1. What is a PFIC?

   A PFIC is a "Passive Foreign Investment Company," as defined under U.S. tax rules. In this context, "Passive" means that stocks and bonds are used to generate income and capital gains, rather than the operation of an active business. The "Foreign Investment Company" concept applies in this case because the U.S. Internal Revenue Service (IRS) classifies foreign fund corporations as foreign corporations for U.S. tax purposes.

   A foreign corporation such as the AltAlpha Strategies SICAV, and each of its sub-funds ("the Funds") will likely to be treated as a PFIC by the IRS for any taxable year.

2. Who is affected by PFIC rules?

   U.S. persons who own foreign mutual funds will be affected by PFIC rules. U.S. persons include U.S. citizens, U.S. permanent residents ("Green Card" holders) and U.S. residents. U.S. persons are generally required to file a U.S. tax return even if they are residents of another country. Other foreign residents with significant ties to the U.S. may also be required to file U.S. tax returns. To assess their status in this respect, investors should consult with a qualified U.S. tax professional.

3. What are the tax implications of owning a PFIC?

   Each year, a U.S. person with an ownership interest in a PFIC must report each PFIC holding on a separate IRS Form 8621. On this form, taxpayers may, if they choose, make a "Mark-to-Market" election or a "Qualified Electing Fund" (QEF) election if these elections are available. If not of these options are chosen, the "Excessive Distributions Rules" apply.

   Annual IRS Form 8621 reporting is required for each PFIC that is directly or indirectly owned by the U.S. person, regardless of which election is made.

4. What is a Mark-to-Market election?

   Under the Mark-to-Market election, a U.S. person is treated as if the PFIC investment was sold on the last day of the tax year for fair market value and then repurchased. The amount of gain realized on this deemed sale is taxed as ordinary income. Under this election, there is no look-through to the transactions of the fund that could give rise to capital gains that could potentially qualify for favored tax treatment.

5. What is the Qualified Electing Fund (QEF) election?

   Under the Qualified Electing Fund (QEF) election, a U.S. person is taxed on the pro-rata share of the foreign fund's earned income for U.S. tax purposes, split between ordinary earnings that are taxed as ordinary income and net capital gains which are taxed as capital gains at potentially preferential rates. In this way, the QEF election allows U.S. persons to defer taxes on unrealized capital gains and to potentially receive more favorable tax treatment on their share of capital gains that were realized within the fund. Investors also receive an increase in their tax basis in units of the funds to correspond with amounts included in income under the QEF election.

The QEF election is frequently advantageous because it allows for more tax-efficient treatment of capital gains. The PFIC reporting from the Fund shall aim at providing investors with information required to file a QEF election. In certain situations, such as cases where units of a fund decline in value during a tax year, other elections may be more advantageous. Investors should consult with a qualified U.S. tax professional for guidance on which election is most advantageous for each fund, taking into account statutory restrictions on revoking elections in subsequent tax years.

6. What are the consequences of making neither a QEF election nor a mark-to-market election (Excess Distribution Rules)?

   Very generally, income would not be reported until you either receive a distribution or sell the shares. When this happens, your earnings are taxed at the highest ordinary income rate regardless of your actual income tax bracket. You must also allocate your gains "ratably" over your investment period. Then you need to add an interest charge, compounded annually, starting on the first day you invested.

7. Where can I find IRS form 8621 and instructions on how to complete it?

   IRS Form 8621 can be downloaded here: https://www.irs.gov/pub/irs-pdf/f8621.pdf

   Instructions for IRS Form 8621 can be downloaded here: https://www.irs.gov/pub/irs-pdf/i8621.pdf

8. When should I make the QEF election?

   The QEF election must be made with the tax return for the first year in which the investor acquired shares of the Funds. The election is made only once and is maintained by reporting the investor’s pro rata share of the Funds’ ordinary earnings and net capital gain on Form 8621. Note that while the election is made only once, the investor will have to file a Form 8621 with the investor’s annual income tax reports to report the income from the Fund. If an investor acquires additional units, a new election is not necessary with respect to such units as the existing election will automatically apply to such newly acquired units.

9. What is a U.S. taxable investor did not make a QEF election for the first year the investor held the Fund's units but wishes to do so now?

   A U.S. taxable investor who did not make a QEF election for the first year the investor held units may make a special election to treat the units as if they were sold for their fair market value on the last day of the year in which the investor wants to make the QEF election.

   Any gain realized on such deemed sale would be taxed at ordinary income rates and subject to an interest charge. The units will have a tax basis equal to their fair market value if gain is recognized as a result of the deemed sale election.

   Losses on such deemed sale are not recognized but rather are deferred until the units are ultimately sold.

   An investor who did not make a timely QEF election should consult their tax advisor regarding the deemed sale election.

10. Where can I find the necessary information for my QEF filing and annual reporting?

    The Funds will annually provide a PFIC Annual Information Statement required in order to make and maintain a QEF election on its website at www.altalphastrategies.com.

11. How do I calculate my account level PFIC factors for the QEF election?

    For each PFIC, your U.S. tax preparer will require the following: 1) the PFIC Annual Information Statement for the fund and 2) your account statements for the tax year provided by your investment advisor.

    The PFIC Annual Information Statement will provide the pro-rata share of the fund's ordinary earnings and net capital gains per unit per day.

    To calculate your individual amounts for a QEF election, you will multiply the number of unit days you held the fund by the pro-rata amounts on the PFIC Annual Information Statement.

    To calculate the number of unit days, you will multiply the number of units held by the number of days those units were held for the tax year.

    For example, for an account that held 100 units of a fund for the full year (i.e. 365 days, there being 365 days in the given tax year), the number of unit days would be 100 x 365 = 36,500. If those units were held for 180 days, the number of unit days would be 100 x 180 = 18,000. This value would then be multiplied by the pro-rata values on the PFIC Annual Information Statement and reported on IRS Form 8621.

    If the number of units changes over the course of the year, the unit days calculation should be adjusted accordingly. For example, consider an account that starts the year with 100 units then, 65 days into the year, another 100 units are purchased (increasing the total number of units to 200). If no other changes are made for the remaining 300 days of the year, the unit days calculation would be: (100 units x 65 days) + (200 units x 300 days) = 66,500 unit days.

For help with these calculations, we strongly recommend that investors consult with a qualified U.S. tax professional.

Disclaimer

The information provided is general in nature and is provided with the understanding that it may not be relied upon as, nor considered to be, the rendering or tax, legal, accounting or professional advice. The above information should be read in conjunction with the Funds' Offering Memorandum and Supplements. Readers should consult with their own accountants and/or lawyers for advice on the specific circumstances before taking any action.

THIS INFORMATION IS PROVIDED IN ORDER TO ASSIST SHAREHOLDERS IN MAKING CALCULATIONS AND DOES NOT CONSTITUTE TAX ADVICE.

U.S. TAX LAWS REGARDING PFICS ARE EXTREMELY COMPLEX AND SHAREHOLDERS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS CONCERNING THE OVERALL TAX CONSEQUENCES OF THEIR RESPECTIVE INVESTMENT IN, AND OWNERSHIP OF SHARES OF THE FUNDS UNDER UNITED STATES FEDERAL, STATE, LOCAL, AND FOREIGN LAW.