

Part 2A of Form ADV: Firm Brochure

KKR ASSET MANAGEMENT LLC

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This brochure provides information about the qualifications and business practices of KKR Asset Management LLC (“**KAM**”). If you have any questions about the contents of this brochure, please contact us at (415) 315-3620. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “**SEC**”) or by any state securities authority. KAM is registered as an investment adviser with the SEC. This registration does not, however, imply a certain level of skill or training of any KAM personnel.

Additional information about KAM also is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 **Material Changes**

KAM's most recent update to Part 2A was made in October 2011. KAM updated Part 2B in March 2012. KAM is now updating Part 2A to reflect the following material changes:

- Item 4 – Updated to reflect KAM assets under management as of December 31, 2011 and additional investment strategies pursued by KAM's affiliate, Kohlberg Kravis Roberts & Co. L.P. (“KKR”).
- Item 7 – Updated to reflect investment analysis conducted in respect of KAM's long/short equity strategy and modifications and additions to investment risks applicable to KAM's strategies.
- Item 8 – Investment strategy and related risk information updated to further clarify KAM's long/short equity, special situations and natural resources strategies.
- Item 10 – Potential conflicts of interest relating to KKR Capital Markets' business updated. Addition of other KAM investment advisers. Updated pooled investment vehicle disclosure to reflect certain registered entities.
- Item 11 - Potential conflicts of interest relating to KKR Capital Markets' business, KKR strategic partnerships and conflicting investment strategies updated.

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Item 4 **Advisory Business**

KKR Asset Management LLC (“**KKR Asset Management**”) is a Delaware limited liability company founded in August 2004 with \$17.2¹ billion in assets under management as of December 31, 2011, managed on a discretionary basis. KKR Asset Management advises investment funds, collateralized loan obligation vehicles (“**CLOs**”), a publicly-traded specialty finance company, a closed-end management investment company that has filed an election to be treated as a business development company under the U.S. Investment Company Act, as amended (the “**Investment Company Act**”) and other institutional investors that pursue primarily fixed-income, credit (including mezzanine debt), special situations and public equity investment strategies, and that co-invest in private equity investments and other assets held by funds or other accounts managed by KKR Asset Management or Kohlberg Kravis Roberts & Co. L.P. (“**KKR**”), including natural resources assets, such as oil and natural gas properties, that offer exposure to underlying commodity prices and current cash flows from the production of the acquired asset. KKR Asset Management is affiliated with KKR and its subsidiaries (see below), which operates under the name of “**KKR**”. KKR advises private equity funds and other investment vehicles that invest capital for long-term appreciation, primarily either through controlling ownership of companies or minority positions. In addition, KKR manages investments in infrastructure assets and in natural resources assets as described above and may also invest in real estate assets. KKR also sponsors and manages investment vehicles that facilitate co-investment in specific or multiple portfolio companies and other assets of private equity funds and other funds, investment vehicles and accounts managed by KKR (collectively, “**KKR Funds**”), a customized platform that may invest in KKR Funds and funds sponsored and managed by unaffiliated investment managers and related co-investments, and strategic partnership vehicles that invest across multiple KKR Funds and investment strategies. The Global Macro and Asset Allocation Group within KKR from time to time publishes commentary on economic trends and related topics.

KKR Asset Management is also affiliated with KKR’s capital markets business operated through affiliated broker-dealers and with KKR’s proprietary trading business (please see Item 10 for additional information regarding affiliated broker-dealers). KKR Asset Management does not manage client assets on a non-discretionary basis, although certain clients have consent rights with respect to certain investments.

Ownership/Structure

KKR Asset Management is wholly-owned by KKR. KKR is a subsidiary of KKR Management Holdings L.P. (“**KKR Management Holdings**”) and an indirect subsidiary of KKR & Co. L.P. (the “**Public Company**”), which was listed on the New York Stock Exchange on July 15, 2010. KKR Management LLC serves as the general partner of the Public Company and may be deemed to indirectly control the Public Company’s business for regulatory purposes. It does not hold any economic interests in the Public Company. Public unit holders hold 100% of the limited partner interests in the Public Company, although KKR Holdings L.P. (“**KKR Holdings**”) holds special voting units in the Public Company. As of December 31, 2011, the Public Company indirectly held approximately 33.24% of the limited partnership interests in KKR Management Holdings and KKR Fund Holdings L.P. (together, the “**Group Partnerships**”), which hold the combined business of KKR and its affiliates. As of December 31, 2011, the remaining limited partnership interests in the Group Partnerships were held indirectly by KKR Holdings. KKR Holdings is owned by certain KKR senior employees and non-employee operating consultants and their related persons.

¹ AUM calculations may differ from those used in other regulatory filings by KAM in accordance with applicable requirements and guidelines.

Nature of KKR Asset Management's Clients

KKR Asset Management generally provides investment management and administrative services through wholly-owned and controlled management entities established with respect to one or more clients for operational and other purposes ("**KAM Managers**"). KKR Asset Management and the KAM Managers generally provide these services (i) through affiliated general partners or managing members ("**KAM GPs**," and, collectively with KKR Asset Management and the KAM Managers, "**KAM**") of investment funds, CLOs, a publicly-traded specialty finance company and dedicated investment vehicles established for institutional investors and certain high net worth investors sponsored by KAM ("**KAM Funds**"), (ii) as a subadviser to a closed-end management investment company that has filed an election to be treated as a business development company (the "**BDC**") under the Investment Company Act, or (iii) directly to other institutional clients, including pension plans ("**Other Clients**"), pursuant to managed account arrangements. Other than the BDC, KAM Funds are typically U.S. and non-U.S. investment limited partnerships, companies, limited liability companies and other vehicles that are not registered or required to be registered under the Investment Company Act. The securities of the KAM Funds are also typically not required to be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") with the exception of KKR Financial Holdings LLC ("**KFN**"), which is a U.S. publicly traded specialty finance company, and the BDC. For purposes of this Brochure, the term "KAM Fund" includes KFN and the BDC.

KAM does not participate as manager in any wrap fee programs.

KAM's Investment Mandates

The terms upon which KAM serves as investment manager of a KAM Fund or Other Client are established at the time each KAM Fund or Other Client relationship is established and are generally set out in the governing documents entered into by KAM with respect to the relevant KAM Fund or Other Client, and disclosed in the offering documents for the relevant KAM Fund, as applicable. These terms, which vary as among each KAM Fund and Other Client, may limit the investments KAM may make on behalf of the relevant KAM Fund or Other Client based on security classes, geographies, concentration limits, leverage limits and/or other criteria, among others.

Item 5 Fees and Compensation

General

KAM (including the KAM GPs) receives management fees in connection with the investment management and administrative services it provides to KAM Funds and Other Clients and may also receive performance fees, carried interest or incentive allocations or other performance-based compensation. Management fees and/or any other compensation payable by any KAM Fund or Other Client are generally negotiated with the KAM Fund or Other Client (or their underlying investors) and will depend on a number of factors as discussed below.

Management Fees

Typically, KAM charges management fees at an annual rate of between 0.25% and 1.75% of the invested capital or the net asset value of the relevant portfolio or the capital committed by the relevant client depending, in particular, on the strategy of the relevant KAM Fund or Other Client, the amount of assets being placed under management with KAM and the point in time in the life cycle of the relevant KAM Fund or Other Client account. Management fees are paid monthly or quarterly in advance or arrears, depending on the KAM Fund or Other Client. KAM may deduct management fees directly from a KAM

Fund's assets or may make capital calls on investors in certain KAM Funds for the amount of the management fees. KAM generally invoices Other Clients for management fees. With respect to the BDC, KAM, as sub-adviser, is entitled to receive from the BDC's investment adviser 50% of the management fees the adviser receives for managing the BDC.

Where management fees are paid in advance in respect of a KAM Fund or Other Client, the terms applicable to the relevant KAM Fund or Other Client may not always contemplate repayments of fees to the extent that KAM's services terminate (or an investor withdraws or redeems its interests in such KAM Fund or Other Client) prior to the end of the relevant payment period, particularly with respect to closed-end KAM Funds. Management fees paid by an investor in such KAM Funds generally impact the performance related compensation received by KAM (including the KAM GPs) from those KAM Funds that provide for such compensation.

Management fees payable to KAM by certain KAM Funds or Other Clients may be reduced by certain other compensation received by KAM or its affiliates that relate to the relevant KAM Fund or Other Client and its activities or by certain organizational, offering and other expenses borne by the KAM Fund or Other Client. Certain KAM Funds or Other Clients may invest in securities issued by other KAM Funds (including, in particular, CLOs). Management or advisory fees or performance-based compensation received by KAM from such other KAM Funds may not be rebated to the investing KAM Fund or Other Client.

Performance-Related Compensation

KAM (including the KAM GPs) may also receive performance fees and carried interest or incentive allocations or distributions or other performance related compensation from KAM Funds and Other Clients of up to 25% of any annual increase in the net asset value of the portfolio or the net realized returns of each portfolio investment of the relevant KAM Fund or Other Client, depending on its strategy and structure. Such performance related compensation may be subject to high water marks, hurdles and/or claw-backs, depending, among other things, on the strategy and structure of the relevant KAM Fund. With respect to the BDC, KAM is entitled to receive from the BDC's investment adviser 50% of the performance fees the adviser receives for managing the BDC.

As indicated above, management fees, carried interest or incentive allocations, performance fees and/or other compensation payable to KAM by KAM Funds or Other Clients are established by KAM at the time of the establishment of the KAM Fund or the beginning of the advisory relationship with an Other Client and as indicated above, vary among each KAM Fund and Other Client. Specific details of such compensation and its method of calculation are set out in the offering materials, disclosure documents, investment management agreements and/or governing documents of the relevant KAM Funds and Other Clients. Such compensation, once the relevant KAM Fund or Other Client account has been established and commenced operations, is generally not negotiable although KAM or its affiliates may enter into strategic partnerships, side letter agreements or other arrangements with specific investors in KAM Funds whereby such investors receive direct or indirect reductions of management fees or other compensation otherwise payable with respect to their investments to KAM.

Other Compensation

Certain KAM Funds, Other Clients or their portfolio companies may also incur other fees payable to KKR, KAM or its affiliates, depending on the nature of the KAM Fund and its portfolio activities. For example, KKR, KAM or their affiliates may receive monitoring fees in exchange for providing portfolio companies of certain KAM Funds with management, consulting and other services and may also receive financial advisory fees. KAM or its affiliates may also receive "break up" or similar fees in connection

with unconsummated transactions. These may, depending on the KAM Fund, be shared with the relevant KAM Fund and its investors through reductions or off-sets against management fees that would otherwise be applicable as described in its offering materials, disclosure documents, investment management agreements and/or governing documents. KAM will retain the balance of any such compensation not shared with KAM Funds or Other Clients. Certain officers and employees of KAM or KKR (“**Employees**”) currently do and may in the future also receive directors’ fees for serving on the boards of KAM Fund portfolio companies. These directors’ fees are generally not offset against KAM Fund management fees and may be retained in whole or in part by the Employees.

Affiliated U.S. and non-U.S. broker-dealers of KAM may participate in underwriting syndicates and/or selling groups with respect to the securities of portfolio companies of certain KAM Funds or Other Clients or may otherwise be involved in the public or private placement of such securities and the syndication of portfolio company co-investment opportunities to certain KAM Funds or Other Clients and/or may provide or arrange lines of credit or other financing or provide advisory services to such portfolio companies and will receive fees, commissions and other compensation in respect of such services. Neither KAM nor any KAM Fund or Other Client will have the right to share in such compensation.

KAM may also earn fees as a result of its subsidiaries’ providing loan servicing services to certain KAM Funds or Other Clients that invest in loan participations (or to related portfolio companies or lending syndicates), which fees may or may not be shared with the relevant KAM Funds or Other Clients, depending on the applicable offering materials, disclosure documents, investment management agreements and/or governing documents.

Other Expenses

KAM Funds and Other Clients will typically bear legal, auditing, and accounting expenses (including internal accounting expenses), fees payable for administration, registrar and transfer agent and other professional services, certain KAM overhead and operational expenses as agreed to by a particular KAM Fund or Other Client, research expenses and investment and brokerage expenses such as commissions, markups or markdowns on securities, interest on margin accounts and other indebtedness, borrowing charges on securities sold short, custodial fees, expenses of any consultants (including Senior Advisors) and due diligence expenses (including related travel expenses), any insurance, indemnity, or litigation expense, proxy voting expenses, certain taxes, expenses of any advisory committee established in respect of a KAM Fund and its members, costs of any information meetings of a KAM Fund’s investors, any fees or other governmental charges levied against a KAM Fund or Other Client and any other expenses reasonably related to the purchase, sale or transmittal of portfolio assets or the administration of KAM Fund and Other Clients as determined by KAM in its sole discretion. Such expenses may be borne by one or more KAM Funds and Other Clients (and proprietary accounts) depending on the participants in relevant transactions. Certain fees, including those attributable to loan servicing may be paid to an affiliate of KAM as discussed elsewhere in this Brochure. The organizational expenses of KAM Funds (including expenses associated with the offering of KAM Funds and sale of their interests such as commissions, costs, fees and expenses of placement agents or finders and legal, accounting, filing, capital raising, travel and accommodation, printing and other similar costs, fees and expenses) are generally paid by the KAM Fund. In addition, certain KAM Funds (and their underlying investors) pay broken deal expenses.

KAM Funds and Other Clients, directly or through portfolio companies in which they invest, may bear the cost of consulting services provided by KKR Capstone LLC and its related parties (“**KKR Capstone**”), which provides consulting services to KAM, its affiliates and certain KAM Fund portfolio companies. KKR Capstone operates under several consulting agreements with KKR and uses the name

“KKR” under license from KKR. KKR Capstone is owned by its senior management. Fees and other compensation received by KKR Capstone, which are not shared with KAM or KKR, are not described in this Brochure.

Neither KAM nor any of its supervised persons accept compensation from third parties for the sale of securities or other investment products.

Item 6 Performance-Based Fees and Side-By-Side Management

As noted in the response to Item 5 above, KAM may receive, either directly or indirectly, performance-based compensation from KAM Funds and Other Clients. KAM has an incentive to favor, or take increased investment risk with respect to KAM Funds or Other Clients from which it receives performance-based compensation over KAM Funds or Other Clients from which it receives only asset-based fees (or with respect to certain co-investment vehicles, no fees). Similarly, KAM has an incentive to favor, or take increased investment risk with respect to, KAM Funds and Other Clients from which it receives higher performance-based compensation over KAM Funds or Other Clients from which lower performance-based compensation is received. KAM has in place policies and procedures to address these conflicts, including policies and procedures designed to ensure allocation of trades and securities to client accounts on a fair and equitable basis, taking into account the client’s investment objectives and strategies as well as other relevant factors. These policies and procedures are described in more detail below in Item 11.

KAM manages certain KAM Funds that are either feeder funds investing in other KAM Funds or side-by-side vehicles investing on a pro rata basis along side other KAM Funds that are established primarily for the benefit of Employees and KAM affiliates. Such vehicles are not subject to management fees or carried interest allocations. KAM or its affiliates may also bear any allocable share of expenses on behalf of these vehicles. As the investment activities of these vehicles are implemented indirectly through the other KAM Funds in which they invest or on a pro rata basis along side other KAM Funds, as applicable, KAM does not view these arrangements as giving rise to the types of conflicts of interest described above.

Item 7 Types of Clients

KAM generally provides investment management and administrative services, as described above in response to Item 4, to KAM Funds and Other Clients. Other than the BDC and KFN, investment in KAM Funds is generally only available to institutional investors and certain high net worth investors that are “accredited investors” and “qualified purchasers” or non-“U.S. persons” within the meaning of the Securities Act and the Investment Company Act, as applicable. Subject to the suitability requirements set forth in the offering documents for the BDC, shares of the BDC are offered for sale to retail investors.

KAM Funds may have a specified minimum investment amount as set forth in their offering documentation, limited partnership agreement or other governing documents. These minimum amounts are typically subject to discretion, on the part of KAM (or the relevant KAM GP), to permit investment of a smaller amount generally or with respect to any investor in the relevant KAM Fund. KAM may agree to specified minimum account values with Other Clients on a case-by-case basis, as set forth in the investment management agreements with the Other Clients.

A broad range of U.S. and non-U.S. institutional investors, including, among others, governmental and corporate pension and profit sharing plans, endowments, insurance companies, sovereign wealth funds, funds of funds and certain high net worth individuals and family offices, invest in KAM Funds or constitute Other Clients. Additionally, KAM Employees and other persons associated with KAM and/or its affiliates, and KKR out of its proprietary accounts, make capital contributions to certain KAM Funds.

Item 8 Methods of Analysis, Investment Strategies and Risk of Loss

Investment Strategies and Methods of Analysis

The investment strategies employed by KAM in respect of the KAM Funds and Other Clients focus, primarily, on fixed-income, credit (including mezzanine debt) and special situations investments. KAM also employs a long/short equity investment strategy and other equity-oriented investment strategies such as event-driven and capital structure arbitrage in respect of certain KAM Funds. Certain KAM Funds may also accommodate co-investments along side KKR Funds including private equity funds and funds investing in infrastructure and natural resources assets, such as oil and natural gas properties, that offer exposure to underlying commodity prices and current cash flows from the production of the acquired asset. In pursuit of these strategies, KAM may, on behalf of KAM Funds and Other Clients, from both a long or short investment perspective, invest in a broad range of securities and other financial instruments including: U.S. and non-U.S. debt securities including public and privately placed corporate and government bonds and other debt securities and equity securities, hybrid securities, stock market indices, exchange traded funds, convertibles, asset backed and other structured debt securities, emerging market debt, warrants, bank loans and participations in bank loans, repurchase agreements, foreign currency and interest rate forward contracts, swap agreements (including credit default swaps), options, commodities, futures contracts on intangibles and interests in partnerships investing in oil and gas interests and other derivative or synthetic investment instruments, and joint venture equity investments.

KAM employs both “top-down” and “bottom-up” analyses when making investments. KAM’s top down analysis involves a macro analysis of relative asset valuations, long-term industry trends, business cycles, interest rate expectations, credit fundamentals and technical factors to target specific industry sectors and asset classes in which to invest. KAM’s bottom-up analysis includes, in the case of credit/debt strategies, a rigorous analysis of the credit fundamentals and capital structure of each credit considered for investment and a thorough review of the impact of credit and industry trends and dynamics and dislocation events on such potential investment and in the case of equity strategies, company-specific, industry-level and macroeconomic research in order to evaluate the merits of a long or short investment opportunity. In implementing its long/short equity and special situations investment strategies, KAM also uses internally developed proprietary industry and company-specific models as a basis for forecasting market and company specific trends.

KAM utilizes multiple sources of information in analyzing investments, including financial newspapers and magazines, inspections of corporate activities, research material prepared by others, corporate rating services, annual reports, prospectuses, filings with the SEC, and company press releases. KAM also uses industry magazines, third party consultants, regulatory filings filed with U.S. and non-U.S. regulators, its global network of contacts at major companies and corporate executives, commercial and investment banks, financial intermediaries, other investment and advisory institutions and its direct and indirect contacts through its affiliation with KKR. KAM personnel may participate in on-site visits, industry group and portfolio company management meetings, creditors’ committees, steering committees or on the boards of directors of portfolio companies, which will also be a source of information in respect of such companies subject to policies and procedures related to non-public and proprietary information.

In addition, KKR Capstone, KKR’s senior advisors (“**Senior Advisors**”) and KKR’s actively-managed portfolio companies often provide supplemental insights to KAM from the perspective of a C-level executive (i.e., “chief” executive officers or other senior officers) or board of directors. KKR has a roster of approximately 32 active Senior Advisors globally, many of whom have extensive corporate management expertise, having served as Chief Executive Officer, Chief Financial Officer, Chairman of

the Board, or other comparable positions at large, industry-leading companies or governmental regulatory agencies.

Material Risk Relating to Methods of Investment Analysis

KAM seeks to conduct reasonable and appropriate due diligence based on the facts and circumstances applicable to each investment. The objective of the due diligence process is to identify attractive investment opportunities based on the facts and circumstances surrounding an investment and to identify possible risks associated with that investment. When conducting due diligence and making an assessment regarding an investment, KAM relies primarily on publicly available information and resources. In certain circumstances, KAM may rely on information provided by the target of the investment and, in some circumstances, third-party investigations. As a result, the due diligence process may at times be subjective with respect to newly organized companies for which only limited information is available. Accordingly, KAM cannot be certain that its due diligence investigations with respect to any investment opportunity will reveal or highlight all relevant facts (including fraud) that may be necessary or helpful in evaluating such investment opportunity. Also, KAM cannot be certain that its due diligence investigations will result in investments being successful or that the actual financial performance of an investment will not fall short of the financial projections used when evaluating that investment.

For investments where KAM structures the investment in which the KAM Funds or Other Clients participate, KAM will generally establish the capital structure of an investment (including in particular, with respect to credit/debt investments) and the terms and targeted returns of such investment (including short positions) on the basis of financial and other applicable projections. Projected operating results will normally be based primarily on investment professional judgments or third-party advice and reports. In all cases, projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed. There can be no assurance that the projected results will be achieved, and actual results may vary significantly from the projections. General economic, natural, and other conditions, which are not predictable, can have an adverse impact on the reliability of such projections. Valuation models used to determine whether a position presents an attractive opportunity may become outdated and inaccurate as market conditions change. Assumptions or projections about asset lives; the stability, growth, or predictability of costs; demand; or revenues generated by an investment or other factors associated therewith may, due to various risks and uncertainties including those described herein, differ materially from actual results.

Material Risks of Significant Investment Strategies

Debt Securities. KAM invests in various types of debt securities and instruments on behalf of the KAM Funds and Other Clients. In the absence of appropriate hedging measures, changes in interest rates generally will cause the value of debt investments to vary inversely to such changes. The obligor of a debt security or instrument may not be able or willing to pay interest or to repay principal when due in accordance with the terms of the associated agreement. Commercial bank lenders and other creditors may be able to contest payments to the holders of other debt obligations of the same obligor in the event of default under their commercial bank loan agreements.

KAM may invest in loans and other forms of debt that are not marketable securities. Loans are usually not securities, are usually not listed on a recognized exchange and are usually less liquid or not liquid. Loans may be subject to transfer or assignment restrictions and approvals, and are generally treated and traded differently than debt securities. In addition, a loan may involve a syndication with members of the syndicate having different and sometimes superior rights to those of KAM and its clients. Where KAM invests as a sub-participant in syndicated debt, it may be subject to certain risks as a result of having no direct contractual relationship with the underlying borrower and will be generally dependent on the lender

to enforce its rights and obligations and will not have any direct rights against the underlying borrower, any direct rights in the collateral, if any, securing such borrowing, or any right to deal directly with such borrower.

Credit Risk. Debt Investments are subject to the risk of non-payment of scheduled interest or principal by the borrowers with respect to such investments, which amounts may not be satisfied out of available collateral, or satisfied in a timely manner. Certain investments in secured debt may be unperfected for a variety of reasons, including the failure to make required filings by lenders and KAM may not have priority over other creditors. KAM's right to payment and any security interests may be subordinated to those of a senior lender. The principal amount of certain investments may remain outstanding and at risk until the maturity of the investment, in which case the relevant portfolio company's ability to repay the principal may be dependent upon a liquidity event or the long-term success of the company. The credit worthiness of portfolio companies may deteriorate as a result of a variety of factors that may adversely affect their business.

High Yield Securities. KAM invests in debt securities and instruments that are classified as "higher-yielding" (and, therefore, higher-risk) investments. In most cases, such investments will be rated below investment grade by recognized rating agencies or will be unrated and face ongoing uncertainties and exposure to adverse business, financial or economic conditions and the issuer's failure to make timely interest and principal payments. These investments are generally not exchange-traded and, as a result, trade in the over the counter marketplace, which is less transparent than the exchange-traded marketplace. In addition, KAM may invest in bonds of issuers that do not have publicly traded equity securities, making it more difficult to hedge the risks associated with such investments. The market for high yield securities has recently experienced periods of significant volatility and reduced liquidity. The market values of certain of these lower-rated and unrated debt investments tend to reflect individual corporate developments to a greater extent and tend to be more sensitive to economic conditions than those of higher-rated investments. Companies that issue such securities are often highly leveraged and may not have available to them more traditional methods of financing. Major economic recessions such as those recently (and in some cases, currently) experienced globally may disrupt severely the market for such securities, and may have an adverse impact on the value of such securities and the ability of the issuers of such securities to repay principal and interest thereon, thereby increasing the incidence of default of such securities. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may also decrease the value and liquidity of these high yield debt securities.

Counterparty Risk. Certain KAM investments will be exposed to the credit risk of the counterparties with which, or the dealers, brokers and exchanges through which, KAM deals, whether in exchange-traded or over the counter transactions. KAM Funds and Other Clients may be subject to the risk of loss of assets on deposit or being settled or cleared with a broker in the event of the broker's bankruptcy, the bankruptcy of any clearing broker through which the broker executes and clears transactions, the bankruptcy of an exchange clearing house or the bankruptcy of any other counterparty. Certain investments may be structured through the use of over the counter options and swaps or other indirect investment vehicles such as structured products. Such transactions may be entered into by KAM with a small number of counterparties resulting in a concentration of counterparty risk. The exercise of counterparty rights under such arrangements, including forced sales of securities, may have a significant adverse impact on a KAM Fund or Other Client.

Distressed Debt. KAM Funds and Other Clients may invest in securities and other obligations of companies that are in special situations involving significant financial or business distress, including companies involved in bankruptcy or other reorganization and liquidation proceedings. Such investments involve a substantial degree of risk. The level of analytical sophistication, both financial and legal, necessary for successful investment in distressed assets is unusually high. There is no assurance that

KAM will correctly evaluate the value of the assets collateralizing an investment or the prospects for a successful reorganization or similar action in respect of any company. In any reorganization or liquidation proceeding, KAM Funds or Other Clients may lose their entire investment, be required to accept cash or securities with a value less than their original investment and/or be required to accept payment over an extended period of time. Troubled company investments and other distressed asset-based investments require active monitoring and may, at times, require participation in business strategy or reorganization proceedings by KAM. To the extent that KAM becomes involved in such proceedings, KAM Funds or Other Clients may have a more active participation in the affairs of the company than that assumed generally by an investor. In addition, involvement by KAM in a company's reorganization proceedings could result in the imposition of restrictions limiting the ability of KAM Funds or Other Clients to liquidate positions in the company.

Bankruptcy and Other Proceedings. There are a number of significant risks when investing in companies involved in bankruptcy proceedings. Many of the events within a bankruptcy litigation are adversarial and often beyond the control of the creditors. Generally, the duration of a bankruptcy case can only be roughly estimated. The reorganization of a company can involve substantial legal, professional and administrative costs to a company and any investor; is subject to unpredictable and lengthy delays; and during the process the company's competitive position may erode, key management may depart and the company may not be able to invest adequately. In some cases, the company may not be able to reorganize and may be required to liquidate assets. U.S. bankruptcy law permits the classification of "substantially similar" claims in determining the classification of claims in reorganization for the purpose of voting on a plan of reorganization. Because the standard for classification is vague, there exists a significant risk that KAM's influence with respect to a class of claims can be lost by the inflation of the number and the amount of claims in, or other gerrymandering of, the class. In addition, certain administrative costs and claims that have priority by law over the claims of certain creditors (for example, claims for taxes) may be quite high. KAM may serve on creditors' committees or other groups to ensure preservation or enhancement of the position of KAM Funds or Other Clients as creditors and may owe certain obligations generally to similarly situated parties represented by the committee. If such obligations conflict with the interests of the KAM Funds or Other Clients, KAM may resign from that committee or group and the KAM Funds or Other Clients may not realize the benefits, if any, of participation on the committee or group. In addition, if KAM Funds or Other Clients are represented on a committee or group, they may be restricted or prohibited under applicable law from disposing of their investments in such company while they continue to be represented on such committee or group.

Fraudulent Conveyance, Lender Liability, Equitable Subordination and Recharacterization Investments in the debt of distressed companies could be subject to U.S. state and federal bankruptcy laws and state fraudulent transfer laws, which may vary from state to state, if the debt obligations relating to such investments were issued with the intent of hindering, delaying or defrauding creditors or, in certain circumstances, if the issuer receives less than reasonably equivalent value or fair consideration in return for issuing such debt obligations. If the debt is used for a buyout of shareholders, this risk is greater than if the debt proceeds are used for day-to-day operations or organic growth. If a court were to find that the issuance of debt obligations held by KAM Funds or Other Clients was a fraudulent transfer or conveyance, the court could void or otherwise refuse to recognize the payment obligations under the debt obligations or the collateral supporting such debt obligations, further subordinate the debt obligations or the liens supporting such obligations to other existing and future indebtedness of the issuer or require the KAM Funds or Other Clients to repay any amounts received by them with respect to the debt obligations or collateral. In the event of a finding that a fraudulent transfer or conveyance occurred, KAM Funds or Other Clients may not receive any repayment on the debt obligations. Under Title 11 of the United States Code, as amended (the "**Bankruptcy Code**"), lenders engaging in certain types of inequitable or inappropriate conduct may have their claims subordinated or disallowed or may be found liable for damages suffered by parties as a result of such actions. A lender's investment may also be

recharacterized or treated as equity if it is deemed to be a contribution to capital or if the lender attempts to control the outcome of the business affairs of a company prior to its filing under the Bankruptcy Code. There can be no assurance that such claims will not be asserted against, or will be successfully defended by KAM Funds or Other Clients. In addition to placing representatives on creditors' committees, KAM Funds or Other Clients may from time to time seek to place representatives on the boards of directors of certain companies in which they invest or may invest in portfolio companies in which certain other KAM Funds, Other Clients or other affiliated investment vehicles already have representatives on the boards. While such representation may enable the KAM Funds or Other Clients to enhance the sale value of their debt investments in a company, such involvement may also prevent the KAM Funds or Other Clients from freely disposing of their debt investments and may subject them to additional liability or result in recharacterization of their debt investments as equity. The above risks are enhanced to the extent a KKR Fund or other affiliated investment vehicle has a material equity stake in the relevant portfolio company.

Non-U.S. Law; Developments in Bankruptcy Law. Insofar as the KAM Funds and Other Clients' investments include securities and obligations of non-U.S. companies, the laws of certain foreign jurisdictions may be undeveloped or untested and may provide for avoidance remedies under factual circumstances similar to those described above or under different circumstances, with consequences that may or may not be analogous to those described above under U.S. federal and state laws. Changes in bankruptcy laws (including U.S. federal and state laws and applicable non-U.S. laws) may adversely impact KAM Funds or Other Clients. As noted above, a lender's investment may be re-characterized or treated as equity in certain circumstances. This risk is particularly relevant in certain jurisdictions with respect to investments where a KKR Fund or other affiliated entity has a substantive equity investment.

Mezzanine Debt Securities. Mezzanine debt is typically junior to the obligations of a company to senior creditors, trade creditors and employees. The ability of KAM to influence a company's affairs, especially during periods of financial distress or following an insolvency, will be substantially less than that of senior creditors. Mezzanine debt securities are often issued in connection with leveraged acquisitions or recapitalizations in which the issuers incur a substantially higher amount of indebtedness than the level at which they had previously operated. Default rates for mezzanine debt securities have historically been higher than for investment grade securities. In the event of the insolvency of a portfolio company or similar event, the investment therein will be subject to fraudulent conveyance, subordination and preference laws. Mezzanine debt investments may also be subject to early redemption features, refinancing options, prepayment options or similar provisions which, in each case, could result in the issuer repaying the principal on an obligation earlier than expected. In addition, mezzanine debt investments may include enhanced information rights or other involvement with a company's board of directors that could result in limiting the ability of KAM funds or Other Clients to liquidate positions in the company.

Private/Illiquid Investments. KAM Funds and Other Client accounts may invest significantly in securities that are not publicly traded or for which an active secondary market does not otherwise exist. In many cases, KAM Funds or Other Clients may be prohibited by contract or by applicable securities laws from selling such securities for a period of time or otherwise until such securities are publicly registered under applicable securities laws, or an exemption from such registration is available. Even where securities are publicly traded, large holdings of such securities can often be disposed of only over a substantial length of time, exposing the investment returns of the relevant KAM Funds or Other Clients to risks of downward movement in market prices during the intended disposition period. Accordingly, under certain conditions, KAM Funds or Other Clients may be forced to either sell securities at lower prices than they had expected to realize or defer sales that they had planned to make, potentially for a considerable period of time.

Convertible Securities. The value of a convertible security is a function of its investment value and its conversion value. The investment value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline, by the credit standing of the issuer and other factors. If the conversion value is low relative to the investment value, the price of the convertible security is governed principally by its investment value. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the price of the convertible security will be increasingly influenced by its conversion value. A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security held by a KAM Fund or Other Client is called for redemption, the relevant KAM Fund or Other Client will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party, which may adversely effect it.

Credit Default Swaps. KAM may invest in credit default swaps for hedging and investment purposes. The credit default swap market in high yield securities is comparatively new and rapidly evolving compared to the credit default swap market for more seasoned and liquid investment grade securities. Swap transactions dependent upon credit events are priced incorporating many variables, including the pricing and volatility of the underlying credit, potential loss upon default, counterparty risk and the shape of the U.S. Treasury yield curve, among other factors. As such, there are many factors upon which market participants may have divergent views.

Equity Investments. KAM may invest in equities and equity linked securities and instruments. The value of these investments generally will vary with the performance of the issuer and movements in the equity markets. As a result, such investments may incur losses if KAM invests in equity instruments of issuers whose performance diverges from its expectations or if equity markets generally move in a single direction and KAM (where appropriate) has not hedged against such a general move.

Public Securities. KAM may invest in publicly traded debt and equity securities. Such investments are subject to the risks inherent in investing in public securities. KAM may be unable to obtain financial covenants or other contractual rights, including management rights, that it might otherwise be able to obtain in making a privately-negotiated investment and may not have the same access to information in connection with public debt or equity investments, either when investigating a potential investment or after making an investment, as compared to a privately-negotiated investment.

Market and Economic Risks. The success of KAM's investment strategies may be materially affected by market, economic and political conditions globally and in the jurisdictions and sectors in which KAM invests or operates, including factors affecting interest rates, the availability of credit, currency exchange rates and trade barriers. In particular, economic and financial market conditions began to significantly deteriorate approximately four years ago as compared to prior periods. In the ensuing period, global financial markets experienced considerable declines in the valuations of debt and equity securities, an acute contraction in the availability of credit, and the failure of a number of leading financial institutions. As a result, certain government bodies and central banks worldwide undertook unprecedented intervention programs, the effects of which remain uncertain. The U.S. economy has experienced and continues to experience relatively high levels of unemployment and constrained lending. KAM's investment strategies rely in part on the continuation of certain trends and conditions observed in the market for debt and equity securities respectively and in the larger financial markets and, in some cases, the improvement of such conditions. Although certain financial markets have shown some recent signs of the improvement, to the extent economic conditions experienced over the last four years continue, they may adversely impact KAM's investments.

Shadow Banking Regulation. In October 2011, the Financial Stability Board issued a report that recommended strengthening oversight and regulation of the so-called “shadow banking” system in Europe, broadly described as credit intermediation involving entities and activities outside the regular banking system. The report outlined initial steps to define the scope of the shadow banking system and proposed general governing principles for a monitoring and regulatory framework. While at this stage it is difficult to predict the scope of any new regulations, if such regulations were to extend the regulatory and supervisory requirements, such as capital and liquidity standards, currently applicable to banks, or KAM Funds or Other Clients engaged in lending and other credit related activities were considered to be engaged in “shadow banking,” the regulatory and operating costs associated therewith could adversely impact the implementation of their investment strategy and may become prohibitive.

Long/Short Investment Strategy/Short Sales. KAM manages long/short equity portfolios. The identification of investment opportunities in the implementation of a long/short equity investment strategy is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. In the event of market disruptions, significant losses can be incurred which may force KAM to close out one or more positions. Valuation models used to determine whether an equity position presents an attractive opportunity consistent with long/short investment strategy may become outdated and inaccurate as market conditions change. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost of buying those securities to cover the short position. There can be no assurance that the security necessary to cover a short position will be available for purchase. Purchasing securities to close out the short position can itself cause the price of the security to rise further, thereby exacerbating the loss.

Preferred Stock. KAM may invest in preferred stock which generally pays dividends at a defined rate. Unlike interest payments on debt securities, preferred stock dividends are payable only if declared by the issuer's board of directors. Dividends on preferred stock may be cumulative, meaning that, in the event the issuer fails to make one or more dividend payments on the preferred stock, no dividends may be paid on the issuer's common stock until all unpaid preferred stock dividends have been paid. Preferred stock may also be subject to optional or mandatory redemption provisions.

Investments in Initial Public Offerings. Investments in initial public offerings invested in by KAM may involve higher risks than investments issued in secondary public offerings or purchases on a secondary market due to a variety of factors, including, without limitation, the limited number of securities available for trading, unseasoned trading, lack of investor knowledge of the issuer and limited operating history of the issuer.

Small-Capitalization Companies. KAM may invest or expose itself to equity securities or other financial instruments of small-capitalization companies that KAM believes have potential for capital appreciation significantly greater than that of the market averages. Equity securities and other financial instruments of small-capitalization companies might not be traded in volumes typical of equity securities and other financial instruments of larger companies and it may be more difficult for KAM to buy and sell significant amounts of smaller-capitalization company shares without an unfavourable impact on prevailing market prices. Furthermore, small-capitalization companies tend to attract little research coverage by the “street” which often results in relatively little interest from institutional investors. Equity securities and other financial instruments of small companies are generally less liquid, and subject to more abrupt or erratic market movements than those of larger capitalized companies. Additionally, the risk of bankruptcy or insolvency of many smaller companies, with the attendant losses to investors, is higher than for larger companies.

Exchange Traded Funds. KAM may invest in exchange traded funds (“ETFs”), i.e., shares of publicly-traded investment vehicles, or depository receipts that seek to track the performance and dividend yield of specific indices or companies in related industries. ETF investors are generally subject to the same risk as holders of the underlying securities being tracked and are also subject to certain additional risks, including, without limitation, the risk that their prices may not correlate perfectly with changes in the prices of the underlying securities and the risk of trading in an ETF halting due to market conditions.

Trading Cash and Physical Commodities. KAM may from time to time trade physical or cash commodities for immediate or deferred delivery. Cash transactions relate to the purchase and sale of specific physical commodities and such contracts may differ from each other with respect to terms such as quantity, grade, mode of shipment, terms of payment, penalties and risk of loss. There is no limit on daily price movements of cash commodities and banks, brokerage firms, and dealers in cash commodities are not required to continue to make markets in any commodity. Cash transactions are also subject to the risk of the foregoing entities' failure, inability or refusal to perform with respect to such contracts.

Event-Driven Investing. Event-driven investing by KAM requires KAM to make predictions about the likelihood that an event will occur and the impact such event will have on the value of a company's securities. If the event fails to occur or it does not have the effect foreseen, losses can result.

Capital Structure Arbitrage. KAM may from time to time identify and exploit the relationships between movements in different financial instruments within an issuer's capital structure, which involve uncertainty. There can be no assurance that KAM will be able to locate investment opportunities or to correctly exploit price discrepancies.

Availability of Investment Opportunities; Competition. The activity of identifying, completing and realizing the types of investment opportunities targeted by KAM is highly competitive and involves a significant degree of uncertainty. KAM competes for investment opportunities with other private investment vehicles, including KKR managed funds, as well as participants in the public debt markets, individuals and financial institutions, including investment banks, commercial banks and insurance companies, business development companies, strategic industry acquirers, hedge funds and other institutional investors, investing directly or through affiliates. Such supply-side competition may adversely affect the terms upon which investments can be made by KAM. Moreover, private equity sponsors unaffiliated with KAM or KKR may be reluctant to present investment opportunities to KAM because of its affiliation with KKR.

Regulatory Approvals. There can be no assurance that a portfolio company targeted by KAM will be able to (i) obtain all required regulatory approvals that it does not yet have or that it may require in the future; (ii) obtain any necessary modifications to existing regulatory approvals; or (iii) maintain required regulatory approvals. Delay in obtaining or failure to obtain and maintain in full force and effect any regulatory approvals, or amendments thereto, or delay or failure to satisfy any regulatory conditions or other applicable requirements could prevent a portfolio company from operating in accordance with KAM's expectations in respect of such company, the completion of a previously announced acquisition or sales to third parties, or could otherwise result in additional costs to a portfolio company and an adverse impact on any investment by a KAM Fund or Other Client in such company.

Leverage. KAM's investments are expected to include portfolio companies whose capital structures may have significant leverage. Such investments are inherently more sensitive to declines in revenues and to increases in expenses and interest rates. A leveraged entity may be subject to restrictive covenants imposed by other lenders restricting its activity, or may be limited in making strategic acquisitions or obtaining additional financing. In addition, leveraged entities may be subject to restrictions on making interest payments and other distributions. If an event occurs that prohibits a portfolio company from

making distributions for a particular period, this may affect the levels and timing of KAM's returns. Leverage may also be applied with respect to the portfolio of a KAM Fund or Other Client as a whole or with respect to one or more investments. The presence of such borrowings may magnify the volatility of such portfolios and may substantially increase the risk profile of the portfolio and its investments.

Minority Investments. KAM Funds and Other Clients will typically invest in securities issued by companies that KAM does not control (notwithstanding that certain KAM Funds and Other Clients, other than the BDC, may invest in portfolio companies that are controlled by private equity funds managed by KKR). Such investments are subject to the risk that the relevant portfolio company may make business, financial or management decisions that KAM does not agree with, or that the majority stakeholders or the management of the company may take risks or otherwise act in a manner that does not serve the interests of KAM's clients.

Currency Risk. Although most of the KAM Funds and Other Client accounts are denominated in U.S. dollars, investments that are denominated in a non-U.S. currency will be subject to the risk that the value of the relevant investment will change in relation to the U.S. dollar. Among the factors that may affect currency values are trade balances, levels of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. KAM may employ hedging techniques to minimize these risks, but can offer no assurance that such strategies will be effective.

Non-U.S. Investments. Investing in companies that are based in countries outside the United States and, in particular, in emerging markets such as Asia, Latin America and the Middle East, involves risks and considerations that are not typically associated with investments in companies established in the United States. These risks may include (i) the possibility of exchange control regulations, restrictions on repatriation of profit on investments or of capital invested, political and social instability, nationalization or expropriation of assets; (ii) the imposition of non-U.S. taxes; (iii) differences in the legal and regulatory environment or enhanced legal and regulatory compliance; (iv) limitations on borrowings to be used to fund acquisitions or dividends; (v) political hostility to investments by foreign or private investment fund investors; (vi) less liquid markets; (vii) reliance on a more limited number of commodity inputs, service providers and/or distribution mechanisms; (viii) adverse fluctuations in currency exchange rates and costs associated with conversion of investment principal and income from one currency into another; (ix) higher rates of inflation; (x) less available current information about an issuer; (xi) higher transaction costs; (xii) less government supervision of exchanges, brokers and issuers; (xiii) less developed bankruptcy and other laws; (xiv) difficulty in enforcing contractual obligations; (xv) lack of uniform accounting, auditing and financial reporting standards; (xvi) less stringent requirements relating to fiduciary duties; (xvi) fewer investor protections; and (xvii) greater price volatility.

Complex Transactions/Contingent Liabilities/Guarantees and Indemnities. KAM often pursues complex investment opportunities, which may involve substantial business, regulatory or legal complexity. Such complexity presents risks, as such transactions can be more difficult, expensive and time-consuming to finance and execute; it can be more difficult to manage or realize value from the assets acquired in such transactions; and such transactions sometimes entail a higher level of regulatory scrutiny or a greater risk of contingent liabilities. Additionally, in connection with certain transactions, including transactions involving affiliates, a KAM Fund or Other Client may be required to make representations about the business and financial affairs of a portfolio company, provide guarantees in respect of payments by portfolio companies and other third parties and provide indemnities against losses caused by portfolio companies and other third parties. These arrangements may result in the incurrence of contingent liabilities by a KAM Fund or Other Client, even after the disposition of an investment and ultimately in material losses.

Hedging Transactions/Derivatives. When managing exposure of certain KAM Funds or Other Client accounts to market risks, KAM may employ hedging strategies or certain forms of derivative instruments to limit exposure to changes in the relative values of investments that may result from market developments, including changes in prevailing interest rates and currency exchange rates. The scope of such risk management activities varies based on the level and volatility of interest rates, prevailing foreign currency exchange rates, the types of investments that are made and other changing market conditions. The use of hedging transactions and other derivative instruments to reduce the effects of a decline in the value of a position does not eliminate the possibility of fluctuations in the value of the position or prevent losses if the value of the position declines. However, such activities can establish other positions designed to gain from those same developments, thereby offsetting the decline in the value of the position. Such transactions may also limit the opportunity for gain if the value of a position increases. Moreover, it may not be possible to limit the exposure to a market development that is so generally anticipated that a hedging or other derivative transaction cannot be entered into at an acceptable price.

The success of any hedging or other derivative transactions that KAM enters into generally will depend on its ability to correctly predict market changes. As a result, while KAM may enter into such transactions in order to reduce the exposure of a KAM Fund or Other Client to market risks, unanticipated market changes may result in poorer overall investment performance than if the hedging or other derivative transaction had not been executed. In addition, the degree of correlation between price movements of the instruments used in connection with hedging activities and price movements in a position being hedged may vary. Moreover, for a variety of reasons, KAM may not seek or be successful in establishing a perfect correlation between the instruments used in hedging or other derivative transactions and the positions being hedged. An imperfect correlation could prevent KAM from achieving the intended result and could give rise to a loss. In addition, it may not be possible to fully or perfectly limit the exposure of a KAM Fund or Other Client against all changes in the value of its investments, because the value of investments is likely to fluctuate as a result of a number of factors, some of which will be beyond KAM's control or ability to hedge.

Certain of KAM's non-hedged equity strategies rely on the financial markets to differentiate prices of derivatives based on corporate performance, corporate events and other factors. High price correlation in the market and movement of such derivatives in tandem with each other regardless of fundamental merit, may increase the adverse impact to which a KAM Fund or Other Client may be subject.

Investments in Natural Resources and the Energy Sector

Investments by KAM in natural resources and other energy sector investments involve many material risks in addition to those described in this section, including those discussed below.

Energy Industry The energy industry is subject to comprehensive federal, state and local laws and regulations. Present, as well as future, statutes and regulations could cause additional expenditures, restrictions and delays that could materially and adversely affect these investments. In addition, estimates of hydrocarbon reserves by qualified engineers are often a key factor in valuing certain energy companies or assets. These estimates are subject to wide variances based on changes in commodity prices and certain technical assumptions. Accordingly, it is possible for such reserve estimates to be significantly revised from time to time, creating significant changes in the value of the company owning such reserves.

Oil and Gas Prices Prices for oil and natural gas are subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil and natural gas, market uncertainty and a variety of additional factors. Price volatility or substantial and extended declines in the price of oil or natural gas may have an adverse effect on the value of investments by KAM in this sector.

Operating Risks The operation of oil and natural gas properties is subject to numerous risks inherent in the oil and gas industry, such as blowouts, cratering, explosions, uncontrollable flows of oil, natural gas or well fluids, fires, pollution, earthquakes and environmental risks. These risks could result in substantial losses due to injury and loss of life, severe damage to and destruction of property and equipment, pollution and other environmental damage and suspension of operations which in turn, could result in substantial liabilities for any KAM Fund or Other Client investing in these assets.

Drilling and Engineering Risks The revenues and operating results of certain natural resources investments may be dependent upon the success of the relevant asset operator's exploitation, development and drilling activities, which involve numerous risks, including the risk that no commercially productive oil or natural gas reservoirs will be encountered. The timing and cost of drilling, completing and operating wells is often uncertain, and drilling operations may be curtailed, delayed or canceled as a result of a variety of factors, including unexpected drilling conditions, pressure or irregularities in formations, equipment failures or accidents, adverse weather conditions, compliance with governmental requirements and shortages or delays in the availability of drilling rigs and the delivery of equipment. The energy industry is cyclical and, from the time to time, there is a shortage of equipment, supplies, drilling rigs or qualified personnel. During these periods, the costs and delivery times for equipment, supplies and rigs are substantially greater. In addition, demand for, and wage rates of, qualified drilling rig crews rise with increases in the number of active rigs in service. If the unavailability or high cost of drilling rigs, equipment, supplies or qualified personnel were particularly severe, KAM's investments could be materially and adversely affected.

Taxation Investments in properties in the energy sector may be subject to numerous taxes and fees by the jurisdiction in which such companies are organized or operate. Properties engaged in oil and natural gas operations or having substantial real property holdings, in particular, may be subject to specific tax regimes, such as petroleum revenue taxes, fees for drilling rights and exploration licenses, oil productions fees, real estate taxes and stamp duties.

Real Estate. KAM Funds and Other Clients may invest in real estate and make investments for which real estate is an incidental but significant portion of the investment's asset base or value. Investments in real estate may include, among others, investments in public real estate securities, equity investments in real estate and real estate debt investments. Over the last few years real estate investments have experienced significant volatility. Real estate investments are affected by a number of factors, including changes in the general economic climate, local conditions (such as an oversupply of or a reduction in demand for real estate), the quality and philosophy of management, competition based on rental rates, attractiveness and location of the properties, financial condition of tenants, buyers, and sellers of properties, quality of maintenance, insurance, and management services, and changes in operating costs. Real estate investments are also affected by and sensitive to factors such as government regulations (including those governing usage, improvements, zoning, taxes and securitization of residential and commercial mortgages), interest rate levels, unemployment, the availability of financing, and potential liability under changing environmental and other laws. In addition, investments in U.S. real assets may cause adverse tax consequences for certain non-U.S. investors regarding income effectively connected with the conduct of a U.S. trade or business and the imposition of certain tax withholding, and may require the filing of additional tax returns and the payment of additional taxes in jurisdictions in which real estate is owned.

Item 9 Disciplinary Information

Neither KAM nor any of its executive officers, members of its investment committees or portfolio management committees or other "management persons" as defined in Form ADV has been subject to the

legal or disciplinary events related to this Item or otherwise is required to disclose any event required by this Item.

Item 10 Other Financial Industry Activities and Affiliations

Broker-Dealers

KAM is an affiliate of KKR Capital Markets LLC, which is a U.S. registered broker-dealer. KAM is also affiliated with KKR Capital Markets Limited located in London, which is authorized by the U.K. Financial Services Authority to conduct broker-dealer activities in the United Kingdom, with KKR Capital Markets Japan Limited, which is licensed by the Japanese Financial Supervisory Agency to conduct limited securities private placement activities, with KKR Capital Markets Asia Limited, which is licensed by the Hong Kong Securities and Futures Commission to conduct certain broker-dealer activities, with KKR India Financial Services Private Limited, which is licensed by the Reserve Bank of India as a non-deposit taking non-banking financial company that is authorized to undertake lending and financing activities and with KKR Capital Markets India Private Limited, which is licensed by the Securities and Exchange Board of India as a merchant bank that is authorized to execute capital market mandates, underwrite issues, offer investment advisory and other consultancy/advisory services. In addition, KAM is affiliated with KKR Australia Pty Limited and KKR MENA Limited, which hold financial services licenses from the Australian Securities and Investment Commission and the Dubai Financial Services Authority, respectively, permitting them among other things to conduct capital raising and other broker-dealer activities (collectively, the “**Affiliated Brokers**”).

Certain of the Affiliated Brokers (including their subsidiaries) may, from time to time, manage or otherwise participate in underwriting syndicates and/or selling groups with respect to securities issued by portfolio companies of a KAM Fund or an Other Client, or be involved in the public or private placement of such securities and the syndication of portfolio company co-investment opportunities alongside certain KAM Funds or Other Clients. The Affiliated Brokers may also, from time to time, provide capital services to portfolio companies and provide or arrange lines of credit or other financing or provide advisory services to such portfolio companies and will receive fees, commissions and other compensation in respect of such services. In connection with such activities, Affiliated Brokers, may from time to time, have proprietary interests in securities issued by portfolio companies. In certain of such circumstances, a KAM Fund may hold, or may make, a more junior investment in the relevant portfolio company. An Affiliated Broker also may act as placement agent or underwriter of securities of a third party that a KAM Fund or Other Client may purchase and may also act as the placement agent for a KAM Fund in certain jurisdictions (although no commissions or other compensation is received by the Affiliated Brokers from such KAM Funds or their investors for such services) and may act as an agent in connection with secondary sales of securities of a portfolio company, including sales made by a KAM Fund or Other Client, and may arrange financing for third parties. The Affiliated Brokers do not otherwise execute transactions on behalf of KAM Funds or Other Clients. None of KAM or the KAM Funds or Other Clients generally have the right to share in the compensation received by an Affiliated Broker for its role in any transaction.

The relationship KAM has with its Affiliated Brokers may give rise to a material conflict of interest between KAM and KAM Funds or Other Clients that have an interest in any portfolio companies or investment vehicles with respect to which the Affiliated Brokers provide services. In particular, KAM may be incentivized to seek to influence the decision by a portfolio company’s management to retain an Affiliated Broker, or to borrow from or otherwise transact with an Affiliated Broker, in favor of other unaffiliated broker-dealers or other service providers or counterparties that may be more appropriate or offer better terms. Where an Affiliated Broker acts as a lender to a portfolio company in which a KAM Fund or Other Client holds, or may make, a more junior investment, the arrangement may lead to a

conflict between the Affiliated Broker and the KAM Fund or Other Client in the event of a default by, or the liquidation of, the portfolio company or a restructuring or a renegotiation of the terms of the loan. KAM may also be incentivized to structure portfolio company transactions so that they require the use of a broker-dealer (and consequently provide an opportunity for an Affiliated Broker to be retained by a portfolio company and generate commissions or other compensation).

Affiliated Brokers may also provide financing and capital markets services to third parties that are not portfolio companies including third parties that are competitors of particular KAM Funds or Other Clients or portfolio companies of particular KAM Funds or Other Client, or that are service providers, suppliers, customers, or other counterparties with respect to such companies (“**competitor companies**”). In providing such services to, or with respect to, a competitor fund or company, Affiliated Brokers will not take into consideration the interests of the relevant portfolio companies or KAM Funds or Other Clients. In addition, Affiliated Brokers may also be engaged to provide financing or other capital markets services to third parties in connection with transactions that may also be appropriate for a KAM Fund or Other Client. Accordingly, such services may result in adverse consequences to such KAM Funds or Other Clients or portfolio companies. Affiliated Brokers providing services to competitor companies may come into possession of information that they are prohibited from acting on (including on behalf of a KAM Fund or Other Client) or disclosing to KAM as a result of applicable confidentiality requirements or applicable law, even though such action or disclosure would be in the best interests of a KAM Fund.

An Affiliated Broker’s ability to receive commissions or other transactional compensation in certain capital markets transactions on the basis of a KAM Fund’s or Other Client’s participation may be limited in certain circumstances. As a result, in the event that such services are provided to an issuer that is or becomes a potential investment opportunity for a KAM Fund or Other Client, KAM, through the Affiliated Brokers, may have a conflict of interest in favoring third party participation over KAM Fund or Other Client participation in a related capital markets transaction that may be an appropriate investment opportunity for such KAM Fund or Other Client. Where an Affiliated Broker serves as underwriter with respect to a security in which a KAM Fund or Other Client invests, such KAM Fund or Other Client may be subject to a “lock-up” period following the offering under applicable regulations during which time its ability to sell the security that it continues to hold is restricted. This may prejudice the KAM Fund’s or Other Client’s ability to dispose of such security at an opportune time. KAM senior investment personnel will evaluate any such transactions on a case-by-case basis to address any such conflicts. Affiliated Brokers may have access to confidential and/or material non-public information regarding KAM Funds or Other Clients or their portfolio companies and, subject to applicable law, may use such information in connection with financing and other services provided by the Affiliated Brokers.

KAM has adopted a policy under which transactions involving a KAM Fund or Other Client and KAM and/or an Affiliated Broker are reviewed by the KKR Global Conflicts Committee to ensure that the requirements of Section 206(3) of the U.S. Investment Advisers Act of 1940, as amended (the “**Advisers Act**”) and Rule 206(3)-2 under the Advisers Act, as applicable, in respect of principal transactions between any KAM Fund or Other Client and KAM or its affiliates (including any Affiliated Broker) are complied with in the context of such transactions.

Other Investment Advisers

Relying Advisers

KAM has established the following wholly-owned subsidiaries in the U.S., the United Kingdom and the Cayman Islands, through which it provides investment management and administration services to certain KAM Funds and Other Clients:

- KKR Asset Management Ltd.
- KKR Strategic Capital Management LLC
- KKR Financial Advisors LLC
- KKR Financial Advisors II LLC
- KKR FI Advisors LLC
- KKR CS Advisors I LLC
- KKR Mezzanine I Advisors LLC
- KKR FI Advisors Cayman Ltd.
- KAM Advisors LLC
- KAM Fund Advisors LLC

Each of the above entities (“**Relying Advisers**”) provides management and administration services to specific KAM Funds or Other Clients and provides certain operational and other efficiencies with respect to such services. The Relying Advisers are subject to KAM’s regulatory oversight and its Code of Ethics (see response to Item 11 below) together with its other compliance policies and procedures as adopted by KAM pursuant to the requirements of the Advisers Act. More particularly, KAM officers and Employees serve as dual personnel of both KAM and one or more Relying Advisers and, as a result, KAM treats all officers and other personnel of the Relying Advisers as its “associated persons” and access persons for purposes of the Advisers Act.

Kohlberg Kravis Roberts & Co. L.P.

KAM is also affiliated with KKR, which is its parent company, and KKR’s other subsidiaries and affiliated entities that manage KKR’s private equity funds and other funds, investment vehicles and accounts (i.e., KKR Funds). KKR is separately registered under the Advisers Act as an investment adviser. Certain executives of KKR serve on investment committees established by KAM. KAM may also, from time to time, act as sub-adviser in respect of capital allocated within KKR Funds to strategies implemented by KAM and may delegate sub-advisory authority to KKR in respect of capital allocated within certain KAM Funds or Other Clients to strategies implemented by KKR (in each case, at no incremental cost to the relevant KKR Fund, KAM Fund or Other Client). See Item 11 for a discussion of the relationship of KAM, KAM Funds and Other Clients and the KKR Funds.

Commodity Pool Operators and Commodity Trading Advisors

As a result of providing investment advisory services to certain KAM Funds that invest in commodity futures and other commodity interests, KAM (and certain KAM GPs) may from time to time constitute commodity trading advisors and/or commodity pool operators for the purpose of the rules and regulations issued by the U.S. Commodity Futures Trading Commission (“CFTC”) under the U.S. Commodity Exchange Act and as such, rely on certain exemptions from registration with the CFTC under that Act. As such status is incidental to KAM’s investment management activities with respect to the relevant KAM Funds, KAM does not view such status as giving rise to a material conflict of interest in respect of such KAM Funds or any other KAM Funds or Other Clients.

Pooled Investment Vehicles and Regulated Subsidiaries

KAM primarily serves as investment adviser to KAM Funds that are pooled investment vehicles. In addition, its affiliate, KKR, also serves as investment adviser of KKR Funds that are, for the most part, pooled investment vehicles. While KAM Funds are (with the exception of KFN and the BDC) primarily unregulated, certain of such pooled vehicles may be registered with regulatory authorities in their home jurisdiction such as the Cayman Islands or in jurisdictions in which interests in such pooled investment

vehicles are marketed. As discussed more fully above and in response to Item 11, KAM Funds, Other Clients and KKR Funds may engage in transactions with or alongside each other that may give rise to material conflicts of interest. KAM has adopted policies and procedures designed to address conflicts of interest arising between KAM Funds, Other Clients and KKR Funds.

Sponsors of Limited Partnerships

KAM, KKR and certain of their respective affiliates serve as sponsors or syndicators of a number of limited partnerships, including KAM Funds and KKR Funds. Please refer to Item 11 for a discussion of the potential conflicts that may be raised by KAM's relationship with these KAM affiliates and the policies and procedures KAM has adopted to address these conflicts.

Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics

KAM is subject to a Code of Ethics (the “**Code**”) in accordance with Rule 204A-1 under the Advisers Act.

The Code has been established by its affiliate, KKR, for all of its investment advisory subsidiaries, including KAM. The Code sets out standards of business and personal conduct for each Employee and addresses conflicts that may arise from personal trading by such persons and provides for disciplinary sanctions for Code violations. The Code is available upon written request of KAM Funds and their current or prospective investors and Other Clients.

The policies and procedures set forth in the Code recognize that as an investment adviser, KAM is in a position of trust and confidence with respect to the KAM Funds and Other Clients and has a duty to place the interests of the KAM Funds and Other Clients before the interests of KAM and its Employees, which duty includes an obligation to address or mitigate both conflicts of interest and the appearance of any conflicts of interest. The Code sets out standards of business and personal conduct for each Employee and addresses conflicts that arise from personal trading by such persons and provides for disciplinary sanctions for Code violations. The Code also recognizes that as an investment adviser registered under the Advisers Act, KAM has a further obligation to comply with the provisions of the Advisers Act as well as the other U.S. federal securities laws.

The Code includes a code of conduct adopted by KAM which requires Employees to (i) act with integrity, honesty, competence, and in an ethical manner when dealing with the public, regulators, clients, investors, prospective investors and their fellow Employees, (ii) adhere to the highest standards with respect to any potential material conflicts of interest with KAM Funds and Other Clients, and (iii) preserve the confidentiality of information that they may obtain in the course of KAM's business and use such information properly and not in any way adverse to the interests of any KAM Funds or Other Clients, subject to the legality of using such information.

Under the Code and firm policy, Employees are prohibited from trading in securities of any company while in possession of material, non-public information regarding the company. This prohibition applies to KKR-related securities as well as to the securities of KKR affiliates and other issuers. The Code also includes a personal securities investment and reporting policy. This policy, among other things, significantly restricts an Employee's ability to engage in any personal securities transactions without the prior consent of KAM's Chief Compliance Officer and requires reporting of any such transactions. Employees are required to disclose all brokerage or securities accounts in the individual's name or over

which the Employee has any direct or indirect beneficial ownership, including accounts over which investment discretion is exercised either directly or indirectly.

The Code restricts Employees' ability to conduct activities outside the firm that may conflict with the interests of the KAM Funds or Other Clients, requires preapproval for gifts and entertainment in excess of certain values that may be received and/or provided by Employees, restricts Employees' ability to make political donations and provides for the imposition of sanctions for Code violations.

The KKR Compliance Group receives and reviews all trading and other reports and Employee certifications submitted pursuant to the Code to determine that any personal trading conducted by Employees and other covered persons is consistent with requirements and restrictions set forth in the Code and does not otherwise indicate any improper trading activities.

Additionally, KAM and KKR have adopted inside information barrier policies and procedures to provide for the proper handling of confidential information (i.e., nonpublic information received or created by KKR in connection with its activities) to prevent violations of laws and regulations prohibiting the misuse of such information and to avoid situations that might create an appearance of such misuse.

The Code is available upon written request of KAM Funds and their current or prospective investors.

Participation or Interest in Client Transactions

Principal Transactions

In accordance with the anti-fraud provisions of the Advisers Act and with KAM's internal compliance policies and procedures, KAM and its affiliates will not, as principal, sell a security to, or buy a security from, any KAM Fund or Other Client without obtaining the consent of such KAM Fund or Other Client prior to the settlement of such transaction. In particular, the KAM Fund or Other Client will not engage in such transactions without providing appropriate disclosure and obtaining the prior informed consent of the KAM Fund or Other Client and the prior written authorization of KAM's Chief Compliance Officer. The BDC will generally not engage in principal transactions.

Principal transactions may occur, for example, where KAM or its affiliates warehouse an investment, in whole or in part, in one of its proprietary accounts for the benefit of one or more KAM Funds or seeds the initial portfolio of a KAM Fund by making the initial commitment and capital contributions to the KAM Fund pending the contribution of committed capital by third party investors in such KAM Fund and the acquisition by the KAM Fund of the investment from the proprietary account or the participation by such other investors in such seed investments, as applicable. In these cases, a KAM Fund may, for example, require that (i) the transaction price be approved by an independent valuation expert or be calculated in accordance with a formula provided for in the governing documents of the KAM Fund and (ii) the consent of the KAM Fund's independent Advisory Committee, Independent Client Representative or limited partners be obtained prior to the completion of the relevant transaction. As indicated in Item 10, Affiliated Brokers may act as principal in underwriting or placing the securities of KAM Funds.

Cross Trades

Under certain circumstances, KAM may arrange for purchases and sales of securities between two KAM Funds and/or Other Clients (a "**cross transaction**") (see also discussion of "**Rebalancing Transactions**" below). KAM has adopted a specific cross-trading policy for such transactions, under which a cross transaction may only be effected if the cross transaction provides a clear benefit to each participating KAM client and certain procedures are followed prior to the execution of the cross transaction.

Additional compliance checks exist for handling and documenting such transactions. KAM will not arrange for a cross transaction to be implemented unless the requirements of the cross transaction policy are fulfilled. KAM will not engage in agency cross transactions. In an agency cross transaction, KAM or one of its affiliates including, in particular, an Affiliated Broker, earns a fee for arranging a transaction between KAM clients.

Rebalancing Transactions

Subject to certain terms and conditions, on occasion and to the extent permitted by law and specific KAM policies, KAM may effect rebalancing transactions between a KAM Fund and another KAM Fund or one or more Other Clients pursuing similar investments. In such case, a KAM Fund may purchase a security held by another KAM Fund or Other Client or may sell a security to another KAM Fund or Other Client (each a “**Rebalancing Client**”). KAM will determine, in its sole discretion, whether a particular KAM Fund or Other Client is a Rebalancing Client and will not undertake a rebalancing transaction with a Rebalancing Client if it determines, in its sole discretion, that such a transaction is not in the best interests of the Rebalancing Clients involved. KAM effects these transactions based on the then-current independent market price and consistent with valuation procedures established by KAM. Neither KAM nor any of its affiliates receive any compensation in connection with such rebalancing transactions. These rebalancing transactions generally will be effected without brokerage commissions being charged. To the extent that such transactions may be viewed as principal transactions due to KAM’s or its affiliates’ ownership interest in a particular KAM Fund, KAM will either not effect such transaction or comply with the requirements of Section 206(3) of the Advisers Act.

Participation of Affiliated Broker-Dealers in KAM Fund Transactions

As described in response to Item 10, KAM is affiliated with several broker-dealers. As further noted, these Affiliated Brokers (including their subsidiaries) may from time to time participate in underwriting syndicates and/or selling groups with respect to securities issued by portfolio companies of KAM Funds or Other Clients or may otherwise be involved in the public or private placement of such securities and the syndication of portfolio company co-investment opportunities alongside or to certain KAM Funds and Other Clients and may provide or arrange financing or provide capital services to portfolio companies, in some instances where a KAM Fund holds, or may make, a more junior investment or may arrange financing for third parties and will receive fees, commissions and other compensation in respect of such services. As discussed in Item 10, KAM has adopted a policy under which transactions involving a KAM Fund or an Other Client and KAM or an Affiliated Broker are reviewed by KKR’s Global Conflicts Committee to ensure that the requirements of Section 206(3) of the Advisers Act in respect of principal transactions between any KAM Fund or an Other Client and KAM or its affiliates (including any Affiliated Broker) are complied within the context of such transactions. Affiliated Brokers may have access to confidential and/or material non-public information regarding KAM Funds or Other Clients or their portfolio companies and, subject to applicable law, may use such information in connection with financing and other services provided by the Affiliated Brokers.

Financial Interest in KAM Fund Transactions

As described above in response to Item 4, KAM and its affiliates (including, in particular, KKR) may receive financial advisory and monitoring fees and other compensation for services provided to portfolio companies of KAM Funds and Other Clients. Such parties may also receive “break-up” fees and other compensation with respect to KAM Fund or Other Client portfolio company investments (including un consummated investments). As noted above, such compensation may be shared with the relevant KAM Funds or Other Clients, as described in their offering materials, documents and/or the governing documents. KAM may also earn fees as a result of its subsidiaries’ providing loan servicing services to certain KAM Funds or Other Clients that invest in loan participations, which fees may or may not be shared with KAM clients, depending on the particular governing documents of a particular KAM Fund or Other Client.

KAM and its affiliates (including, in particular, KKR) may invest on behalf of their proprietary and client accounts in a portfolio company that is a competitor company of a portfolio company of a particular KAM Fund or Other Client. In providing advice and recommendations to, or with respect to, a competitor company, and in dealing in its securities on behalf of the relevant proprietary and client accounts, KAM and its affiliates will not take into consideration the interests of the relevant KAM Fund or Other Client or their portfolio companies. Accordingly, such advice, recommendations and dealings may result in adverse consequences to such KAM Funds or Other Clients or their portfolio companies (see Item 10 for a discussion of services provided by Affiliated Brokers to competitors).

As noted in response to Item 5, Employees of KAM may serve on the boards of portfolio companies of KAM Funds or Other Clients. Serving in such capacity may give rise to conflicts to the extent that an Employee’s fiduciary duties to a portfolio company as a director may conflict with the interests of KAM Funds or Other Clients that are invested in such portfolio companies. Employees currently do and may in the future also receive directors’ fees for serving on the board of directors of a portfolio company, which may be retained in whole or in part by the relevant Employee. In addition, portfolio companies of KAM Funds or Other Clients may, from time to time, make discounts and other benefits available to Employees in connection with products or services offered by such companies.

As discussed below under “KAM Purchases/Sales of Securities Recommended to KAM Clients”, Employees and other persons associated with KAM and executives of KAM Fund portfolio companies may be permitted to invest in KKR Funds established as co-investment vehicles to facilitate participation by such persons in portfolio investments made by KAM Funds (which vehicles typically will not be charged management fees or performance related compensation or certain expenses). KAM and/or its affiliates in their proprietary capacity may also make capital contributions to KAM Funds (and may sell such investments in whole or in part to third parties in negotiated transactions, including investors in KAM Funds). Significant withdrawals by KAM and KKR (and their respective affiliates and associated persons) of capital from open-ended KAM Funds may have adverse consequences.

KAM or KKR may enter into strategic partnerships directly or indirectly with investors that commit significant capital to a range of KKR’s and KAM’s platform of products, investment ideas and asset classes. Such arrangements may include KAM or KKR granting certain preferential terms to such investors, including blended management fee and carried interest rates that are lower than those applicable to KAM Funds in which such investors invest as part of such strategic partnership. Where such investors participate in KAM Funds through dedicated investment vehicles or accounts as part of such arrangements, such vehicles and accounts may be granted terms, including management fees or carried interest, that are more favorable than those applicable to other investors. Where management fees and carried interest are applicable at the level of such vehicles and accounts, such terms may include a waiver of management fees and carried interest on their investment in KAM Funds. Depending on the

governing documents of any KAM Fund into which such vehicles and accounts invest, such preferential terms may not be subject to the “most favored nation” provisions of the KAM Fund and in any event, where any such vehicles or accounts invest in a KAM Fund on the same terms as other investors but at the level of such vehicles or accounts apply a lower blended management fee or carried interest rate to their portfolio as a whole, such indirect preferential terms will not be subject to “most favored nation” provisions. Similarly, KAM, in respect of certain KAM Funds, may enter into side letters and other arrangements with certain investors pursuant to which more favorable management fees and other economic terms may be granted to such investors.

Investments in which KAM, KAM Funds, Other Clients, KKR and/or KKR Funds Invest in Different Securities of the Same Issuer

Certain KKR Funds (including KKR Funds that are proprietary accounts of KKR or its affiliates) have, and KKR Funds established in the future may have, an investment focus that is, at least in part, similar to the focus of a KAM Fund or Other Client. In particular, certain KAM Funds or Other Clients may co-invest in private equity and other investments made by KKR Funds along side such KKR Funds to the extent KKR has determined that such co-investment opportunities are available. The overlap of investment focus may be viewed as giving rise to conflicts of interest between KAM Funds and KKR Funds and in particular in respect of the allocation of investment opportunities. See the allocation discussion below for further information on how such conflicts are addressed. The conflicts of interest discussed below are increased to the extent that the relevant KAM Funds include proprietary accounts of KAM and its affiliates.

Certain KAM Funds and Other Clients and certain KKR Funds (including KKR Funds that are proprietary accounts of KKR and its affiliates) and KKR affiliates, including an Affiliated Broker, may also invest in different parts of the capital structure of the same portfolio company. For example, a KAM Fund may invest in debt securities issued by a portfolio company, the rights of which are subordinated to debt securities invested in by another KAM Fund or another KAM affiliate, including an Affiliated Broker; a KAM Fund may invest in debt securities issued by a portfolio company in which a KKR Fund has a controlling or other equity interest; or a KAM Fund may invest in equity securities of a specific company while another KAM Fund, Other Client or KAM affiliate, including an Affiliated Broker, invests in the debt securities of the same company. The interests of such KAM Funds, Other Clients, KKR Funds and KKR affiliates, including an Affiliated Broker, as applicable, may not always be aligned, which may give rise to actual or potential conflicts of interest, or the appearance of such conflicts of interest. Actions taken for one KAM Fund may be adverse to another KAM Fund for example, or actions taken for a KKR Fund or KKR affiliate, including an Affiliated Broker, may be adverse to a KAM Fund or Other Client, or vice versa. In addition, because of the affiliation with KKR, KAM may have a greater incentive to invest on behalf of KAM Funds and Other Clients in KKR-sponsored transactions (as compared to transactions sponsored by other private equity firms).

A KKR Fund will typically seek to acquire controlling or other significant influence positions in its investments. As a result, it may have the ability to elect some or all of the members of the board of directors of its portfolio companies and thereby control their policies and operations, including the appointment of management, future issuances of common stock, or other securities, the payments of dividends, if any, on their common stock, the incurrence of debt, amendments to their certificates of incorporation and bylaws, and entering into extraordinary transactions. Certain actions of a portfolio company that KKR is in a position to control or influence by reason of a KKR Fund’s interest in such company may be in the interests of the KKR Fund but adverse to the interests of a KAM Fund or Other Client, or vice versa. For example, a KKR Fund could have an interest in pursuing an acquisition that would increase indebtedness, a divestiture of revenue-generating assets, or another transaction that, in

KKR's judgment, could enhance the value of the KKR Fund's investment, but would subject debt investments made by a KAM Fund to additional or increased risk.

In addition, to the extent that a KKR Fund is the controlling shareholder of a portfolio company of a KAM Fund or Other Client, KKR is likely to have the ability to determine the outcome of all matters requiring stockholder approval and to cause or prevent a change of control of such company or a change in the composition of its board of directors and could preclude any unsolicited acquisition of that company. A KKR Fund's interests with respect to the management, investment decisions, or operations of a portfolio company may at times be in direct conflict with those of KAM Funds or Other Clients that do not have the same level of control or influence over the company. As a result, KAM and KKR may face actual or apparent conflicts of interest, in particular in exercising powers of control over portfolio companies.

Where KAM Funds and Other Clients and KKR Funds invest in different parts of the capital structure of a portfolio company, their respective interests may diverge significantly in the case of financial distress of the company. For example, a KKR Fund may hold equity interests in a portfolio company in which a KAM Fund holds debt securities or of which it is otherwise a creditor. In a bankruptcy proceeding, the KKR Fund's interest may be subordinated or otherwise adversely affected by virtue of such KAM Fund's involvement and actions relating to its debt investment. This may result in loss or substantial dilution of the KKR Fund's investment, while the KAM Fund recovers all or part of the amount due to it. In addition, where a KAM Fund is a creditor of a portfolio company in which a KKR Fund holds more junior securities, KAM or such KAM Fund may take actions in its own interests with respect to its rights as a creditor (e.g., with respect to breaches of covenants) that may be adverse to the interests of the KKR Fund as an equity holder.

KAM has adopted policies and procedures for the purpose of managing potential conflicts of interest arising from these transactions. These policies and procedures, which include limitations on both the maximum amounts and types of such investment and procedures relating to corporate actions in the event of a bankruptcy, are intended to supplement such restrictions and other requirements relating to such investments as are established and negotiated with respect to the KAM Funds and Other Clients and provided for in their offering materials, disclosure documents, investment management agreements and/or governing documents. In addition, as part of KAM's investment process, KAM's senior management will, on a case-by-case basis, discuss and resolve any conflicts that arise among KAM Funds, Other Clients and KKR or its affiliates (or review internal policies and procedures for managing such conflicts), and will take into account various factors in determining whether a particular transaction for a KAM Fund or Other Client is in the best interests of that client.

To the extent that KAM Funds, Other Clients, and KKR Funds (including dedicated single or multiple asset co-investment vehicles) co-invest in the same securities of the same issuer, KAM and KKR also will generally seek to ensure that all participants in such co-investments participate on comparable terms. This may not be practicable or appropriate in all circumstances, however, and, subject to applicable law, a KAM Fund or Other Client may participate in such investments on different and potentially less favorable terms than other participants if KAM deems such participation as being otherwise in the best interests of such KAM Fund or Other Client. This may have an adverse impact on the relevant KAM Fund or Other Client.

CLO Transactions

The majority of KFN's investments are held in CLOs managed by KAM. Affiliates of KAM and KKR may invest in KFN's CLOs and may hold interests with priority and other rights different (and in some cases, better) than those held by unaffiliated investors in different levels of the CLO's capital structure.

The differences in rights may create a conflict of interest for KAM in determining whether to take certain actions on behalf of the CLO, as a KAM client, as a whole which may have a different impact on a particular investor. KAM has adopted a policy designed to avoid any such conflicts, or to mitigate a conflict that arises, including, obtaining the approval of the independent board of directors of the CLOs for certain types of actions. In addition, as part of KAM's investment process, KAM's senior management will, on a case-by-case basis, discuss and resolve any conflicts that arise among KAM Funds, Other Clients and CLOs and will take into account various factors in determining whether a particular transaction for a KAM Fund (including a CLO) or Other Client is in the best interests of that client.

KKR/KAM Purchases/Sales of Securities Recommended to KAM Clients

KKR sponsors and manages a number of KKR Funds that are dedicated co-investment vehicles that invest in single or multiple portfolio companies alongside KAM Funds that are only open to investment by KKR (including for these purposes, KAM) employees and other persons associated with KKR or its portfolio companies. These vehicles will typically invest in portfolio companies at the same time and price and on the same terms as the participating KAM Funds (or Other Clients, if applicable) to the extent practicable. KKR does not generally charge management or performance related compensation for its services to such co-investment vehicles. KAM or its affiliates may also bear any allocable share of expenses on behalf of these vehicles. Such proprietary KKR Funds may also, in certain cases, invest in different securities (for example, different tranches of debt securities) issued by the same portfolio company invested in by a KAM Fund or Other Client.

Allocation of Investments

KAM may, when appropriate, arrange for the investment in an issuer and allocate the investment among one or more KAM Funds and/or Other Clients. KAM has adopted policies and procedures designed to fairly manage the allocation of such investment opportunities among KAM Funds and Other Clients, to the extent practicable and in accordance with each KAM Fund's or Other Client's applicable investment strategies, over a period of time. These policies and procedures are in addition to policies and procedures adopted by KKR that seek to allocate investment opportunities and related co-investment opportunities among KKR Funds, proprietary KKR accounts, and KAM Funds and Other Clients, in the event there is an overlap of investment strategies. From time to time, certain allocation determinations may also be referred to KKR's Global Conflicts Committee for review. KKR's Global Conflicts Committee is responsible for analyzing and addressing new or potential conflicts of interest that may arise in KKR's business, including conflicts relating to specific transactions and circumstances as well as those implicit in the overall activities of KKR and its various businesses. This Committee includes, among others, KKR's General Counsel and Chief Compliance Officer.

KAM's allocation methodology may be based on a "model" allocation, a pro rata allocation (based on either order size or the net asset values of the participating KAM clients), or any other method deemed appropriate by the investment committee responsible for the KAM investment strategy for which a particular investment is made, provided that the method is designed to achieve a fair and equitable allocation of investment opportunities among KAM Funds and Other Clients over time. A model allocation generally incorporates, to the extent appropriate, the parameters set by the investment committees with respect to a KAM investment strategy as well as the investment criteria of KAM Funds and Other Clients participating in a particular KAM investment strategy. Under a pro rata allocation, investments will be allocated among participating KAM Funds and Other Clients pro rata based on requested order size or, for KAM Funds managed on a parallel basis (e.g., onshore and offshore KAM Funds that share substantially similar investment objectives and strategies), taking into account any relevant investment criteria, including any priority or defined allocation rights to investment opportunities

that may have been granted to KAM Funds or Other Clients. Under certain circumstances, a KAM Fund or an Other Client may have ultimate priority over another KAM Fund or Other Client, for example, when a particular investment opportunity falls within such KAM Fund's or Other Client's core investment strategy. In such circumstances, KAM may allocate the investment according to such priority. Allocations involving the BDC will be consistent with applicable requirements under the Investment Company Act and relevant SEC staff guidance.

From time to time, KAM may be given an opportunity to purchase securities in initial public offerings and such offerings are expected to be over-subscribed. Such "new issues" often trade at a premium in the secondary market, which may provide the potential of an immediate profit. As a result, all investments in new issues subject to FINRA Rules 5130 and 5131 will be allocated pro rata only to those KAM Funds or Other Clients qualified to invest in such new issues. The determination of a KAM Fund's or Other Client's eligibility to invest in new issues will be made by Legal/Compliance through, among other things, questionnaires contained in subscription agreements and other documentation obtained from investors therein designed to elicit specific information regarding investor eligibility.

Reallocations are permitted only when in the best interests of all KAM Funds and Other Clients concerned, as determined by the portfolio manager seeking to reallocate. Generally, investments, including investments for which an order is not completely filled, will be allocated first to KAM Funds and Other Clients based on the allocation process discussed above, and only then to proprietary accounts of KAM or its affiliates. From time to time, KAM or its affiliates (including in particular KKR) may make and hold, through various entities and subject to specific criteria relating to, among other things, capacity and holding period, proprietary investments for the purpose of developing, evaluating and testing potential KAM client strategies or products ("**Seed Investments**"). In order to maintain the integrity of the investment strategy and track record of any Seed Investment, Seed Investments will not be considered proprietary accounts for purposes of KAM's allocation policy, and will instead be allocated investments consistent with KAM client allocations. KAM personnel, through their participation on one or more of KAM's internal investment or management committees, will periodically review and approve allocations among KAM Funds and Other Clients in order to assess compliance with KAM's allocation policies and guidelines.

In addition, certain KAM Funds may co-invest in the same securities of a portfolio company along side KKR Funds to the extent KKR has determined such co-investment opportunities are available. KAM and KKR have adopted policies and procedures that seek to allocate such investment opportunities among the relevant KAM Funds in a fair and equitable manner or otherwise in accordance with related disclosure provided to the relevant KAM Funds and their underlying investors or as may otherwise have been agreed in the limited partnership agreements or other documents governing such KAM Funds. Co-investment involving the BDC will be consistent with applicable requirements under the Investment Company Act and relevant SEC staff guidance.

Item 12 Brokerage Practices

Selecting or Recommending Broker-Dealers

To the extent required by applicable law, it is KAM's policy to seek to obtain best execution of trades in public equity and debt securities and other marketable securities traded on behalf of the KAM Funds and Other Clients by a selected broker-dealer. In seeking best execution, the determinative factor is not always the lowest possible per security price or commission but whether, in KAM's view, the transaction represents the best overall qualitative and quantitative execution for the KAM Fund or Other Client. KAM's process of determining best execution involves not only an assessment of brokerage commissions

or bid/offer spreads, but also an evaluation of broker-dealer ancillary services. KAM will consider the full range of a broker-dealer's services in assessing best execution, including:

- competitiveness of commission rates and spreads
- promptness of execution
- past history in executing orders
- clearance and settlement capabilities
- research capabilities and quality
- access to markets, investments (including access to new issues) and distribution network
- trade error rate and ability or willingness to correct errors
- anonymity/confidentiality
- market impact
- liquidity
- speed of execution
- expertise with complex transactions
- trading style and strategy
- geographic location

Although KAM will seek competitive commissions and spreads, it may not necessarily obtain the lowest possible rates for portfolio transactions. The commissions, spreads or other transaction fees charged by an executing broker-dealer may be higher or lower than those charged by other broker-dealers.

Research and Other Soft Dollar Benefits

KAM does not currently (although may do so in the future) make use of any arrangements where brokerage business is promised in exchange for proprietary or third party services ("soft dollar" arrangements). KAM, however, may receive research, brokerage products and other services in ordinary course of trading on behalf of KAM Funds and Other Clients. These bundled services are made available to KAM on an unsolicited basis, without regard to the rates of commissions charged or paid by clients or the volume of business directed to such broker-dealers. To the extent that client brokerage commissions (or markups or markdowns) are used to obtain research, brokerage products or other services, KAM would receive a benefit because it may, in that case, not need to produce or pay for the research, brokerage products or other services received.

To the extent KAM changes its current policy and enters into a relationship that could be viewed as a "soft dollar" arrangement KAM intends to comply with the safe harbor provided under Section 28 of the Securities and Exchange Act of 1934. KAM may have an incentive to select or recommend a broker-dealer based on its interest in receiving the research or brokerage products or other services, rather than on its clients' interest in receiving most favorable execution.

Brokerage for Client Referrals

KAM may engage broker-dealers or affiliates of broker-dealers with whom it engages in securities transactions on behalf of KAM Funds and Other Clients to place securities issued by KAM Funds. Similarly, such entities may be underwriters of, or otherwise involved in the placement of securities issued by KAM or KKR portfolio companies. In addition, KKR has partnered with Deutsche Bank AG ("DB") in the establishment of KKR Master Index Fund L.P., which is distributed by DB (and KAM may effect securities transactions through DB or its affiliates). The foregoing relationships with broker-dealers and their affiliates may give rise to a conflict of interest to the extent that such relationships could be viewed as influencing KAM's selection of broker dealers and other trading counterparties. KAM,

however, takes into account a number of factors in attempting to satisfy its fiduciary obligation to seek best execution for its clients' securities transactions.

Directed Brokerage

KAM does not recommend, request or require that a client direct KAM to execute transactions through a specified broker-dealer.

Aggregation of Client Orders (Bunched Trades)

In order to minimize execution costs and obtain best execution for KAM Fund and Other Client transactions in marketable securities, KAM may bunch orders for KAM Funds and Other Clients (subject to KAM's obligation to obtain best execution for KAM Funds and Other Clients and otherwise treat KAM Funds and Other Clients in a fair and equitable manner). Allocations of bunched trades are made consistent with KAM's allocation policies and procedures described above in Item 11.

Item 13 Review of Accounts

KAM has an internal structure which allocates responsibility for oversight of KAM Fund and Other Client portfolios and/or specific KAM Fund or Other Client portfolio investments to appropriate investment professionals and investment committees. All investments of KAM Funds and Other Clients are ultimately overseen by established investment committees, including the KAM Investment Committee, consisting of William Sonneborn, the Chief Executive Officer of KAM, and Frederick Goltz, KAM's Head of Credit Strategies, the Special Situations Investment Committee, consisting of Mr. Sonneborn, Mr. Goltz and a cross sectional representation of KKR's senior investment professionals, and KAM's Portfolio Management Committee, including Mr. Goltz and other investment personnel that are devoted to different clients and /or investment strategies developed by KAM or designated review processes. KAM Fund and Other Client portfolios and portfolio investments are reviewed and monitored with respect to historic and anticipated performance and market developments and compliance with the investment mandate of the relevant KAM Fund or Other Client on an ongoing basis, both informally and formally through scheduled quarterly meetings of the relevant investment professionals and investment committees.

The nature and frequency of regular reports to KAM Funds and Other Clients and to investors in KAM Funds depends on the terms of the governing documents of such KAM Funds and/or the requirements of any exchange or market on which their securities are admitted to trade or the relevant management agreement. Typically investors in KAM Funds are provided with written quarterly unaudited financial reports and annual audited financial statements.

Item 14 Client Referrals and Other Compensation

Economic Benefits from Non-Clients

As noted above in response to Item 5 and Item 11, KAM or its affiliates may, for example, earn monitoring fees and other compensation from portfolio companies, purchasers, sellers and other parties to transactions involving portfolio company securities as compensation for services, including advice on structuring, negotiating and arranging financing for transactions in which KAM Funds or Other Clients participate and may earn fees in connection with unconsummated transactions. This compensation may or may not be shared with KAM Funds or Other Clients through reductions or off-sets against management fees that would otherwise be applicable as described in the offering materials, disclosure documents and/or governing documents of the relevant KAM Funds or Other Client Accounts.

As also noted, Employees of KAM currently do and may in the future also receive directors' fees for serving on the boards of such portfolio companies. These fees are not offset against carried interest or other performance related compensation paid to KAM or its affiliates by any KAM Fund and may be retained in whole or in part by the relevant individuals. Serving on such boards may give rise to conflicts to the extent that an Employee's fiduciary duties to a portfolio company as a director may conflict with the interests of KAM Funds or any Other Client.

In addition, as noted above in response to Item 10, Affiliated Brokers may receive placement fees, syndication fees, arranging fees and other compensation from participating in underwriting syndicates and/or selling groups in relation to securities issued by portfolio companies of KAM Funds or Other Clients and engaging in other transactions and providing other services in respect of KAM Fund, Other Clients and their portfolio companies. Such compensation is not shared with the relevant KAM Fund or Other Client.

Compensation to Non-Supervised Persons for Client Referrals

KAM does not directly or indirectly compensate any person who is not a supervised person of KAM for client referrals. However, KKR may from time to time enter into solicitation agreements pursuant to which it compensates a third-party intermediary for client referrals that result in the provision of investment advisory services by KAM. Any cash solicitation agreements will comply with Rule 206(4)-3 under the Advisers Act. Solicitors introducing clients to KAM may receive compensation from KAM, such as a retainer and/or a percentage of introduced capital. Such compensation will be paid pursuant to a written agreement with the solicitor and may be terminated by either party from time to time. The cost of any such fees will be borne entirely by KAM or KKR and not by any affected client.

Item 15 Custody

KAM has custody of the assets of certain KAM Funds, and these KAM Funds and their investors receive annual audited financial statements from the KAM Funds' auditor. Other KAM Funds and Other Clients of KAM receive account statements from broker-dealers, banks or other qualified custodians with respect to the assets managed by KAM. KAM sends certain account and performance information to KAM Funds and Other Clients, and KAM urges the KAM Funds and Other Clients to compare the information they receive from KAM with the information received from KAM Fund auditors or broker-dealers, banks or other qualified custodians.

Item 16 Investment Discretion

KAM, including through the KAM GPs, generally has discretionary authority based on its investment management agreements with KAM Funds and Other Clients and the governing documents of the KAM Funds to buy and sell securities or other investments on behalf of the KAM Funds and Other Clients and to determine the amount of such investments to be bought and sold, subject to such restrictions as may be specified with respect to each KAM Fund and Other Clients in such management agreements and governing documents and as otherwise may be required pursuant to the rules and regulations of any exchange or market on which the securities of a KAM Fund or Other Client account are admitted to trade. The terms upon which KAM serves as investment manager of a KAM Fund or Other Client are established at the time each KAM Fund or Other Client relationship is established and are generally set out in an investment management agreement and/or limited partnership agreement or other governing document entered into by KAM with respect to the relevant KAM Fund or Other Client, and disclosed in the offering documents for the relevant KAM Fund, as applicable. These terms, which vary as among each KAM Fund and Other Client, may limit the investments KAM may make on behalf of the relevant KAM Fund or Other Client based on security classes, geographies, concentration limits, leverage limits

and/or other criteria, among others. Generally, such investment management agreements and governing documents contain only limited investment restrictions and requirements as to diversification of fund investments, either by geographic region or asset type.

In addition to the conflicts of interest described under Item 11, as a general matter, KAM may exercise its investment discretion to give advice or take action (including enter into short sales) with respect to the investments held by, and transactions of KAM Funds, Other Clients or proprietary accounts that may differ from the advice given or timing or nature of any action taken with respect to the investments held by, and transactions of, other KAM Funds or Other Clients due to a variety of reasons, including, without limitation, differences between their investment objectives, programs, strategies, regulatory and tax treatment. The terms of, or the return on, an investment by a KAM Fund or Other Client may not be equivalent to, or better than, the terms of, or the returns obtained by, other KAM Funds or Other Clients or proprietary accounts.

Item 17 Voting Client Securities

KAM has adopted policies with respect to voting client securities, and has engaged an independent third party proxy voting specialist, Institutional Shareholder Services, Inc. (“ISS”), to assist KAM in certain proxy votes. The services provided by ISS include in-depth research, global issuer analysis, and voting recommendations as well as vote execution, reporting and recordkeeping with respect to both U.S. and non-U.S. securities. KAM, however, retains ultimate voting discretion with respect to client securities. It is the general policy of KAM to vote client proxies in the interest of maximizing shareholder value. To that end, KAM will vote in a way that it believes is consistent with its obligations to the KAM Funds and Other Clients, and will cause the value of the relevant investment to increase the most or decrease the least.

KAM recognizes that there may be a potential conflict of interest when voting a proxy solicited by an issuer that is an investor in a KAM Fund, for example, or with whom KAM has another business relationship that may affect how it votes the issuer’s proxy. KAM has adopted policies to address these and other issues that could give rise to a conflict, including referring the matter to an internal body or committee who can help resolve the conflict. KAM maintains documentation to support its proxy voting position on such other proxy matters. KAM may depart from these guidelines in order to avoid voting decisions believed to be contrary to the best interests of the KAM Funds and Other Clients or if it has agreed otherwise with the relevant client. Any such exceptions will be documented by KAM and reviewed by the Chief Compliance Officer.

A KAM Fund or Other Client or investor in a KAM Fund may obtain a copy of KAM’s Proxy Voting policies and procedures and information on how KAM voted proxies on behalf of such party on written request to KAM.

Item 18 Financial Information

KAM does not require the payment of management fees or other compensation six months or more in advance. There exists no financial condition of which KAM is currently aware that would impair KAM’s ability to meet contractual commitments to its clients.

Item 19 Requirements for State-Registered Advisers

KAM is not registering, nor is currently registered, as an investment adviser with any state securities authorities.