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## ADV 2A – The Brochure

This brochure provides information about the qualifications and business practices of Fraser Sullivan Investment Management, LLC ("FSIM" or the "Firm" or "Adviser"). If you have any questions about the contents of this brochure, please contact FSIM's Chief Compliance Officer, Patrick Maloney, at 212-339-5421. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

FSIM is registered with the SEC as an investment adviser. Registration as an investment adviser does not imply a certain level of skill or training. Additional information about FSIM is also available on the SEC's website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2. Material Changes

There have been no material changes since FSIM's last ADV 2A filing on November 5, 2012.

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## Item 4. Advisory Business

Fraser Sullivan Investment Management, LLC ("**FSIM**"), is a fixed income investment advisory firm established in 2005 by John Fraser and Tighe Sullivan (deceased October 2012). In 2009, Welsh Carson Anderson & Stowe ("WCAS") purchased a 50% equity interest in FSIM and the name of the Firm was changed to WCAS FSIM.

The Firm was formed to provide investment supervisory services to collateralized loan obligations ("CLO"s) (each a "Client") that are exempt from registration under the Investment Company Act of 1940, as amended (the "1940 Act"), and the securities of which are not registered under the Securities Act of 1933, as amended (the "Securities Act"). The Adviser focuses on investing in non-investment grade fixed income assets, such as bank loans and high yield bonds. The Adviser's investment professionals employ credit analytical skills developed during their respective careers to identify investment opportunities in the non-investment grade fixed income markets that the Adviser's investment team believes are suitable for Clients.

The Adviser had total assets under management (“AUM”) of \$1,298,403,461 billion (measured as of December 31, 2012),<sup>1</sup> all of which it managed on a discretionary basis.

FSIM has an affiliated SEC registered investment advisor, FS COA Management LLC (“FS COA”), established in November 2007, which engages in substantially similar business activities as FSIM including providing investment advisory services to CLOs.

In October 2012, the principals of FSIM entered into a joint venture with 3i Group plc, a publicly-traded firm headquartered in London focusing on mid-market private equity, infrastructure and debt management, to form 3i DM US, a SEC registered investment advisor providing substantial similar investment advisory services to pooled investment vehicles, some of which were formally managed by FSIM or its affiliates, and CLOs. Upon the formation of the joint venture, employees of FSIM became co-employees of 3i DM US. At the time of this transaction, WCAS sold a majority of their interest in FSIM back to the Firm and the name of the Firm reverted back to FSIM.

FSIM, FS COA and 3i DM US share employees, officers, office space and equipment.

FSIM’s client relationship with a CLO issuer typically begins with the designing and management of an initial portfolio of collateral loan obligations on behalf of special purpose vehicles (each, a “CLO Notes Issuer” or “CLO Client”) formed for the purpose of issuing securities (“CLO Notes”) backed by such portfolios in a private placement offering (a “CLO Notes Offering”) and the continued management of such portfolios after the closing of a CLO Notes Offering, including the acquisition of additional collateral loan obligations for the portfolio with proceeds of the CLO Notes Offering. FSIM’s management of a collateral obligations portfolio for CLO Notes Issuers, both prior to and after a CLO Notes Offering, is customarily subject to specific investment criteria and restrictions.

FSIM currently has three CLO Clients, Fraser Sullivan CLO I Ltd., a CLO Notes Issuer (“CLO I”), Fraser Sullivan CLO II Ltd., a CLO Notes Issuer (“CLO II”), and Fraser Sullivan CLO V Ltd., a CLO Notes Issuer (“CLO V”).

Prior to the closing of a CLO Notes Offering, FSIM is retained by the relevant CLO Client pursuant to a ramp-up investment management agreement for the purpose of composing and managing the initial portfolio of collateral loan obligations that backs the CLO Notes issued in connection with such offering<sup>2</sup>. On the date of the closing of a CLO Notes Offering, FSIM enters into a collateral management agreement, which replaces and supersedes the ramp-up investment management agreement. Under the collateral management agreement, FSIM is appointed as a

<sup>1</sup> For purposes of calculating AUM, CLOs are carried at Par commitment and the bank loans and other assets held in the pooled investment vehicles and separately managed account are held at market value.

<sup>2</sup> This activity is commonly known in the securities industry as the warehousing phase of the creation of a CLO. A warehouse is typically established by an equity investor providing initial capital to begin buying bank loans in anticipation of selling the same loan(s) to the CLO issuer at closing. Financing is provided to the warehouse, often through a “Total Return Swap”, typically by the investment bank underwriting the CLO issuance. At the closing of the CLO offering, the warehouse sells the underlying bank loans to the CLO issuer, which provides the collateral and cash flows to support the payments of interest and principal to the different note holders of the newly issued CLO.

collateral manager to manage and acquire additional collateral loan obligations for the CLO Client's portfolio after the closing of its CLO Notes Offering. FSIM also enters into a collateral administration agreement among FSIM, the CLO Client and a collateral administrator under which the collateral administrator is responsible for compiling and reporting to the CLO Client and FSIM specific investment information regarding the collateral loan obligations comprising the CLO Client.

The types of collateral loan obligations which may be purchased on behalf of a CLO Client are subject to specific investment conditions set forth in the offering documents relating to its CLO Notes Offering.

## **Item 5. Fees and Compensation**

As compensation for investment supervisory services rendered to Clients, the Adviser receives from each such Client an advisory fee (each, an "Advisory Fee"). Advisory Fees paid by a Client are indirectly borne by investors in such Client.

The precise amount of, and the manner and calculation of, the Advisory Fees for each Client are established initially by the Adviser and may be modified by negotiations. The Advisory Fees are set forth in each Client's advisory agreement, organizational documents, and/or other documentation received by each investor prior to investment in such Client. The Advisory Fees and other fees described below are generally subject to waiver or reduction by the Adviser in its sole discretion, including waivers or reductions for investments in investment vehicles made by its employees and affiliates (and their employees). The Clients' fee structures may be modified from time to time. Fees may differ from one Client to another, as well as among investors in the same Client. The Adviser may provide investment management services to its employees and affiliates (and their employees) without compensation.

### ***CLO Clients:***

FSIM charges its CLO Clients fees generally paid quarterly in arrears based on a percentage of assets under management. Management fees range between 0.40% to 0.625% depending on the specific investment advisory agreement with each CLO Client. FSIM is entitled to receive a performance fee of 20% based on the residual cash flows of a CLO Client once an annualized internal rate of return has been reached by the subordinate note holder. The internal rate of return varies from 12% to 20%.

Each CLO Client bears its own expenses, including but not limited to brokerage and transactional fees, taxes, custody fees, legal and accounting expenses, market research, trustee and administrative fees.

FSIM does not require prepayment of fees.

In general, none of the above-mentioned fees charged to CLO Clients are negotiable; however, some fees may be negotiable in certain instances. All performance-based fees comply with the provisions of Rule 205-3 under the Investment Advisers Act of 1940.

## **Item 6. Performance Based Fees and Side-by-Side Management**

The Adviser may charge performance-based fees to Clients. In addition, certain affiliates and/or joint ventures of the Adviser who share personnel and office space (see Item 10 below) with the Adviser currently receive performance-based fees. In allocating investment opportunities, there could be incentives to favor Clients or clients of affiliates of the Adviser with higher potential performance fees over Clients with lower potential performance fees. Generally, this conflict is mitigated for Clients by the Adviser's allocation procedures. Please see Item 11 below for additional information relating to how conflicts of interests are generally addressed by the Adviser.

## **Item 7. Types of Clients**

FSIM provides investment advisory services exclusively to CLO clients and not individually to investors in these vehicles. The minimum account size for each vehicle is outlined in its governing documents. However, the CLO issuers and FSIM reserve the right to accept less than the minimum account size.

Any investment minimums imposed on investors, are disclosed in the offering memoranda for the relevant Client. Investors will be required to make certain representations when investing in a CLO managed by FSIM through the execution of a subscription agreement and other documents. Interests in the funds are not registered under the Securities Act of 1933, as amended and such funds are not registered under the Investment Company Act of 1940, as amended. Accordingly, interests in the funds are offered and sold exclusively to investors satisfying the applicable eligibility and suitability requirements either in private transactions within the United States or in offshore transactions.

## **Item 8. Methods of Analysis, Investment Strategies and Risk of Loss**

### **Methods of Analysis and Investment Strategies**

The Adviser seeks to realize attractive risk adjusted returns while preserving investors' capital. The Adviser identifies investment opportunities and makes investment decisions utilizing a three step process consisting of initial screening, due diligence and formal investment recommendation and approval. When an investment idea is identified by the Adviser's investment professionals, it is assigned to the analyst responsible for the industry sector in which the subject company operates.

The analyst performs an initial screening of the opportunity to determine if it appears to meet the Adviser's investment standards, focusing on cash flow generation, capital structure, collateral value and industry position, trends and other fundamentals.

The analyst presents the results of his or her initial analysis to the Adviser's Chief Investment Officer ("CIO") and portfolio managers and together they determine whether the opportunity warrants additional analysis. If so, the analyst begins the due diligence portion of the Adviser's investment process. As part of the analysis, the analyst develops a historical financial model, reviews a variety of sources of company and industry information and asks questions of company management and other knowledgeable parties, all with the objective of assessing the risks inherent in any given situation and determining if the cash flow, capital structure, collateral and enterprise value mitigate such risks. At any time during this stage of the investment process, the analyst may determine such risks are too great and, upon consultation with the CIO, recommend terminating due diligence and rejecting the investment opportunity. Upon conclusion of due diligence, the analyst sums up both the risks and mitigants and, if appropriate in his or her view, recommends investment to the CIO and portfolio managers. If it is determined that the investment makes sense from a fundamental credit perspective, the Adviser then determines the appropriate investment size based on credit risk, pricing, industry exposure, various portfolio limitations and other factors.

The CIO and portfolio managers monitor investments through regular update discussions with investment analysts and periodic portfolio reviews. Analysts are responsible for reviewing financial reporting information provided by issuers and developing additional sources of company specific and industry information to help them identify changes in their original investment thesis.

Such changes are addressed on an ad hoc basis as they develop. The CIO, portfolio managers and analysts discuss the implications of such changes for the issuer and the potential impact on Clients' portfolios. The results of these discussions are incorporated in portfolio strategy and may result in decisions to buy more, hold, reduce exposure or sell down completely. The Adviser maintains a watch list of investments experiencing deteriorating credit or industry fundamentals as well as market price erosion exceeding broader market movements. Watch list positions are monitored even more closely than performing investments by analysts, portfolio managers and the CIO. The CIO and portfolio managers are the only employees authorized to make investment decisions.

Many of the Adviser's portfolios may be subject to investment restrictions and quality criteria that guide the selection of investments for such portfolios. The CIO and portfolio managers monitor compliance with portfolio restrictions and criteria through frequent review of portfolio compliance modules developed by a third party vendor for each portfolio. The objective of frequent review of compliance modules is to ensure no investment decisions will result in non-compliance of portfolio restrictions and quality criteria. In the event investment asset developments such as ratings changes or defaults negatively impact compliance with portfolio restrictions or quality criteria, the CIO and portfolio managers will review the reasons for non-compliance and, if feasible, develop strategies for getting back into compliance.

## **Risks**

Investing in securities involves a substantial degree of risk. A Client may lose all or a substantial portion of the amount it has invested, and investors in Clients must be prepared to bear the risk of a complete loss of their investments.

In addition, material risks relating to the investment strategies and methods of analysis described above, and to the types of securities typically purchased by or for Clients, include the following:

### **Credit Risk**

Credit risk arises from the potential default of debtors in the repayment of principal and interest or the failure of counterparties to perform according to the terms of a contract. Investments in loans are generally in the form of assignments. Such loans are generally administered by a bank or other financial institution (the “agent”) that acts as agent for all holders. The agent administers the terms of the loan, as specified in the loan agreement.

When Clients invest in a loan, they are subject to the risk that an intermediate participant between the Client and the borrower, such as the agent bank, will fail to meet its obligations to the Client, in addition to the risk that the borrower under the loan may default on its obligations.

Clients may also have investments in lower rated and comparable quality unrated high yield securities. Investments in high yield securities are accompanied by a greater degree of credit risk and the risk tends to be more sensitive to economic conditions than that of higher rated securities. The risk of loss due to default by the issuer may be significantly greater for holders of high yield securities, because such securities are generally unsecured and are often subordinated to other creditors of the issuer. Disposal of investments in distressed or bankrupt companies may involve time consuming negotiations and expenses, and prompt sale at an acceptable price may be difficult.

### **Market Risk**

Market risk is the potential for changes in the value of investments held by a Client due to market changes, including interest rate movements and fluctuations in investment prices. Market risk is directly impacted by the volatility and liquidity in the markets in which the assets are traded.

### **Liquidity Risk**

Client portfolios will include illiquid investments (e.g., investments in bank loans, thinly-traded issues, high yield bonds and asset-backed securities). Under certain market conditions, such as during volatile markets or when trading in an instrument or market is otherwise impaired, the liquidity of Client portfolio positions may be reduced. During such times, Clients may be unable to dispose of certain assets, which would adversely affect their ability to rebalance their portfolio. In addition, such circumstances may force Clients to attempt to dispose of assets at reduced prices, thereby adversely affecting performance. Clients may be unable to sell such assets or prevent losses relating to such assets during times of market instability. Furthermore, if Clients incur substantial trading losses, the need for liquidity, to limit losses, could rise sharply while access to liquidity could be impaired.

### **Interest Rate Risk**



Clients assume interest rate risk from certain of their investments that have floating interest rates or longer durations. These investments are exposed typically to changes in interest rates as well as changes in the shape of the relevant yield curve.

## **Item 9. Disciplinary Information**

FSIM and its employees have not been involved in any legal or disciplinary events in the past that would be material to a Client's evaluation of the company or its personnel.

## **Item 10. Other Financial Industry Activities and Affiliations**

FSIM has an affiliated investment advisor, FS COA which is under common control and utilizes the same investment professionals and provides investment advisory services to similar clients, which are exclusively CLO issuers. In addition, the employees of FSIM are also co-employed by 3i DM US, a joint venture between the principals of FSIM and 3i Group plc. While neither 3i Group plc nor 3i DM US have any ownership interest or control over FSIM or FS COA, principals and officers of FSIM possess similar roles at 3i DM US. For a description of material conflicts of interest created by the relationship among the Adviser, the affiliated adviser and 3i DM US as well as a description of how such conflicts are addressed, please see Item 11 below.

The clients of FS COA and 3i DM US are typically CLOs and pooled investment vehicles investing in the same or substantially similar asset classes as the clients of FSIM. The investment opportunities identified by the Firm are allocated across FSIM, FS COA, and 3i DM US's client accounts and monitored in the same fair and equitable manner described below, consistent with any investment restrictions a client(s) may have imposed on a particular portfolio.

FS COA and 3i DM US operate in the same physical offices as FSIM and share employees, officers and equipment. In connection therewith, FSIM reimburses 3i DM US for some of 3i DM US's operating expenses.

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

### **Code of Ethics**

The Adviser has adopted a written Code of Ethics that is applicable to all of its members, officers and employees, and certain independent contractors (collectively, "Adviser Personnel"). The Code of Ethics, which is designed to comply with Rule 204A-1 under the Investment Advisers Act of 1940 (as amended, the "Advisers Act"), establishes guidelines for professional conduct and personal trading procedures, including certain pre-clearance and reporting obligations. Adviser Personnel and their families and households may purchase investments for their own accounts, including the same investments as may be purchased or sold for a Client, subject to the terms of the Code of Ethics. Under the Code of Ethics, Adviser Personnel are also required to file certain



periodic reports with the Adviser's Chief Compliance Officer ("CCO") as required by Rule 204A-1 under the Advisers Act. The Code of Ethics helps the Adviser detect and prevent potential conflicts of interest.

Adviser Personnel who violate the Code of Ethics may be subject to remedial actions, including, but not limited to, profit disgorgement, fines, censure, demotion, suspension or dismissal. Adviser Personnel are also required to promptly report any violation of the Code of Ethics of which they become aware.

A copy of the Code of Ethics is available to any Client or prospective client upon written request to: Patrick Maloney, Fraser Sullivan Investment Management, LLC, 400 Madison Avenue, Suite 9A, New York, NY 10017.

### **Participation or Interest in Client Transactions**

Certain employees and affiliates of the Adviser and their employees may invest in Clients. A Client may reduce all or a portion of the Advisory Fee related to investments held by such persons. For further details regarding these arrangements, as well as conflicts of interest presented by them, please see "Conflicts of Interest" immediately below.

### **Conflicts of Interest**

The material conflicts of interest encountered by a Client include those discussed below, although the discussion below does not necessarily describe all of the conflicts that may be faced by a Client. Other conflicts may be disclosed throughout this brochure and the brochure should be read in its entirety for other conflicts.

In the case of all conflicts of interest, the Adviser's determination as to which factors are relevant, and the resolution of such conflicts, will be made in the Adviser's sole discretion unless otherwise required by the terms of its agreements with Clients or their offering and/or organizational documents. In resolving conflicts, the Adviser may consider various factors, including the interests of the applicable Clients with respect to the immediate issue and/or with respect to their longer term courses of dealing. In some cases, the various conflicts which may arise in connection with the investment of fund assets may be conflicts for affiliates of the Adviser as well and may be resolved by such affiliates and not the Adviser. References to the Adviser therefore include its affiliates as well.

Certain procedures for resolving specific conflicts of interest are set forth below. When conflicts arise, the following factors may mitigate, but will not eliminate, conflicts of interest:

- (1) A Client will not make an investment unless the Adviser believes that such investment is an appropriate investment considered solely from the viewpoint of such Client; and
- (2) Many important conflicts of interest will generally be resolved by set procedures, restrictions or other provisions contained in the relevant offering and/or organizational documents for Clients.

### *Allocation of Investment Opportunities Among Clients*

In connection with its investment activities, the Adviser may encounter situations in which it must determine how to allocate investment opportunities. In recognition of its fiduciary duties, it is the policy of the Adviser to allocate investment opportunities fairly and equitably among its Clients and clients of 3i DM US. Pursuant to written policies and procedures adopted by the Adviser, the Adviser will take a variety of factors into account when determining who will participate (and to what extent) in the purchase or sale of any given security. Such factors may include the client's investment objectives, guidelines, limitations and restrictions; cash positions or needs; existing and desired issuer and industry exposures; and security specific size trading limitations or restrictions.

### *Conflicts Related to Purchases and Sales*

Conflicts may arise when a Client makes investments in conjunction with an investment being made by other Clients, the Adviser or its affiliates or a client of an Adviser affiliate, or in a transaction in which another Client, the Adviser or its affiliates or client of an Adviser affiliate has already made an investment. Investment opportunities may be appropriate for Clients, the Adviser or its affiliates and/or clients of an Adviser affiliate at the same, different or overlapping levels of a portfolio company's capital structure. Conflicts may arise in determining the terms of investments, particularly when these clients may invest in different types of securities in a single portfolio company. Questions may arise as to whether payment obligations and covenants should be enforced, modified or waived, or whether debt should be refinanced. Decisions about what action should be taken in a troubled situation, including whether or not to enforce claims, whether or not to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any work-out or restructuring may raise conflicts of interest, particularly in Clients, the Adviser or its affiliates or clients of an Adviser affiliate that have invested in different securities within the same portfolio company. In the event that such investments are made by a Client, the Adviser or its affiliates or clients of an Adviser affiliate, the interests of such Client may be in conflict with the interest of such other Client or client of an Adviser affiliate, particularly in circumstances in which the underlying company is facing financial distress. In certain circumstances, Clients or clients of an Adviser affiliate may be prohibited from exercising voting or other rights, and may be subject to claims by other creditors with respect to the subordination of their interest. Investments by the Adviser or an affiliate of the Adviser or its affiliates may also raise the risk of using assets of a client of the Adviser or its affiliates to support positions taken by the Adviser or its affiliates or by other clients of the Adviser or its affiliates. Employees and related persons of the Adviser and its affiliates have made or may make capital investments in or alongside certain Clients or clients of the Adviser's affiliates, and therefore may have additional conflicting interests in connection with these investments. There can be no assurance that the return of a Client participating in a transaction would be equal to and not less than another Client (or a client of an Adviser affiliate) participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

A Client may invest in opportunities that the Adviser, its affiliates or other Clients or clients of the Adviser's affiliate have declined, and likewise, a Client may decline to invest in opportunities in which other Clients, the Adviser or its affiliates or clients of the Adviser's affiliates have invested.

### *Cross-Transactions*

In certain cases, the Adviser may cause a Client to purchase investments from another Client or a client of an affiliated Adviser, or it may cause a Client to sell investments to another Client or a client of an affiliated Adviser. Such transactions create conflicts of interest because, by not exposing such buy and sell transactions to market forces, a Client may not receive the best price otherwise possible, or the Adviser might have an incentive to improve the performance of one Client by selling underperforming assets to another Client in order, for example, to earn fees. Additionally, in connection with such transactions, the Adviser, its affiliates and/or their professionals (i) may have significant investments, or intentions to invest, in the Client (or client of an affiliated Adviser) that is selling and/or purchasing such an investment or (ii) otherwise have a direct or indirect interest in the investment (such as through certain other participations in the investment). The Adviser and its affiliates may receive management or other fees in connection with their management of the relevant clients involved in such a transaction, and may also be entitled to share in the investment profits of the relevant clients. To address these conflicts of interest, in the event that the Adviser cross trades between accounts, the Adviser will document the reason and pricing. All cross trades must be pre-approved by the CIO and the CCO.

### *Principal Transactions*

Section 206 under the Advisers Act regulates principal transactions among an investment adviser and its affiliates, on the one hand, and the clients thereof, on the other hand. Very generally, if an investment adviser or an affiliate thereof proposes to purchase a security from, or sell a security to, a client (what is commonly referred to as a "principal transaction"), the adviser must make certain disclosures to the client of the terms of the proposed transaction and obtain the Client's consent to the transaction. In connection with the Adviser's management of Clients, the Adviser and its affiliates do not intend to engage in principal transactions.

### *Management of Clients*

The Adviser and its affiliates manage a number of clients that may have investment objectives similar to each other. Allocation of available investment opportunities between Clients and any such investment fund and/or any clients of an affiliated Adviser could give rise to conflicts of interest. See "*Allocation of Investment Opportunities Among Clients*" above. In addition, it is expected that employees of the Adviser responsible for managing a particular Client will have responsibilities with respect to other Clients managed by the Adviser and clients of 3i DM US, including future clients. Conflicts of interest may arise in allocating time, services or functions of these officers and employees.

### *Conflicts Relating to the Adviser*

The Adviser generally may, in its discretion, contract with any related person of the Adviser to perform services for the Adviser in connection with its provision of services to Clients. When engaging a related person to provide such services, the Adviser may have an incentive to recommend the related person even if another person may be more qualified to provide the applicable services and/or can provide such services at a lesser cost.

The Adviser generally may, in its discretion, recommend to a Client or to an affiliate (in response to a solicitation for a recommendation or otherwise) that it contract for services with (i) the Adviser or a related person of the Adviser or (ii) an entity with which the Adviser or its affiliates or a member of their personnel has a relationship or from which the Adviser or its affiliates or their personnel otherwise derive financial or other benefit. When making such a recommendation, the Adviser may, because of its financial or other business interest, have an incentive to recommend the related or other person even if another person is more qualified to provide the applicable services and/or can provide such services at a lesser cost.

The Adviser, its affiliates, officers, principals and employees of the Adviser and its affiliates may buy or sell securities or other instruments that the Adviser has recommended to Clients. In addition, the Adviser, its affiliates or officers, principals and employees of the Adviser and its affiliates may buy securities in transactions offered to but rejected by Clients. The investment policies, fee arrangements and other circumstances of these investments may vary from those of Clients. If the Adviser, its affiliates or officers, principals and employees of the Adviser or its affiliates have made large capital investments in or alongside Clients or clients of 3i DM US, they may have conflicting interests with respect to these investments.

Because certain expenses are paid for by a Client and/or its affiliates or, if incurred by the Adviser, are reimbursed by a Client and/or its affiliates, the Adviser may not necessarily seek out the lowest cost options when incurring (or causing a Client or its affiliates to incur) such expenses.

### *Fee Structure*

As discussed above in Item 6, the Adviser may be entitled to performance-based fees under the terms of organizational documents of such Clients. The existence of the Adviser's performance-based fees may create an incentive for the Adviser to cause such Clients to make more speculative investments than they would otherwise make in the absence of performance-based compensation.

### *Advisory Affiliates*

Certain of the Adviser's investment adviser affiliates have their own clients. Clients of the Adviser and these affiliates may invest in the same portfolio companies, including in the same security or in different securities of such a portfolio company. Interests of Clients may therefore conflict with the interests of the clients of these affiliates.

Please see the discussion above under the sub-heading “Resolution of Conflicts” for a description of the means by which the Adviser and its related persons may seek to alleviate conflicts of interest among Clients or other persons.

## **Item 12. Brokerage Practices**

To meet its fiduciary duties to Clients, the Adviser has adopted policies to address issues that might arise with respect to purchasing, holding, and selling securities pursuant to its best execution obligations.

### **Selection of Brokers and Dealers**

In placing each transaction for a Client involving a broker-dealer, the Adviser will seek “best execution” of the transaction. “Best execution” means obtaining for a Client account the lowest total cost (in purchasing a security) or highest total proceeds (in selling a security), taking into account the circumstances of the transaction and the reputability and reliability of the executing broker or dealer.

In determining whether a particular broker or dealer is likely to provide best execution in a particular transaction, the Adviser takes into account all factors that it deems relevant to the broker’s or dealer’s execution capability, including, without limitation:

- the overall direct net economic result to the Client (including commissions, which may not be the lowest available but which ordinarily will not be higher than the generally prevailing competitive range),
- the financial strength of the broker-dealer,
- the reputation and stability of the broker-dealer,
- the efficiency with which transactions are generally executed,
- the ability to effect the particular transaction,
- the availability of the broker-dealer to stand ready to execute difficult transactions in the future, and
- other matters involved in the receipt of brokerage and research services that may impact Clients.

Services provided by a broker-dealer such as research and other information useful for the management of Client accounts is also taken into consideration when directing trades to particular broker-dealers. The Adviser will take multiple factors into account when evaluating the performance of broker-dealers executing Client transactions. The Adviser will continually review the related commissions and other charges to ensure they are fair and reasonable within the current marketplace.

The Adviser will also consider the quality of firms with which it seeks to execute Client orders, the adequacy of lines of communication, the timeliness of reports of order execution, the capacity to accommodate unusual trading volumes and the preservation of Client anonymity, among other factors.

While the Adviser receives third party research from time to time from broker-dealers, the Adviser does not pay higher commission fees or direct certain amounts of business to such broker-dealers in exchange for such research. Such arrangements are known in the industry as “soft dollar arrangements”. The Adviser does not have any soft-dollar arrangements with any broker-dealer. The Adviser, however, reserves the right to enter into soft dollar arrangements as legally permitted under the law. Further, the Adviser will not enter into any soft dollar arrangements for any Client accounts defined as “plan assets” under ERISA unless express approval is granted by the plan trustees, and such arrangements do not otherwise violate any applicable law. Subject to the above, if the Adviser determines to enter into any soft dollar arrangements with any executing broker-dealers, the total amount of commission dollars paid by a Client for a transaction placed by the Adviser for the Client’s account may be higher than that paid if executed by another broker-dealer.

In such cases, the Adviser will use its best efforts to ensure that the higher commissions are reasonable in relation to the value of the brokerage and research services provided by the broker-dealer with whom a soft dollar arrangement has been established.

### **Aggregation of Trades**

Securities transactions in investment advisory accounts of the Adviser and its affiliated advisers are normally implemented on a consistent basis across accounts. In order to accomplish this, orders are aggregated (bunched) and allocated pro-rata to the nearest round lot. In addition to considerations of equity, bunching avoids placing competing positive orders, improves order management, and may, because of larger order size, permit some degree of price improvement relative to a series of individually placed orders.

If an order for more than one Client (or for a Client and one or more clients of an affiliated adviser) for a security cannot be fully executed, allocation shall be made based upon the Adviser’s procedures for allocation of investment opportunities, as described in Item 11 above.

## **Item 13. Review of Accounts**

### **Oversight and Monitoring**

The Adviser provides continuous advisory services for Clients. Primary review of the portfolios is conducted by portfolio managers with oversight by the CIO and the CCO.

### **Reporting**

CLOs receive account statements directly from their trustee or administrator on at least a quarterly basis. The Adviser may supplement these statements with written reports provided during Client meetings or as requested.

Other Clients receive reports as prescribed in the Client's governing documents. The Adviser may supplement these reports with written reports provided during Client meetings or as requested.

## **Item 14. Client Referrals and Other Compensation**

FSIM does not receive economic benefits from non-Clients in connection with the provision of investment advice to Clients. The Firm does not currently retain the services of nor does it pay for third party referrals or solicitors.

## **Item 15. Custody**

FSIM does not hold custody of CLO client accounts. These assets are held by the CLO issuer's independent third party Trustee/Collateral Administrator.

## **Item 16. Investment Discretion**

Investment advice is provided directly to each Client and not individually to the investors in the Client. Services are provided to Clients in accordance with the advisory agreements with Clients and/or their organizational documents. Investment restrictions for a Client, if any, are generally established in the organizational or offering documents of the Client.

## **Item 17. Voting Client Securities**

The Adviser does not manage equity portfolios, so the likelihood of a proxy vote with regard to any security that the Adviser may hold in one of its discretionary portfolios is remote. In the event that a voting right exists or is exercisable, in accordance with its fiduciary duty to Clients and Rule 206(4)-6 of the Investment Advisers Act of 1940, the Adviser has adopted and implemented written policies and procedures governing the voting of Client securities. All proxies that the Adviser receives will be treated in accordance with these policies and procedures.

The Adviser intends to vote proxies or similar corporate actions in accordance with the best interests of the applicable Client, taking into account such factors as it deems relevant in its sole discretion. Upon receipt of a proxy request, the Adviser's operations department contacts the investment professional responsible for the issuer. The investment professional reviews the



information, determines what is in the best interests of the Client and makes a recommendation to the CIO. The CIO then promptly votes proxies received in a manner consistent with the Adviser's policies and procedures.

The Adviser does not trade for its own account and, as a general matter, the investment strategies of the portfolios managed by the Adviser are similar or substantially similar enough that a conflict of interest between the Adviser and any two or more portfolios it manages is unlikely when voting a proxy on behalf of Clients. However, if an actual or potential conflict is found to exist, the Adviser may engage a reputable non-interested party to independently review the Adviser's vote recommendation and to confirm that the Adviser's vote recommendation is in the best interest of the Client under the circumstances. If the independent non-interested party determines that the Adviser's vote recommendation is not in the best interest of the Client under the circumstances, then the Adviser shall vote in the manner suggested by such independent non-interested party.

Clients generally cannot direct the Adviser's vote.

Copies of relevant proxy logs, identifying how proxies were voted in connection with a Client and copies of proxy voting policies are available to any Client or prospective client upon written request to: Patrick Maloney, Fraser Sullivan Investment Management, LLC, 400 Madison Avenue, Suite 9A, New York, NY 10017.

## **Item 18. Financial Information**

No financial events have occurred in respect of the Firm that would negatively affect the financial viability of the Firm. There is no financial condition of the Firm that is reasonably likely to impair the Firm's ability to meet contractual commitments to clients.