FREQUENTLY ASKED QUESTIONS
REGARDING THE COMPANY'S RECENT CONVERSION TO A PFIC FOR US FEDERAL TAX PURPOSES

Q. Why did RTW Venture Fund Limited convert to a PFIC?

On 1st December 2022, RTW Venture Fund Limited (the "Company") changed its status for US federal tax purposes from a publicly traded partnership ("PTP") to a corporation. The Company, as a corporation, is treated as a Passive Foreign Investment Company ("PFIC"). This change was necessitated by recent changes to US tax law, which led to a number of custodians and clearing houses informing the Company that they would no longer support PTP business once the new rule comes into effect on 1st January 2023. This would have had a material adverse impact on the Company's share price and shareholders. Consequently, the Board had no choice but to make the tax election.

Q. Was the conversion a taxable event?

The conversion was considered a taxable event for US Shareholders, who will receive their allocable share of taxable amounts from the conversion on their 2022 Schedule K-1s.

Q. Related to the conversion, what tax documents should I expect over the coming months?

Investors will be provided with a Schedule K-1 for the tax year ending 30 November 2022. Going forward, investors will no longer receive a Schedule K-1 for their investment in the Company due to the conversion to a corporation. A PFIC Annual Information Statement will be made available for investors for the period 01 December 2022 through 31 December 2022, the initial year that the Company is treated as a PFIC and will be provided in each subsequent year as well.

Q. What is a PFIC?

A PFIC is a non-US corporation that has at least 75% of its gross income considered passive income or at least 50% of its assets produce or are held to produce passive income. Passive income generally includes dividends, interest, rent, royalties, and capital gains from the disposition of securities.

Q. Does PFIC status affect persons who are not US persons?

Generally, the PFIC rules apply only to US persons and should not apply to non-US persons. US Taxpayers that intend to purchase or hold the shares of the Company should consult their tax advisors to determine the US federal, state, local and other tax consequences of an investment in the Company.

Q. Who are US persons?

US persons include US citizens and "Green Card" holders, as well as individuals who meet the "Substantial Presence" test under the Internal Revenue Code (and do not qualify for the "Closer Connection Exception").

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

The Company will provide a PFIC Annual Information Statement each year. US taxpayers can file IRS Form 8621 (sample found here) to report their ownership in a PFIC. On this form, US Taxpayers will have the ability to make a Mark-to-Market election or a Qualified Electing Fund ("QEF") election. Form 8621 reporting is required for each PFIC that is directly or indirectly owned by each US person, regardless of which election is made. The form is filed annually and should be submitted with each US Taxpayer's timely filed federal income tax return (including extensions). The PFIC rules are complex, and investors are urged to consult their tax advisors.

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

A US Shareholder holding Ordinary Shares may elect to treat their Ordinary Shares as stock in a QEF. A US Shareholder who makes a QEF election will be subject to tax on their share of the net income and gains recognized by the Company each year. This information will be provided on a PFIC Annual Information Statement. To the extent that the Company recognizes long-term capital gains in any year, the character of such gains will retain their character in the hands of a US Shareholder. Net losses incurred by the Company will not pass-through to a US Shareholder nor will losses be available to reduce future income and gain inclusions under a QEF election.

Q. What is the Mark-to-Market election?

A US Shareholder holding Ordinary Shares may elect to be taxed on the mark-to-market method of accounting. A US Shareholder electing to be taxed on the mark-to-market method of accounting will be subject to tax on the difference between the trading price of their Ordinary Shares at the beginning of the year (01 December 2022 in the case of 2022) and the trading price of such Ordinary Shares at the end of the year. Under the mark-to-market rules, any gain or loss will be ordinary in character and taxed at ordinary income tax rates. A holder of Ordinary Shares that makes a Mark-to-Market election will be limited in the amount of losses that may be claimed in any year to an amount equal to the lesser of the amount of such loss and the “unreversed inclusion” with respect to their Ordinary Shares. Unreversed inclusions is the excess of prior mark-to-market gains over prior mark-to-market losses. In addition, the Code limits the ability of a holder of Ordinary Shares to treat losses incurred on a disposition of Ordinary Shares for which a Mark-to-Market election has been made as ordinary to the amount of unreversed inclusions.

Q. What is the alternative to filing annual Mark-to-Market or QEF elections?

A US Shareholder who takes no action following the Company’s conversion to a PFIC will be taxed when they dispose of their Ordinary Shares. Upon such disposition, any gain recognized will spread pro rata over the taxable years that the US Shareholder held their Ordinary Shares. The Code then imposes an interest charge on the gain spread back to prior taxable years. Such interest charge is assessed as a tax. Gain recognized on such disposition is treated as ordinary income except to the extent that such gain does not exceed the excess distributions made by the Company. In many instances, US Shareholders can expect that all, or substantially all, of the gain they will recognize upon a disposition of Ordinary Shares will be treated as ordinary income under these "throw-back" rules.

Q. What is a PFIC Annual Information Statement?

A PFIC Annual Information Statement will be provided each year by the Company. The statement will contain required reporting information for US Taxpayers to File Form 8621 and to make a QEF or Mark-to-Market election. The Company plans to furnish the PFIC Annual Information Statement in a timely manner each year to allow US Taxpayers the ability to file Form 8621 and make elections with a timely filed federal income tax return, as applicable.

Q. If I don’t make a QEF election beginning in 2022, may I make one in future years?

Taxpayers who are choosing to make a QEF election for the Company should consider doing so in the first year the Company becomes a PFIC (2022). However, US Taxpayers who do not choose to do so in the PFIC’s initial year, do not timely file Form 8621, or otherwise do not make a valid QEF election for any number of reasons, are generally able to utilize “purging elections” to get a valid QEF election in place. The PFIC rules are complex, and investors are urged to consult their tax advisors.

US HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS FOR ADVICE REGARDING THE APPLICATION OF THE US FEDERAL INCOME TAX RULES GOVERNING PFICS.

THE COMPANY DOES NOT PROVIDE LEGAL OR TAX ADVICE.