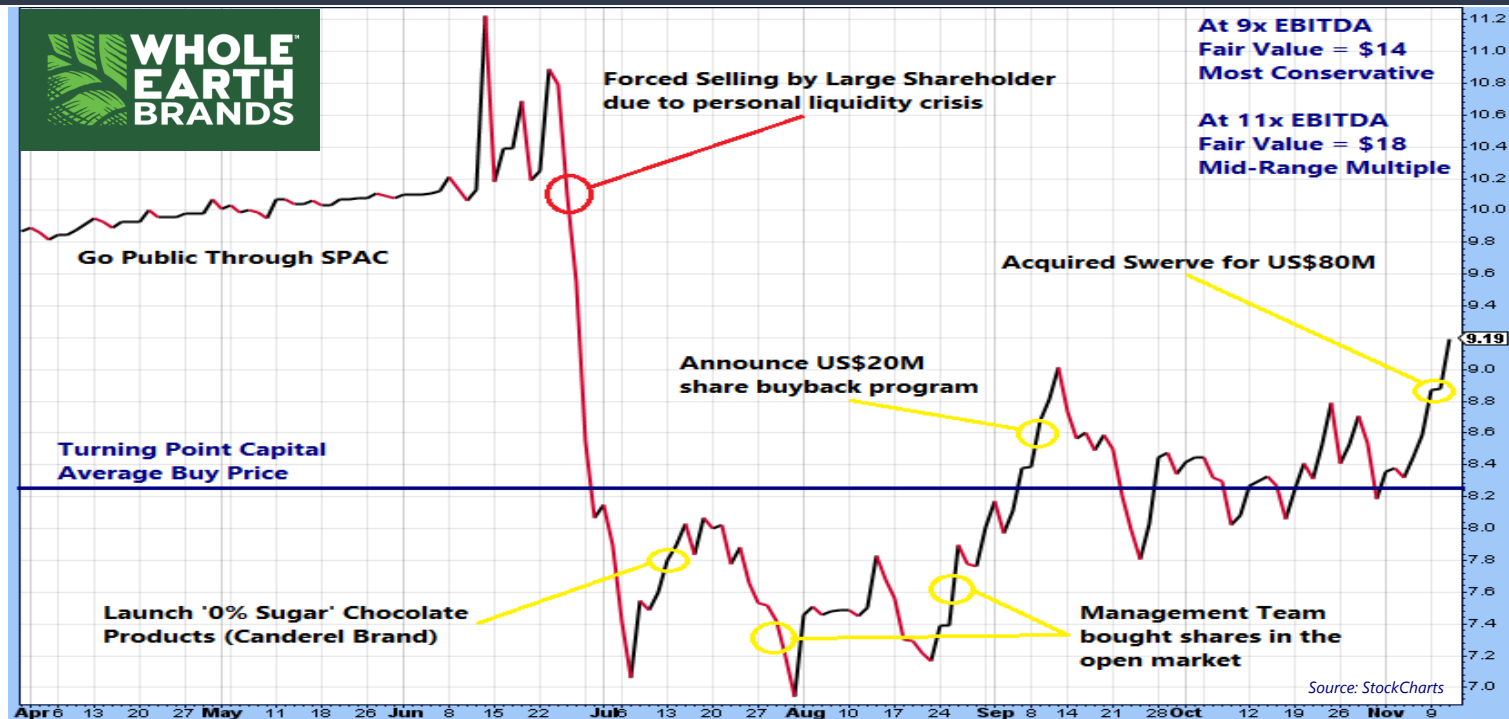
## Whole Earth Brands Announces New \$20 Million Stock Repurchase Plan

CHICAGO, Sept. 08, 2020 (GLOBE NEWSWIRE) -- Whole Earth Brands, Inc. ("Whole Earth Brands" or the "Company") (Nasdaq: FREE) announced today that its board of directors has authorized a stock repurchase plan of up to \$20 million of the Company's outstanding common stock. The authorization represents approximately 7% of the Company's current market capitalization.

# Whole Earth Brands

(\*New Position)

Part 4: Summary of Events



**Catalysts:** Potential Index Funds/ETFs Inclusion in 2021 = 'Forced-Buying'

**Risks:** M&A at an expensive valuation = Value Destroyer

# Undisclosed Company

(\*New Position)

'Early-Stage' Public Investment



**Mkt Value: US\$20M**

**Israel**

**Nano-Cap**

**\*New Position in Q3**

*~Early Stage Growth Potential*



## What is it ?

This company provides advertising software technologies worldwide. The company offer solutions to enhance, automate and maximize their marketing ROI. They also identify ineffective advertisement and provide complete dashboard for analyzing key account. It serves digital marketing agencies; e-commerce, publishers, financial technology, affiliate networks, and gaming companies. *We have a small position in the company and may invest more in the future if the company continue to execute. Therefore, we are not disclosing the name of the company until we have a full position. We view this company as a long-term 'startup' investment and will not be too worried with the daily volatility of the stock price.*

## Why its worth more ?

- Despite being a very small company, it is consistently cash flow positive and profitable.
- EV/Rev: 1.5x, EV/GP: 3x and EV/EBITDA: 5x despite growing revenue at 39% (9YR-CAGR).
- Recently expand into China/HK market and is well received.
- Management owns 83% of the company, has ZERO debt and consistent > 60% Gross Margin.
- Growth Potential, Recurring Revenue Model and Low Customer Concentration.

## Why its cheap ?

- Company is too small for institution investors to invest or for banks to bother with looking.
- Market is more excited on the hot mega tech names rather than emerging tech names.

# Xeris Pharmaceuticals

(\*New Position)

Part 1: Summary



**NASDAQ: XERS**

**U.S**

**Small-Cap**

**\*New Position in Q3**

*~Valuable Tech Platforms*

## What is it ?

Xeris Pharmaceuticals is a specialty pharma company leveraging novel formulation technology platforms to develop and commercialize ready-to-use, liquid-stable injectables. It's marketed product, Gvoke leverages that technology to deliver RTU solutions for patients and caregivers alike. XERS currently offer 2 proprietary formulation technologies: XeriSol and XeriJect, both providing distinct advantages over existing formulations.

## Why its worth more ?

- Xeris Platforms applicable to other companies' proprietary drugs = Partnership Potential
- Active projects with Top 10 Pharma (Incl. Regeneron Pharma).
- Robust pipeline, with Gvoke being marketed and other critical drugs in Phase 2 & 3.
- Sales potential and solid management with track record will drive higher value.
- We think value should be at least in the double-digits per share and a \$1B future potential.

## Why it got cheap ?

- Several share issuance damaged sentiment and created a reputation of diluting.
- Fear of future dilution, currently it has sufficient cash to run until XERS is cash flow positive.
- Many big investors focused too much on XERS' capital raises rather than potential value.

*\*We expect this thesis to play out over the longer-term and we do not expect this investment to provide significant outperformance in the near-term.*





# Xeris Pharmaceuticals

(\*New Position)

Part 2: Robust Product Pipeline

*\*Gvoke approval has resulted in increased interest in XeriSol Platform*

*\*Inks distribution deal for Gvoke outside the U.S in May 2020*

*\*Rollout \$0 Copay Program, Partnered with PillPack to deliver Gvoke to patients at home*

*\*Meeting with FDA to discuss registration path*

*\*Effects Comparable to larger peers, AstraZeneca and Eli Lilly*

		Product Candidate	Indication	Development Stage				
		<b>Physician Survey: Gvoke = Category Winner</b>		Preclinical	Phase 1	Phase 2	Phase 3	<b>Marketed</b>
XeriSol Glucagon Applications	<b>Gvoke*</b>	Severe Hypoglycemia	Sales Momentum Promising					
	Glucagon PFS/AI - EU	Severe Hypoglycemia						
	Self-Administered Glucagon	Post-Bariatric Hypoglycemia*	Gulcagon Market is growing and underpenetrated					
	Self-Administered Glucagon	Exercise-Induced Hypoglycemia	Positive in Exercise Setting Adequate to Maintain Blood Sugar					
Ready-to-Use Products for Epilepsy and Diabetes	Pramlintide-Insulin	T1D / T2D Blood Sugar Control	Positive Result Reduced Blood Glucose by 62.3%					
	Diazepam	Dravet Syndrome* Acute Repetitive Seizures	Safe & Well-Tolerated Next Step: Meeting with FDA Reaching out Potential Partner					

*Gvoke future potential sales of \$200M to \$250M/yr is realistic, this category winner alone should be worth at least \$500M compared to today's Xeris market value of \$205M*

Source: Company

# Xeris Pharmaceuticals

(\*New Position)  
Part 3: Valuable Tech Platform

## Applicable Formulations Technologies: Applying Xeris Platform to other companies' drugs

### XeriSol™



*Target Molecules:*  
small molecules and peptides

*Goal:* creating room-temperature stable, ready-to-use injectable liquid solutions

### XeriJect™



*Target Molecules:*  
mAbs and biologics

*Goal:* creating small volume, non-aqueous suspensions of dry powders (pastes)

Source: Company

### Strong Intellectual Property

#### PATENT COUNT

- 112 total patents globally, of which 13 are U.S. issued
- 92 patent applications pending globally, of which 11 are pending in the U.S.
- All patents are owned by Xeris
- Glucagon protection out to 2036

*\*Increasing interest as drug companies seek higher drug concentrations and combinations in subcutaneous formulations*

*\*Active Projects with Top 10 Pharma Companies such as Regeneron Pharma, Asahi Kasei, etc. Additional projects under discussion with large pharma and specialized biotech*

*\*Gvoke Approval = Increased Interest for Xeris Platform*

*Projects with Regeneron Pharma may have a possibility of COVID-related as they are creating antibodies while XeriJect platform could be used for monoclonal antibodies*

# Existing Investments

## Q3 Business Progress & Update



M&A →



**Clarus Corp.** bought Barnes Bullets from the bankruptcy of Remington Outdoor to expand their Bullets/Ammunition business unit. Clarus bought the business for only 3-4x EBITDA, which we believe is a great deal and should generate value for Clarus over the long-term.



**Berkshire Hathaway** has bought back approx. US\$18 Billion of its own stock in YTD 2020 vs. US\$5 Billion in 2019 as the market continue to underappreciate the shares and management believes that the shares are undervalued. We view the buybacks as attractive as shares still trade around 1.25x book value despite having a collection of high-quality businesses.



**Starbucks** showed sustained recovery and market share gains during the pandemic through digital initiatives and less competition. Active rewards royalty members increased by +10% to 19.3M in the U.S. alone. Management also reaffirms path to full recovery ahead and hiked quarterly dividends by +10%.



**At Home** recently added Postmates as a new partner for its online delivery platform after partnership with PICKUP in April. The new e-commerce strategy is beneficial to customers who want to shop online with fast and cheap delivery cost. At Home loyalty program's 'Insider Perks' also showed promising growth of +43% Y/Y to 8.3M members in Q3.

# Closing Remarks

*"So far, 2020 is a year many would like to forget. We hope that all of you are well. We are pleased to deliver a positive performance to our investors despite having zero exposure to the hot/popular stocks. As a reminder, we do not promise positive returns every month, but by focusing on good businesses, we will be rewarded over the long-term. Looking ahead, the combination of low interest rates, massive government spending and effective COVID vaccines will be positive for corporate profits and the stock market."*

**As always, we have the majority of our money invested in the fund, alongside yours.**

Thank you for your long-term capital commitment to Turning Point Capital. We are honored and fortunate to manage capital on behalf of investors who have committed to us for the long-term.



**Turning Point Capital**  
Jozabad Jonathan  
Portfolio Manager

*"To keep interest aligned, we linked our compensation to performance. We will only be rewarded when we deliver."*

# Our Team

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## Nicholas Eng

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## Alexander Lo

Research Assistant  
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## UBS AG

Prime Brokerage  
Custodian Bank



## Circle Partners

Fund Administrator  
Auditor / Tax



## Amicorp.

Corporate Services  
Compliance / Legal



**Turning Point Capital**

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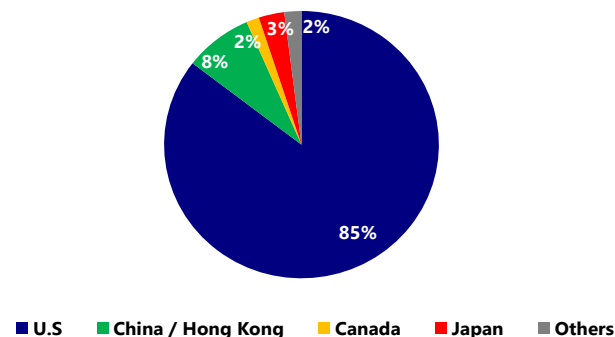
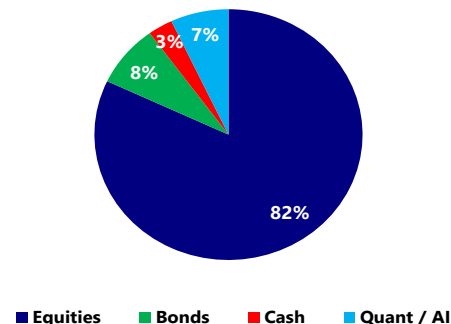
[www.turningpoint-capital.com](http://www.turningpoint-capital.com)

Fund Registration No: 1948975

# Fund Information

## FUND STRUCTURE

<b>Base Currency</b>	<b>USD</b>
<b>Fund Strategy</b>	<b>Value</b>
<b>NAV Tracking</b>	<b>Monthly</b>
<b>Redemption Notice</b>	<b>At Least 90 Days (Quarterly)</b>
<b>Performance Fee<sup>1</sup></b>	<b>20% (High-on-High)</b>
<b>Management Fee (IF &gt; \$1M)</b>	<b>1.25% p.a</b>
<b>Management Fee (IF &lt; \$1M)</b>	<b>1.50% p.a</b>
<b>Subscription &amp; Redemption Fee</b>	<b>0.00% (Free)</b>
<b>Initial Load &amp; Charge Fee</b>	<b>0.00% (Free)</b>
<b>Minimum Initial Investment</b>	<b>USD\$ 50,000</b>
<b>Fund Registration ID</b>	<b>1948975 Approved Fund</b>
<sup>1</sup> Performance fees not charged if investors are still losing money since initial investment in the fund.	



# Portfolio Profile

(By Alphabetical Order)

## Part 1

**APT Satellite (1045HK)** is a satellite operator in Asia Pacific region. APT operate 6 satellites, covering regions in Asia, Europe, Africa, Australia and Pacific island which contain approximately 75% of the World's population. APT provide superior "one-stop-shop" satellite transponder leasing, broadcast, Teleport and Network, as well as data center services to broadcasters and telecommunication customers.

**At Home Group (HOME)** is one of the fastest growing retailers in America offering more than 50,000 products to fit any room, style and budget. At Home is dedicated to inspiring customers to create a home that reflects their unique personality and style, both inside and out. As a value-oriented fashion retailer, At Home gives customers a broad and comprehensive offering and a compelling value proposition, making it a leading destination for home décor. It currently operates more than 200 stores across 40 U.S states.

**Berkshire Hathaway (BRK.A)** is a holding company run by Warren Buffett, owning subsidiaries in a variety of business sectors. The Company's principal operations are insurance business conducted nationwide on a primary basis and worldwide on a reinsurance basis. Berkshire's other operations include a railway company, a specialty chemical company, and an international association of diversified businesses.

**Clarus (CLAR)** is focused on the outdoor and consumer industries. Clarus' primary business is as a leading developer, manufacturer and distributor of outdoor equipment and lifestyle products focused on the climb, ski, mountain, sport and skincare categories. The Company's products are principally sold under the Black Diamond®, Sierra®, PIEPS® and SKINourishment® brand names through specialty and online retailers, distributors and original equipment manufacturers throughout the U.S. and internationally.

**Hysan Development (14HK)** is a leading property investment, management and development company in Hong Kong, with a portfolio of more than 4 million square feet of high-quality office, retail and residential properties. Operating primarily in the city's prime retail/office district of Causeway Bay.

# Portfolio Profile

(By Alphabetical Order)

Part 2

**Lockheed Martin (LMT)** is a global security and aerospace company that employs approximately 110,000 people worldwide and is principally engaged in the research, design, development, manufacture, integration and sustainment of advanced technology systems, products and services.

**MNF Group (ASX: MNF)** is a communication software company from Australia. MNF platform enables companies like Zoom™, Google™, Twilio™, Microsoft™ and many more to launch and scale communication services without constraints. The platform enables cloud providers to deliver a carrier-grade communication service, without the need for carrier infrastructure.

**Oro Co Ltd. 株式会社オロ (3983JP)** develops and provides enterprise planning / cloud solution software. The Company also offers web based marketing services. The company is headquartered in Tokyo, Japan.

**Starbucks (SBUX)** is an American multinational chain of coffeehouses and roastery reserves. As of early 2020, the company operates over 30,000 locations worldwide in more than 70 countries.

**Whole Earth Brands (FREE)** is a packaged foods/ingredients company that came public through a SPAC instead of a traditional IPO. They own wonderful brands such as 'Whole Earth', 'Equal', 'Canderel', 'Pure Via', 'Swerve' and 'Mafco'. These are dominant and high-quality brands with a long history.

**Xeris Pharmaceuticals (XERS)** is a specialty pharma company leveraging novel formulation technology platforms to develop and commercialize ready-to-use, liquid-stable injectables. It's marketed product, Gvoke leverages that technology to deliver RTU solutions for patients and caregivers alike. XERS currently offer 2 proprietary formulation technologies: XeriSol and XeriJect, both providing distinct advantages over existing formulations.



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*Investment in a hedge fund portfolio carries a high degree of risk, and is only suitable for sophisticated or professional investors, who fully understand the risk of investing in a hedge fund portfolio, and are capable of sustaining a substantial loss of their investment. You should carefully consider the risks listed below, before investing in a hedge fund portfolio. The list of risks listed below does not cover all risks that may arise from investing in a particular hedge fund portfolio, as there are various hedge funds strategies, existing strategies may change, and new strategies may be developed over time. Furthermore not all the risks set out apply to all hedge funds, and many hedge funds operate in a well-controlled environment.*

*An institutional investor is an organization that invests on behalf of its members. Institutional investors face fewer protective regulations because it is assumed they are more knowledgeable and better able to protect themselves. There are generally six types of institutional investors: endowment funds, commercial banks, mutual funds, hedge funds, pension funds and insurance companies.*

*A Professional Investor is a classification of investor indicating someone who has sufficient capital, experience and net worth to engage in more advanced types of investment opportunities.*

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