

Part 2A of Form ADV: Firm Brochure

PRISMA CAPITAL PARTNERS LP

One Penn Plaza, Suite 3515
New York, NY 10119
(212) 590-0800
www.kkr.com

March 31, 2014



This brochure provides information about the qualifications and business practices of Prisma Capital Partners LP which conducts business under the name KKR Prisma (“**KKR Prisma**”). If you have any questions about the contents of this brochure, please contact us at (212) 590-0800 and/or investor-relations@primapartners.com. 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. KKR Prisma is registered as an investment adviser with the SEC. This registration does not, however, imply a certain level of skill or training of any KKR Prisma personnel.

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

Item 2: Material Changes

KKR Prisma's most recent update to Part 2A was made in February 2014. KKR Prisma also updated Part 2B in February 2014. KKR Prisma is now updating Part 2A to reflect the following material changes:

- Item 4: Updated to reflect changes to the business strategies of KKR Prisma's affiliates as well as recent acquisition activity of KKR.
- Item 5: Updated to include additional information on the role and compensation structure of KKR's Senior Advisors.
- Item 8: Updated to reflect new risk disclosure specific to impacts and implementation of AIFMD on KKR Prisma.
- Item 10: Updated to include additional information on KKR Prisma's relying advisers.
- Item 11: Updated to discuss monitoring of conflicts with respect to outside business activities and the information barrier. Additional updates made to discussion on Affiliated Brokers, consulting activities and compensation arrangements for KKR Capstone and RPM Energy Management LLC.

Item 3 Table of Contents

<u>Item Number</u>	<u>Item</u>	<u>Page</u>
Item 2:	Material Changes	i
Item 3:	Table of Contents	2
Item 4:	Advisory Business	3
Item 5:	Fees and Compensation	5
Item 6:	Performance-Based Fees and Side-By-Side Management	7
Item 7:	Types of Clients	8
Item 8:	Methods of Analysis, Investment Strategies and Risk of Loss	8
Item 9:	Disciplinary Information	26
Item 10:	Other Financial Industry Activities and Affiliations	26
Item 11:	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	28
Item 12:	Brokerage Practices	33
Item 13:	Review of Accounts	33
Item 14:	Client Referrals and Other Compensation	34
Item 15:	Custody	34
Item 16:	Investment Discretion	34
Item 17:	Voting Client Securities	35
Item 18:	Financial Information	36
Item 19:	Requirements for State-Registered Advisers	36

Item 4: Advisory Business

Prisma Capital Partners LP which now conducts business under the name KKR Prisma (“**KKR Prisma**”) is a Delaware limited partnership founded in 2003 with \$10.2¹ billion in assets under management as of December 31, 2013, approximately \$9.4 billion of which is managed on a discretionary basis and approximately \$0.8 billion of which is managed on a non-discretionary basis. KKR Prisma advises clients with respect to diversified portfolios made up of private investment partnerships or similar vehicles managed by unaffiliated third-parties that pursue a variety of investment strategies, including convertible arbitrage, credit/distressed, dedicated short bias, emerging markets, equity market neutral, event, fixed-income arbitrage, global macro, long/short equity, managed futures, niche strategies, and multi-strategy. These portfolios are commonly referred to as funds of funds. These funds of funds may be organized as pooled investment vehicles and single-owner investment vehicles (“**Prisma Funds**”) or separately managed accounts (“**Accounts**”). KKR Prisma also provides advisory services on a non-discretionary basis to an unaffiliated third party investment adviser and other unaffiliated third party clients and may in the future provide such services to other unaffiliated third party clients.

In October 2012, KKR Prisma was acquired by Kohlberg Kravis Roberts & Co. L.P. (“**KKR**”). The acquisition of KKR Prisma by KKR did not involve a change in the senior management personnel of KKR Prisma or other individuals responsible for the investment management services provided by KKR Prisma, except for as described below. Following the acquisition by KKR, Girish V. Reddy is a Member of KKR and serves as the Chief Executive Officer of KKR Prisma. Gavyn Davies and Thomas J. Healey serve as Senior Advisors to 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 real assets, such as infrastructure, energy and real estate, and also invests in Marketable Securities (as defined below). 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, a customized platform that may invest in KKR funds and funds sponsored and managed by unaffiliated investment managers (“**third party funds**”) and related co-investments, and strategic partnership vehicles or other multi-strategy or multi-asset arrangements that invest across multiple KKR funds and investment strategies. KKR’s Global Institute (“**KGI**”) periodically publishes thought leadership papers, highlighting views from KKR’s portfolio companies and portfolio managers and political, economic and social trends. The Global Macro and Asset Allocation Group (the “**GMAA Group**”) within KGI periodically publishes commentary on economic trends and related topics and oversees a portfolio of investments in a variety of instruments and securities.

KKR Prisma is affiliated with KKR Asset Management LLC and its subsidiaries, which operate under the group name of KKR Asset Management (“**KAM**”) and primarily invests in U.S. and European leveraged credit strategies, such as leveraged loan and high yield bond strategies, alternative credit strategies (including investments in mezzanine debt, special situations instruments, structured and illiquid credit, long/short credit, and direct senior loan origination and related instruments), long/short equity strategies and other assets held by funds or other accounts managed by KKR Asset Management or Kohlberg Kravis Roberts & Co. L.P. (“**KKR**”), including private equity, real assets, such as infrastructure, energy and real estate..

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

KKR Prisma is also affiliated with KKR's capital markets business operated through affiliated broker-dealers and with KKR's proprietary trading business. (See Item 10 for a description of the affiliated broker-dealers.) U.S. employees of KKR Prisma, KAM and KKR's affiliated U.S. broker-dealers, KKR Capital Markets LLC and MCS Capital Markets LLC, are dual employees of such entities and KKR.

In December 2013, KKR & Co. L.P., an affiliate of KKR ("**KKR & Co.**" or the "**Public Company**") announced the signing of a definitive merger agreement pursuant to which an affiliate of KKR & Co. would acquire KKR Financial Holdings LLC ("**KFN**") through a stock-for-stock merger. The KFN transaction is subject to approval by KFN's shareholders as well as customary regulatory approvals and other customary closing conditions. Upon closing of the transaction, KFN would become a subsidiary of KKR & Co. and would continue its activity as a KKR proprietary entity.

In January 2014, an affiliate of KKR acquired a minority interest in Vanbridge Holdings Ltd., ("**Vanbridge**") an insurance intermediary and capital advisory firm that itself holds interests in Sharebridge Private Equity Consolidated ("**Sharebridge**"), an insurance broker serving private equity and hedge fund clients. Sharebridge has provided services to KKR and to KKR fund portfolio companies in the past and both Sharebridge and Vanbridge may provide such services in the future.

In February 2014, an affiliate of KKR acquired Avoca Capital Holdings and its affiliates ("**Avoca**"). Avoca provides discretionary investment management services to a number of private funds, managed accounts, and CLOs (collectively "**Avoca Funds**") generally pursuing strategies including European loans and bonds, credit opportunities, long/short credit, convertible bonds and structured and illiquid credit.

Ownership/Structure

KKR Prisma 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, 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. KKR Management LLC does not hold any economic interests in the Public Company, although an affiliated entity, KKR Holdings L.P. ("**KKR Holdings**"), holds special voting units in the Public Company (as well as the economic interests described below). Public unit holders hold 100% of the limited partnership interests in the Public Company. As of December 31, 2013, the Public Company indirectly held approximately 41.6% 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, 2013 the remaining limited partnership interests in the Group Partnerships were held indirectly by KKR Holdings and KKR Associated Holdings L.P. KKR Holdings is owned by certain KKR senior employees and non-employee operating consultants and their related persons.

Nature of KKR Prisma's Clients

KKR Prisma provides investment management and advisory services to Prisma Funds and Accounts. Investors in Prisma Funds and Accounts may include some or all of the following, as applicable: high net worth individuals (including trusts, estates, 401(k) plans and IRAs of such individuals and their family members), governmental and corporate pension and profit sharing plans (including investors regulated under the U.S. Employee Retirement Income Security Act of 1976, as amended (“**ERISA**”)), corporations or business entities, endowments and foundations, non-US and state or municipal government entities. KKR Prisma provides non-discretionary investment advisory services to an unaffiliated third party registered investment adviser.

KKR Prisma does not participate as manager in any wrap fee programs.

KKR Prisma's Investment Mandates

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

Item 5: Fees and Compensation

General

For services provided to the Prisma Funds, KKR Prisma and its affiliates may receive (a) a fee based on a percentage of assets under management, typically between 0.50% and 1.50% per annum, payable quarterly in advance or monthly in arrears; and (b) performance-based compensation equal to a percentage up to 20% of the realized and unrealized appreciation of assets or the realized and unrealized appreciation of assets in excess of a benchmark (e.g., the return on three-month U.S. Treasury Bills), generally payable annually. The asset-based fee is adjusted for additions made to a Prisma Fund by an investor that occur during a calendar quarter; if an investor withdraws assets from the Prisma Fund prior to quarter-end, KKR Prisma refunds any unearned management fee. Fees payable by the Prisma Funds are generally deducted directly from the investors' accounts. Fees payable by a Prisma Fund with respect to certain large or other strategic investors (and borne by such investors), as well as other terms related to redemption rights, transfers and reporting may be subject to negotiation based upon various factors such as the size of the investment or regulatory status of a particular investor. Any such arrangements or terms may be set forth in a side letter or similar agreement with the specific investor. In addition, investments in Prisma Funds by employees and other associated persons of KKR Prisma, KKR and their affiliates and proprietary investments by KKR Prisma, KKR and their affiliates as discussed below in Item 6, are not subject to such fees. In certain circumstances, KKR Prisma's asset based fees may be subject to minimum annual amounts.

The fees applicable to each Prisma Fund are more fully described in their offering materials, disclosure documents, investment management agreements and/or governing documents.

The fees charged to Accounts are subject to negotiation based upon the size of the account, the services provided, the reporting requirements of the underlying investor, the Account's investment strategy,

among other factors, and are set forth in the investment management agreements and/or other governing documents relating to such Accounts. For such Accounts, asset-based fees are generally payable quarterly in advance or monthly in arrears, at the election of the investor, and performance-based compensation is generally paid annually. If Accounts are initiated during a calendar quarter, the investor will be charged a prorated fee. If fees are paid in advance and assets are withdrawn from an Account or the Account is terminated prior to the end of the period to which such fees relate, KKR Prisma refunds any unearned fees. Investors in Accounts may also elect to be billed directly for fees or authorize KKR Prisma to directly debit fees from the Accounts.

KKR Prisma's fees are exclusive of custodial, administrative and other service provider fees, and other related costs and expenses which may be incurred by a Prisma Fund or Account, as applicable, and which are more fully described below and in the Prisma Fund or Account's offering materials, disclosure documents, investment management agreements and/or governing documents. KKR Prisma does not receive any portion of these fees, costs or expenses.

KKR Prisma structures performance-based compensation it receives, if any, in accordance with the U.S. Investment Advisers Act of 1940, as amended (the "**Advisers Act**").

Please see Item 11 for more information regarding compensation to KKR Prisma's affiliated broker-dealers.

Expenses

Prisma Funds and Accounts, to the extent applicable to their activities, will bear various expenses including but not limited to audit fees, administration fees, custody fees, legal fees, Director/Trustee fees, tax preparation fees, fees associated with financial statement preparation, and insurance premiums. Prisma Funds and Accounts may also be subject to additional expenses as are more fully described in the offering materials, disclosure documents, investment management agreements and/or governing documents of such Prisma Funds or Accounts. Prisma Funds and Accounts may also, through their investments in the third party funds and accounts to which KKR Prisma allocates capital, including Co-Investment vehicles discussed below in Item 8 ("**Portfolio Funds**"), bear a share of comparable expenses, management fees, incentive fees and other investment related and operational expenses incurred by such Portfolio Funds. Expenses related to initial and ongoing due diligence of managers of Portfolio Funds ("**Portfolio Managers**") or investment monitoring (including travel and lodging) are currently borne by KKR Prisma and are not allocated to Prisma Funds or Accounts.

When making investments in Portfolio Funds on behalf of Prisma Funds and Accounts, KKR Prisma may have an opportunity to negotiate agreements that provide more advantageous investment terms, including in particular but without limitation in respect of related management fees and incentive fees payable in respect of such investments, on behalf of such Prisma Funds and Accounts. Although KKR Prisma will endeavor to negotiate the same terms on behalf of all Prisma Funds and Accounts investing in such Portfolio Funds, there may be situations when regulatory requirements, investment objectives, the timing of investments, historical relationships with the relevant Portfolio Managers or other considerations may result in different terms, including in respect of applicable management fees and incentive fees, applying to investments in such Portfolio Funds by different Prisma Funds and Accounts.. Furthermore, there may be circumstances in which advantageous terms negotiated by KKR Prisma cannot be exercised by Prisma Funds and Accounts investing in the relevant Portfolio Funds. Although KKR Prisma will seek to negotiate investment terms in respect of Portfolio Funds that it considers advantageous as a whole, concessions may be required on the part of any Prisma Funds and Accounts investing in the relevant Portfolio Funds to obtain such terms.

In certain cases, KKR Prisma may negotiate management and incentive fee discounts for a specific dollar amount invested by Prisma Funds and Accounts in Portfolio Funds managed by a particular Portfolio Manager. These discounts will typically be applied to Prisma Funds and Accounts investing in such Portfolio Funds on a first-come, first-allocated basis. (See also Item 11 for a discussion of the relationship of KKR Prisma, Prisma Funds and Accounts and KKR and, including in respect of Co-Investments in which they participate).

In connection with the management and oversight of the Prisma Funds and Accounts, neither KKR Prisma nor any of its supervised persons accept compensation from third parties for the sale of securities or other investment products except as described above.

Senior Advisors

Senior Advisors are consultants rather than Employees of KKR, but are paid fees for services provided to KKR, KKR Funds, Other Clients, KKR Fund portfolio companies, KKR Prisma, Prisma Funds and Accounts. The terms of engagement, including the financial package, for Senior Advisors are generally agreed (“**Senior Advisor Agreement**”) between the Senior Advisor and KKR (or one of its affiliates) at the time of engagement. Each Senior Advisor Agreement is negotiated individually, depends upon anticipated advisory services, and may differ as between different individuals. Senior Advisor Agreements may be updated from time to time, taking into account considerations such as, but not limited to, performance or current market practices for similar consulting services.

Senior Advisors typically receive a financial package comprised of an annual fee, a discretionary performance-related bonus and grants of equity in one or more of the parent entities of KKR. Senior Advisors are also entitled to reimbursement for expenses incurred while providing services to KKR, KKR Funds, and KKR Fund portfolio companies. Senior Advisors may also serve from on the boards of directors of KKR Fund portfolio companies and may otherwise serve directly as consultants to KKR Fund portfolio companies and may receive directors’ fees, consulting fees and other compensation in connection therewith from KKR Fund portfolio companies. Certain Senior Advisor Agreements provide KKR the discretion to determine whether this additional compensation paid to Senior Advisors by KKR Fund portfolio companies will offset the cash compensation paid to such Senior Advisors under the Senior Advisor Agreement, although KKR typically would not offset such cash compensation.

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

As noted in Item 5 above, in connection with certain client accounts, KKR Prisma receives only an asset based fee, while in other client accounts, KKR Prisma receives compensation based on both the assets of and the performance of the client account. In calculating performance-based fees, KKR Prisma includes both realized and unrealized capital gains and losses.

Performance-based fee arrangements may create an incentive for KKR Prisma to recommend investments which may be riskier or more speculative than those which it would recommend under a different fee arrangement. Such fee arrangements may also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. Finally, performance-based fee arrangements may impact KKR Prisma’s decisions regarding the appropriate time to liquidate investments.

In addressing this potential conflict of interest, KKR Prisma, as an investment adviser, has a general obligation to act in the best interest of its clients. In addition, KKR Prisma has implemented internal processes to address this potential conflict of interest. Such processes are designed to treat all clients

fairly and equitably over time, and to prevent this potential conflict from influencing the allocation of investment opportunities among clients. See Items 10 and 11 for further information.

Employees and other associated persons of KKR Prisma, KKR, KAM and their affiliates and KKR, for its proprietary investment purposes, may invest directly into Prisma Funds. Such investors are not subject to management fees or performance based fees, but are subject to their pro rata share of Prisma Fund expenses. As these investments are made directly into Prisma Funds, KKR Prisma does not view these arrangements as giving rise to the types of potential conflict of interest described above.

Item 7: Types of Clients

As noted in Item 4 above, KKR Prisma provides investment management and advisory services to Prisma Funds which are generally organized as private pooled investment vehicles or single-owner investment vehicles, and to separately managed Accounts established for institutional investors. Investors in Prisma Funds and Accounts may include some or all of the following, as applicable: high net worth individuals (including trusts, estates, 401(k) plans and IRAs of such individuals and their family members), pension and profit sharing plans (including investors regulated under ERISA), corporations or business entities, endowments and foundations, non-US and state or municipal government entities. KKR Prisma also provides non-discretionary investment advisory services to an unaffiliated third party registered investment adviser. Investors in Accounts must maintain a minimum account size as mutually agreed between the client and KKR Prisma.

Investors in Prisma Funds that are U.S. Persons, as defined by Regulation S under the Securities Act of 1933, as amended, (the “**Securities Act**”) must be “qualified purchasers”, and “accredited investors”, each as defined under applicable regulations.

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

Investment Strategies

KKR Prisma pursues five core investment strategies as follows:

Low Volatility / Multi-Strategy. Seeks long-term capital appreciation over a several year period with lower volatility and low correlation to broad equity and fixed income indices. These portfolios typically invest in multi-manager, multi-strategy, diversified portfolios of hedge funds.

Opportunistic. Seeks returns generated by portfolios emphasizing what KKR Prisma believes to be current investment opportunities. Exposures to key themes are generally achieved through concentrated allocations to underlying sectors, geographies, and/or managers. These accounts typically allow for broad investment and liquidity variability.

Credit. Generally targets specific opportunities and/or market dislocations, globally, within distressed credit, corporate restructurings, asset-backed securities, special situations, direct lending, convertible bond arbitrage and other opportunistic credit sub-strategies which may arise due to market events.

Macro. Generally invests in discretionary and systematic global macro hedge funds, which may include those with an emphasis on the emerging markets, CTAs/managed futures, currencies and commodities.

Opportunistic equity. Generally invests in portfolios of equity-oriented hedge funds, which may include equity long/short, equity market neutral, equity-event strategies and, at times, equity short bias strategies.

Methods of Analysis

KKR Prisma analyzes Portfolio Funds and Portfolio Managers in which Prisma Funds or Accounts invest using a variety of quantitative and qualitative criteria including historic performance, portfolio risk measures, exposure data, position concentrations and limits, the relevant experience of the Portfolio Managers, the business model of the Portfolio Managers' organizations, and the financial commitment of the Portfolio Managers.

KKR Prisma maintains a proprietary database of qualitative and quantitative information. It obtains such information regarding current and potential Portfolio Funds and Portfolio Managers from its business network (which includes investment managers, consultants, prime brokers and other service providers), various on-line data services, industry publications, reports and other materials prepared by Portfolio Managers, and direct conversations with Portfolio Managers and their service providers.

KKR Prisma typically conducts three independent reviews of each potential Portfolio Manager by dedicated investment, risk and operations teams prior to making an initial allocation decision in respect of such Portfolio Manager. The teams conduct on-site meetings as part of the review process. In addition, KKR Prisma uses a third-party provider to conduct background reviews of key personnel of prospective Portfolio Managers, and external legal counsel reviews the offering materials, disclosure documents, investment management agreements and/or governing documents of the potential Portfolio Fund. Each team must approve a prospective Portfolio Manager before it can be recommended to KKR Prisma's investment committee for inclusion in the portfolio of a Prisma Fund or Account.

As indicated above, from time to time, Portfolio Managers of Portfolio Funds in which Prisma Funds and Accounts invest and individual portfolio managers and portfolio management teams within affiliates of KKR Prisma (including KKR, KAM and other affiliates) (such affiliated portfolio managers and management teams "**PMs**") may offer KKR Prisma the opportunity to invest directly (including either through a separate co-investment vehicle or through a new class, series or tranche of a Portfolio Fund) in a specific investment (each such investment, a "**Co-Investment**") on behalf of a Prisma Fund or Account. The external Portfolio Manager or PM, as applicable, of a potential Co-Investment will prepare and provide to KKR Prisma detailed information regarding such potential Co-Investment. Such Portfolio Manager or PM, and not KKR Prisma, will be responsible for any and all information provided to KKR Prisma regarding such Co-Investment. KKR Prisma will perform a thorough review of the information that it receives from the relevant Portfolio Manager or PM of a potential Co-Investment in order to determine whether the relevant Prisma Funds and Accounts should invest in such Co-Investment and will conduct such other due diligence as it determines necessary to make such determination. However, KKR Prisma will not independently verify the information provided by Portfolio Managers or PMs regarding particular Co-Investments and will rely on such Portfolio Managers' and PMs' review of such Co-Investments and negotiation of the related documentation. KKR Prisma, as needed and subject to the firm's information barrier and wall crossing procedures, may leverage investment resources across the broader KKR platform in connection with certain potential Co-Investments.

Allocations to Portfolio Funds and Portfolio Managers

KKR Prisma implements its investment advice by allocating capital among approved Portfolio Funds (including for these purposes, any Co-Investments) and Portfolio Managers in a manner designed to meet the risk and return objectives of the relevant Prisma Fund or Account.

The Portfolio Managers with whom the assets of a Prisma Fund or Account are invested generally employ one or more of the following investment strategies: convertible arbitrage, credit/distressed, dedicated short bias, emerging markets, equity market neutral, event, fixed-income arbitrage, global macro, long/short equity, managed futures, niche strategies, and multi-strategy. Portfolio Funds and Portfolio Managers may engage in other investment strategies that KKR Prisma considers appropriate, subject to the limitations imposed under the offering materials, disclosure documents, investment management agreements and/or governing documents of the Prisma Fund or Account.

Unless the investment guidelines of a Prisma Fund or Account provide otherwise, the Portfolio Funds invested in by Prisma Funds and Accounts may invest in a wide range of securities and instruments, including, but not limited to, U.S. and non-U.S. equities, equity-related instruments, and fixed income and other debt-related instruments. In managing Portfolio Funds, Portfolio Managers may utilize both over-the-counter and exchange traded securities (including derivative instruments), trade on margin, and engage in short sales and may invest, without limitation, in cash and cash equivalents when they determine that such investments are warranted.

KKR Prisma allocates the assets in Prisma Funds and Accounts among Portfolio Funds and their Portfolio Managers using its knowledge and experience to assess the capabilities of the Portfolio Managers and to determine what it considers the optimal mix of investment sectors and styles given the economic and investment environment, as well as the investment guidelines and restrictions of the relevant Prisma Funds or Accounts.

In an attempt to mitigate the overall risk of Prisma Fund and Account portfolios, as appropriate, KKR Prisma generally seeks to diversify the portfolios' assets among Portfolio Funds and Portfolio Managers that pursue different investment strategies and styles, to closely monitor the Portfolio Funds in which the portfolios' assets are invested and their Portfolio Managers, and to reallocate assets as required, from time to time.

As a general matter, KKR Prisma monitors the Portfolio Managers on an ongoing basis to seek to understand the sources of such Portfolio Managers' risk and return.

From time to time, KKR Prisma may determine that it is necessary to rebalance a portfolio's assets. KKR Prisma considers numerous factors in determining whether to terminate a relationship with a Portfolio Manager, including, but not limited to (a) poor or inconsistent performance, (b) personnel changes or changes in the organization or control of a Portfolio Fund, (c) changes to, or the failure to adhere to the stated investment strategy or risk characteristics of a Portfolio Fund, (d) changes to a Prisma Fund's or Account's investment guidelines, (e) changes to the liquidity needs of a Prisma Fund or Account, and (f) changes to KKR Prisma's strategy or general economic outlook.

KKR Prisma generally invests the cash balances of Prisma Funds and Accounts in money market instruments or accounts or other cash equivalents. Any income earned from such investments is reinvested.

Unless the investment guidelines of a Prisma Fund or Account provide otherwise, KKR Prisma generally does not utilize leverage in connection with allocating the assets of Prisma Funds or Accounts among

Portfolio Funds. However, it may be authorized on behalf of certain Prisma Funds and Accounts to utilize short-term borrowings for operating and cash management purposes. It may also, from time to time, be authorized on behalf of certain Prisma Funds and Accounts to engage in limited hedging activities including, in particular, currency hedging activities for the benefit of investors in different currency classes of interests issued by such Prisma Fund or Account.

The Portfolio Funds held by Prisma Funds and Accounts are generally permitted to borrow and use leverage. The use of leverage can, in certain circumstances, substantially increase the adverse impact to which the Prisma Fund and Account portfolios may be subject.

KKR Prisma may create one or more omnibus funds (“**Omnibus Funds**”) through which a Prisma Fund and/or Accounts may invest for the primary purpose of consolidating investments by the foregoing into a single entity that then invests in one or more underlying Portfolio Funds. Potential benefits of Omnibus Funds include preservation of high water marks, greater liquidity with respect to the underlying Portfolio Fund(s), reduced fees and efficiency associated with subscriptions and redemptions. The collective nature of Omnibus Funds also has potential costs, risks and conflicts, particularly at times when the Fund, Other Accounts and/or the underlying Portfolio Fund(s) are experiencing sustained or high levels of redemption pressure or markets are illiquid. Tax and other considerations cause the use of Omnibus Funds for the purpose discussed above to be less advantageous for use by KKR Prisma’s U.S. domiciled Funds and Other Accounts than for its non-U.S. domiciled Funds and Other Accounts. Accordingly, KKR Prisma generally expects in most cases to implement use of Omnibus Funds for the purpose of consolidating investments by KKR Prisma’s non-U.S. domiciled Funds and/or Accounts.

See Item 13 for further information regarding KKR Prisma’s investment process.

Material Risks of Significant Investment Strategies

The risk factors briefly summarized below include examples of material risks generally relating to Prisma Funds and Accounts and the funds of funds strategies pursued by them. In addition, such risk factors include examples of material risks relating to certain investment strategies that may be implemented by certain Portfolio Funds. Such risks may not be applicable to all Prisma Funds or Accounts or their Portfolio Funds (including Co-Investments). The following summary does not purport to be a complete list or explanation of the risks involved in an investment in a Prisma Fund or Account or any underlying Portfolio Fund. The offering materials, disclosure documents and/or governing documents of each Prisma Fund or Account will typically include a more detailed summary of material risks applicable to the Prisma Fund or Account and its investment strategy and structure, as applicable, and should be read in conjunction with the discussion of risks below.

Prisma Funds; General Risks

Risk of Loss. Investing in securities involves risk of loss that investors in Prisma Funds and Accounts should be prepared to bear. There can be no assurance that the investment objectives of a Prisma Fund or Account, including risk monitoring and diversification goals, will be achieved, and results may vary substantially over time.

Dependence on the Portfolio Managers. KKR Prisma invests assets of the Prisma Funds and Accounts through Portfolio Managers. The success of the Prisma Funds and Accounts depend upon the ability of KKR Prisma and the Portfolio Managers to develop and implement investment strategies that achieve the Prisma Funds’ and Accounts’ investment objectives. For example, a Portfolio Manager’s inability to effectively hedge an investment strategy that it utilizes may cause the assets of a Prisma Fund or Account invested with such Portfolio Manager to significantly decline in value and could result in losses to the

Prisma Fund or Account. Subjective decisions made by KKR Prisma and/or the Portfolio Managers may cause a Prisma Fund or Account to incur losses or to miss profit opportunities on which it may otherwise have capitalized. KKR Prisma relies on Portfolio Fund valuations provided by its Portfolio Managers in valuing interests in Prisma Funds and Accounts. Operational failures or misconduct within such Portfolio Managers may result in these valuations being inaccurate which in turn may adversely impact Prisma Funds, Accounts and their investors.

Possession of Material Non-Public Information; Other Investment Restrictions. To the extent KKR Prisma becomes privy to material non-public information, it may be restricted in its ability to make an investment in or withdraw on behalf of a Prisma Fund or Account from a particular Portfolio Fund (including, in particular, Co-Investments). Additionally, in certain instances, KKR Prisma might become restricted in its ability to make an investment in or withdraw from a particular Portfolio Fund (including any Co-Investment) on behalf of a Prisma Fund or Account even though it may not be privy to any material non-public information; such restrictions could be derived from contractual obligations and/or confidentiality obligations, applicable law and/or internal policies and procedures. In such instances, a Prisma Fund's or Account's ability to make an investment in or withdraw from a particular Portfolio Fund (including a Co-Investment) may be significantly restricted, which may adversely impact such Prisma Fund or Account, including by preventing the execution of an otherwise advisable transaction (including, a withdrawal, closing or winding-down of a position).

Without limiting the above, it should be noted that from time to time KKR and its affiliates may be subject to contractual "stand-still" obligations and/or confidentiality obligations that alone or in light of applicable law and/or internal policies and procedures adopted by KKR and its affiliates may restrict Prisma's ability to make an investment in or withdraw from a particular Portfolio Fund (including a Co-Investment) on behalf of a Prisma Fund or Account. Given KKR's size and global footprint there can be no guarantee that the foregoing restrictions would not impair significantly KKR Prisma's ability to transact on behalf of a Prisma Fund or Account.

Redemption from Portfolio Funds; Re-Allocation of Investments. Prisma Funds and Accounts typically have limited rights pursuant to which they may redeem, transfer or otherwise liquidate their investments in underlying Portfolio Funds. Under the terms of the governing documents of the relevant Portfolio Funds, the ability of a Prisma Fund or Account to redeem any amount invested therein may be subject to certain restrictions and conditions, including restrictions on the redemption of capital for an initial period, restrictions on the amount of redemptions and the frequency with which redemptions can be made, and investment minimums that must be maintained. Additionally, Portfolio Funds typically reserve the right to reduce ("gate") or suspend redemptions, to set aside ("side pocket") capital that cannot be redeemed for so long as an event or circumstance has not occurred or ceased to exist, respectively, and to satisfy redemptions by making distributions in-kind, under certain circumstances. Portfolio Funds that constitute Co-Investments may not permit withdrawals or redemptions until the relevant co-investment opportunity has been liquidated. The ability of investors to redeem Portfolio Fund interests may be adversely affected to varying degrees by such restrictions depending on, among other things, the length of any restricted periods imposed by the Portfolio Funds, the amount and timing of a requested redemption by an investor in relation to the time remaining of any restricted periods imposed by Portfolio Funds, the aggregate amount of redemption requests, the next regularly scheduled redemption dates of such Portfolio Funds, the imposition of "gates" or suspensions, the use of "side pockets", the decision by a Portfolio Fund to satisfy redemptions in-kind, and the satisfaction of other conditions.

Events in the world financial markets may materially adversely affect the Portfolio Funds, potentially limiting a Prisma Fund's or Account's ability to fully exercise its redemption rights with regard to Portfolio Funds due to "gates", suspensions, distributions in-kind and portfolio fund dissolutions.

Public Disclosure. Some of the investors in a Prisma Fund or Account may be public pension plans and listed investment vehicles that are subject to public disclosure requirements. The amount of information about their investments that is required to be disclosed has increased in recent years, and that trend may continue. To the extent that disclosure of confidential information relating to a Prisma Fund or Account or its investments results from interests being held by public investors, such Prisma Fund or Account may be adversely affected.

Business and Regulatory Risks of Private Funds. Events in the world financial markets may materially adversely affect Prisma Funds, Accounts and the Portfolio Funds in which they invest. Market events, such as the world financial crisis of 2008, can cause extreme losses and volatility in securities markets and the failure of certain markets to function normally. Prisma Funds, Accounts and their underlying Portfolio Funds may be materially and adversely affected by similar or other events in the future and it is impossible to predict when such events may happen, what their impact on world markets will be, or how long they will continue.

Legal, tax and regulatory developments may adversely affect Prisma Funds and Accounts and their underlying Portfolio Funds. Securities and futures markets are subject to comprehensive statutes, regulations and margin requirements enforced by the U.S. Securities and Exchange Commission (the “SEC”) the U.S. Commodity Futures Trading Commission (the “CFTC”), other U.S. and non-U.S. regulators and self-regulatory organizations and exchanges authorized to take extraordinary actions in the event of market emergencies. The regulation of derivative transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by government and judicial actions. The regulatory environment for private funds is evolving, and changes in the regulation of private funds and their investment activities may adversely affect the ability of a Prisma Fund, Account or a Portfolio Fund to pursue its investment strategy, its ability to obtain leverage and financing, if applicable, and the value of its investments. There has been an increase in governmental, as well as self regulatory, scrutiny of the alternative investment industry in general in the U.S. and other countries. It is impossible to predict what, if any, changes in regulations may occur, but any regulations that restrict, for example, the ability of a Portfolio Fund to trade in securities or the ability of a Portfolio Fund to employ, or brokers and other counterparties to extend, credit in its trading (as well as other regulatory changes that result) could have a material adverse impact on the portfolio of a Portfolio Fund and, therefore, any Prisma Fund or Account holding such Portfolio Fund.

In particular, the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (the “**Dodd-Frank Act**”) was enacted in July 2010. The Dodd-Frank Act requires extensive rulemaking and regulatory changes that affect private fund managers, and the funds that they manage and the financial industry as a whole. Additionally, under the Dodd-Frank Act, the SEC has mandated new recordkeeping and reporting requirements for investment advisers, which are expected to add costs to the legal, operational and compliance obligations of KKR Prisma and Portfolio Managers with which it invests and possibly the Prisma Funds, Accounts and Portfolio Funds, and increase the amount of time that KKR Prisma and its Portfolio Managers spend on non-investment related activities. Until the SEC, the CFTC and other agencies have completed implementation of the new requirements, it is unknown how burdensome such requirements will be. The Dodd-Frank Act affects a broad range of market participants with whom the Prisma Funds, Accounts and their underlying Portfolio Funds interact or may interact, including banks, non-bank financial institutions, rating agencies, mortgage brokers, credit unions, insurance companies, and broker dealers, and may change the way in which KKR Prisma and its Portfolio Managers conduct business with their counterparties. It may take years to understand the impact of the Dodd-Frank Act on the financial industry as a whole, and therefore, the continued uncertainty may make markets more volatile and may make it difficult for KKR Prisma and its Portfolio Managers to execute their respective investment strategies.

The European Union Alternative Investment Partnership Managers Directive (the “**Directive**”) came into force in July 2011. The Directive applies to (i) alternative investment fund managers (“**AIFM**”) established in the EU who manage EU or non-EU alternative investment funds (“**AIF**”), (ii) non-EU AIFMs who manage EU AIFs and (iii) non-EU AIFMs which market their AIFs within the EU. Individual EU member states are required to implement the Directive into domestic law, and the Directive took effect at a national level within EU member states in July 2013. The Directive imposes new operating requirements on EU AIFMs, and, to a lesser extent, non-EU AIFMs seeking to market an AIF within the EU. The full scope of the Directive may also, from October 2015 at the earliest, be extended to non-EU AIFMs who wish to market an AIF within the EU pursuant to a pan-European marketing passport instead of under national private placement regimes. The operating requirements imposed by the Directive include, among other things, rules relating to the remuneration of certain personnel, minimum regulatory capital requirements, restrictions on use of leverage, restrictions on early distributions (“asset stripping” rules), disclosure and reporting requirements to both investors and home state regulators, and independent valuation of an AIF’s assets.

As a result, the Directive could have an adverse effect on Prisma Funds, the underlying Portfolio Managers and/or the Portfolio Funds by, among other things, increasing the regulatory burden and costs of doing business in EU member states, imposing extensive disclosure obligations on a Portfolio Fund located in EU member states, significantly restricting marketing activities within the EU, potentially requiring a Portfolio Manager to change its compensation structures for key personnel, thereby affecting a Portfolio Manager’s ability to recruit and retain these personnel, and as applicable disadvantaging the Portfolio Fund as a bidder for and potential owner of private companies located in EU member states when compared to non-AIF/AIFM competitors which may not be subject to the requirements of the Directive, thereby potentially restricting a Portfolio Fund’s ability to make investments in such companies. The Directive could also limit a Portfolio Manager’s operating flexibility and a Portfolio Fund’s investment opportunities, as well as expose KKR Prisma, a Prisma Fund, the underlying Portfolio Manager and/or the Portfolio Fund to conflicting regulatory requirements in the United States and the EU. It should be noted that the final scope and requirements of the Directive remain uncertain, and are subject to change as a result of enactment both of EU secondary legislation and national implementing legislation in EU member states.

Risks Relating to Portfolio Managers

Risks Faced by Portfolio Managers. Portfolio Managers are subject to various risks, including, but not limited to, operational risks such as the ability to provide an adequate operating environment for a Portfolio Fund such as back office functions, trade processing, accounting, administration, risk management, portfolio valuation and reporting (see “Operational Risk Relating to Investment Transactions” below). Portfolio Managers may also face competition from other investment funds which may be more established and have larger capital bases and larger numbers of qualified management and technical personnel. Additionally, certain Portfolio Managers may pursue over time different investment strategies that may limit a Prisma Fund’s or Account’s ability to assess a Portfolio Manager’s ability to achieve its long-term investment objective. Furthermore, a Portfolio Manager may face additional risks as the assets of a Portfolio Fund increase over time. In such instances, a Portfolio Manager may not be able to handle properly the operating volume of a Portfolio Fund with an increased capital base. Also, a Portfolio Manager may be unable to manage a Portfolio Fund’s increased assets effectively because it may be unable to maintain such fund’s current investment strategy or find the types of investments better suited for a Portfolio Fund with an increased capital base.

“*Style Drift*”. KKR Prisma relies primarily on information provided by Portfolio Managers in assessing a Portfolio Manager’s defined investment strategy, the underlying risks of such a strategy and, ultimately, determining whether, and to what extent, it will allocate a Prisma Fund’s or Account’s assets to particular

Portfolio Managers. Style drift can occur abruptly if a Portfolio Manager believes it has identified an investment opportunity for higher returns from a different approach (and the Portfolio Manager disposes of an interest quickly to pursue this approach) or it can occur gradually, such as if, for instance, a “value”-oriented Portfolio Manager gradually increases its investments in “growth” stocks. Style drift can also occur if a Portfolio Manager focuses on factors it had deemed immaterial in its offering documents, such as particular statistical information or returns relative to certain benchmarks. Additionally, style drift may result in a Portfolio Manager pursuing investment opportunities in an area in which it has a competitive disadvantage or is outside such Portfolio Manager’s area of expertise (e.g., a large-cap manager focusing on small-cap investment opportunities). Moreover, style drift poses a particular risk for multi-manager structures since, as a consequence, a Prisma Fund or Account may be exposed to particular markets or strategies to a greater extent than was anticipated by KKR Prisma when it assessed the portfolio’s risk-return characteristics and allocated assets to a Portfolio Manager (and which may, in turn, result in overlapping investment strategies among various Portfolio Managers).

Misconduct or Bad Judgment of Portfolio Managers. While KKR Prisma attempts to mitigate risks associated with investing with a Portfolio Manager, including by conducting due diligence on, and ongoing monitoring of, the Portfolio Manager and adjusting allocations to the Portfolio Manager (or withdrawing such allocations), it is difficult, if not impossible, for KKR Prisma to protect a Prisma Fund or Account from the risk of Portfolio Manager fraud, misrepresentation, operational failures, material strategy alteration or poor judgment. Although Portfolio Managers are required to adhere to the offering materials and governing documents for the relevant Portfolio Funds, KKR Prisma cannot control the investments made by a Portfolio Manager. Further, when a Prisma Fund or Account invests in a Portfolio Fund, it does not have custody of the assets of the Portfolio Fund. Therefore, there is always the risk that the personnel associated with such Portfolio Fund could abscond with the Portfolio Fund’s assets resulting in losses to the Prisma Fund or Account. Where any Portfolio Fund constitutes a Co-Investment sponsored by KKR or its affiliates, KKR Prisma will face a conflict of interest in respect of any actions to be taken on behalf of any KKR Prisma Fund or Account investing in such Co-Investment in the event of any misconduct or bad judgment of KKR or any other relevant Portfolio Manager (See also Item 11 for further discussion of the relationship of KKR Prisma and KKR and its affiliates).

Operational Risk Relating to Investment Transactions. Portfolio Funds depend on their Portfolio Managers to develop appropriate systems and procedures to control operational risk relating to their management of the relevant Portfolio Funds. These systems and procedures may not account for every actual or potential disruption of a Portfolio Manager’s operations. A Portfolio Manager may rely heavily on its financial, accounting and other data processing systems to process transactions across numerous and diverse markets on a daily basis. Systemic failures in the systems employed by a Portfolio Manager on behalf of a Portfolio Fund, its prime brokers and/or counterparties, exchanges and similar clearance and settlement facilities and other parties could result in mistakes made in the confirmation or settlement of transactions, or in transactions not being properly booked, evaluated or accounted for. Disruptions in a Portfolio Manager’s operations may cause Portfolio Funds managed by the Portfolio Manager to suffer, among other things, financial loss, the disruption of its business, liability to third parties, regulatory intervention or reputational damage.

Valuations. Interests in Portfolio Funds are generally valued on behalf of Prisma Funds and Accounts in accordance with the methods set forth in the governing documents of the relevant Portfolio Funds. These valuations may be provided by the Portfolio Manager of a Portfolio Fund based on the interim unaudited financial records of such Portfolio Fund, and, therefore, may be subject to adjustment (upward or downward) upon the receipt of new or revised information by the Portfolio Manager. The value of a Prisma Fund’s or Account’s interest in a particular Portfolio Fund cannot be considered final until the annual audit of such Portfolio Fund is complete.

Certain securities in which Portfolio Funds invest may not have a readily ascertainable market price. Such securities will typically be valued by the Portfolio Managers of the relevant Portfolio Funds, which valuation will be conclusive with respect to any Prisma Fund or Account invested in such Portfolio Fund even though such Portfolio Managers will generally face a conflict of interest in valuing such securities because the value thereof will affect their compensation. Interests of Prisma Funds or Accounts in any Co-Investment sponsored by KKR or its affiliates will typically be valued by KKR or such affiliates.

Portfolio Fund Investment Strategy; General Risks

General. Portfolio Managers may pursue a variety of investment strategies, each of which carries inherent risks. Such risks include concentration risks, volatility risks, risks associated with investing in non-US securities and emerging markets, and other risks associated with specific strategies that Portfolio Managers may undertake, for example, risks associated with trading in equity securities, high yield securities, fixed income securities, derivatives, and distressed securities, as well as risks associated with short selling and the use of leverage. Additionally, from time to time, a significant portion of a Portfolio Fund's portfolio may be invested in illiquid securities and instruments (including any Portfolio Fund constituting a Co-Investment, which are generally expected to be illiquid).

Hedging Transactions. Portfolio Managers and Portfolio Funds may utilize a variety of financial instruments, such as derivatives, options, interest rate swaps, caps and floors, futures and forward contracts to seek to hedge against declines in the values of their portfolio positions as a result of changes in currency exchange rates, certain changes in the equity markets and market interest rates and other events. Hedging against a decline in the value of portfolio positions does not eliminate fluctuations in the values of such positions or prevent losses if the values of such positions decline. Instead, hedging activities typically establish other positions designed to gain from those same developments, thus offsetting the decline in the value of the portfolio positions. Such hedging transactions also limit the opportunity for gain if the value of the hedged portfolio positions should increase. It may not be possible for Portfolio Managers or Portfolio Funds to hedge against a change or event at a price sufficient to protect Portfolio Fund assets from the decline in value of the portfolio positions anticipated as a result of such change. In addition, it may not be possible to hedge against certain changes or events at all.

Portfolio Managers are not obligated to establish hedges for portfolio positions and may decline to do so. To the extent that hedging transactions are effected, their success is dependent on the relevant Portfolio Manager's ability to correctly predict movements in the direction of currency or interest rates, the markets or sectors thereof or other events being hedged against. Therefore, while a Portfolio Manager may enter into such transactions to seek to reduce currency exchange rate and interest rate risks, or the risks of a decline in the markets generally or one or more sectors of a market in particular, or the risks posed by the occurrence of certain other events, unanticipated changes in currency or interest rates or increases or smaller than expected decreases in the markets or sectors being hedged or the non-occurrence of other events being hedged against may result in a poorer overall performance for the Portfolio Fund than if the Portfolio Manager had not engaged in any such hedging transaction. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio position being hedged may vary. Moreover, for a variety of reasons, a Portfolio Manager may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent a Portfolio Manager from achieving the intended hedge or expose the Portfolio Fund to additional risk of loss.

Highly Volatile Markets; FX Risk. The prices of commodities contracts and all derivative instruments, including futures and options, can be highly volatile (see "*Commodities and Derivate Investments*" below). In addition, governments from time to time intervene, directly and by regulation, in certain

markets, particularly those in currencies, financial instruments, futures and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. A Portfolio Fund also is subject to the risk of the failure of any exchanges on which its positions trade or of their clearinghouses. A Portfolio Fund may make certain speculative investments in currencies which its Portfolio Manager believes to be undervalued; however, there are no assurances that the currencies purchased will in fact be undervalued. In addition, a Portfolio Fund may be required to hold such currencies for a substantial period of time before realizing their anticipated value. During this period, a portion of such Portfolio Fund's assets will be committed to the currencies purchased, thus possibly preventing such Portfolio Fund from investing in other opportunities.

High-Yield Securities. Portfolio Funds may invest in high-yield securities (commonly known as "junk bonds"). Such securities are generally not exchange traded and, as a result, these instruments trade in a smaller secondary market than exchange-traded bonds. In addition, Portfolio Funds 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. High-yield securities that are below investment grade or unrated face ongoing uncertainties and exposure to adverse business, financial or economic conditions that could lead to the issuer's inability to meet timely interest and principal payments. The market values of certain of these lower-rated and unrated debt securities tend to reflect individual corporate developments to a greater extent than do higher-rated securities, which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than higher-rated securities. Companies that issue such securities are often highly leveraged and may not have available to them more traditional methods of financing. It is possible that a major economic recession could severely disrupt the market for such securities and may have an adverse impact on the value of such securities. In addition, it is possible that any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default of such securities.

Short Selling. Portfolio Managers may engage in short selling. Short selling involves selling securities that are not owned and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from declines in the price of securities. 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 securities to rise further, thereby exacerbating the loss.

Leverage. Although the Prisma Funds and Accounts do not generally utilize leverage in connection with allocating assets among Portfolio Funds, Portfolio Funds may buy and sell securities on margin and otherwise utilize leverage, increasing the volatility of the Prisma Fund's and Account's investments. The use of leverage can, in certain circumstances, substantially increase the adverse impact to which the a Portfolio Fund's investment portfolio may be subject. Trading securities on margin, unlike trading in futures (which also involves margin), results in interest charges and, depending on the amount of trading activity, such charges could be substantial. The low margin deposits normally required in futures and forward trading permit a high degree of leverage; accordingly, relatively small price movement in a futures contract may result in immediate and substantial losses to the investor. Such a high degree of leverage necessarily entails a high degree of risk.

Commodities and Derivative Investments. The prices of commodities contracts and derivative instruments, including futures and options and other derivatives that may be invested in by Portfolio Funds, are highly volatile. Payments made pursuant to swap agreements may also be highly volatile. Price movements of commodities, futures, forwards and options contracts and payments pursuant to swap

agreements are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The value of futures, options and swap agreements also depends upon the price of the commodities underlying them. In addition, Portfolio Fund assets are also subject to the risk of the failure of any of the exchanges on which Portfolio Fund commodity or derivative positions trade or of their clearinghouses or counterparties.

A Portfolio Fund may buy or sell (write) both call options and put options, and when it writes options, it may do so on a covered or an uncovered basis. A Portfolio Fund's option transactions may be part of a hedging strategy (i.e., offsetting the risk involved in another securities position) or a form of leverage, in which the Portfolio Fund has the right to benefit from price movements in a large number of securities with a small commitment of capital. These activities involve risks that can be substantial, depending on the circumstances. (See also "Hedging Transactions" and "Leverage," above.)

When a Portfolio Fund sells (writes) an option, the risk can be substantially greater than when it buys an option. The seller of an uncovered call option bears the risk of an increase in the market price of the underlying security above the exercise price. The risk is theoretically unlimited unless the option is covered. If it is covered, the Portfolio Fund would forego the opportunity for profit on the underlying security should the market price of the security rise above the exercise price. If the price of the underlying security were to drop below the exercise price, the premium received on the option (after transaction costs) would provide profit that would reduce or offset any loss the Portfolio Fund might suffer as a result of owning the security.

Swaps and certain options and other custom instruments traded over the counter are subject to the risk of non-performance by the swap counterparty, including risks relating to the creditworthiness of the swap counterparty, market risk, liquidity risk and operations risk.

Forward Contracts. Portfolio Funds may enter into over-the-counter forward contracts for the trading of certain futures interests, such as currencies and interest rates, through U.S. and non-U.S. national or local banks and currency and rates dealers. Banks and dealers act as principals in such markets. Banking authorities generally do not regulate trading in forward contracts. The principals who deal in the forward contract market are not required to continue to make markets in such contracts. There have been periods during which certain participants in forward markets have refused to quote prices for forward contracts or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. The imposition of credit controls or price risk limitations by governmental authorities may limit such forward trading to less than that which a Portfolio Manager would otherwise recommend, to the possible detriment of a Portfolio Fund. In its forward trading, a Portfolio Fund will be subject to the risk of the failure of, or the inability or refusal to perform with respect to its forward contracts by, the principals with which such Portfolio Fund trades. Portfolio Fund assets on deposit with such principals will also generally not be protected by the same segregation requirements imposed on certain regulated brokers in respect of customer funds on deposit with them. A Portfolio Manager may order trades for its Portfolio Fund in such markets through agents. Accordingly, the insolvency or bankruptcy of such parties could also subject the Portfolio Funds to the risk of loss.

Securities Believed to Be Undervalued or Incorrectly Valued. Securities that Portfolio Managers believe are fundamentally undervalued or incorrectly valued may not ultimately be valued in the capital markets at prices and/or within the time frame the Portfolio Managers anticipate. As a result, Portfolio Funds may lose all or substantially all of their investment in any particular instance (see also "Valuations" above).

Restricted and Illiquid Investments. Portfolio Funds may invest in restricted securities and other investments that are illiquid. Restricted securities are securities that may not be sold to the public without

an effective registration statement under the Securities Act, or, if they are unregistered, may be sold only in a privately negotiated transaction or pursuant to an exemption from registration. These may include restricted securities that can be offered and sold only to “qualified institutional buyers” under Rule 144A under the Securities Act. There may be no limit to the percentage of a Portfolio Fund’s net assets that may be invested in illiquid securities.

Positions in restricted or non-publicly traded securities, securities listed on non-U.S. exchanges and certain futures contracts may be illiquid because certain exchanges limit fluctuations in certain securities and futures contract prices during a single day by regulations referred to as “daily price fluctuation limits” or “daily limits.” Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a particular security or futures contract has increased or decreased by an amount equal to the daily limit, positions in that security or contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. Such positions may also be illiquid because a Portfolio Manager is an “insider” of the relevant issuer, including, for example, by holding a board seat or material shareholdings in an issuer of publicly traded securities, and subject to related blackout periods in which the Portfolio Manager may not effect trades in the relevant securities or because the Portfolio Manager has entered into contractual “lock-up” periods with respect to such positions (see also “Possession of Material Non-Public Information; Other Investment Restrictions” above).

Equity Securities Generally. Portfolio Funds may invest in equity securities of public and private, listed and unlisted companies and equity derivatives. The value of these securities generally will vary with the performance of the issuer and movements in the equity markets. As a result, a Portfolio Fund, may suffer losses if it invests in equity instruments of issuers whose performance diverges from the Portfolio Manager’s expectations or if equity markets generally move in a single direction and the Portfolio Fund has not hedged against such a general move. A Portfolio Fund also may be exposed to risks that issuers of equity securities will not fulfill contractual obligations such as, in the case of convertible securities or private placements, delivering marketable common stock upon conversions of convertible securities and registering restricted securities for public resale.

Preferred Stock. Portfolio Funds may invest in preferred stock. 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.

Exchange Traded Funds. Portfolio Funds may invest in exchange traded funds (“ETFs”), which are publicly traded unit investment trusts, open-end funds or depository receipts that seek to track the performance and dividend yield of specific indices or companies in related industries. These indices may be either broad-based, sector or international. However, ETF shareholders are generally subject to the same risk as holders of the underlying securities they are designed to track. ETFs 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 they are designed to track, and the risk of trading in an ETF halting due to market conditions or other reasons, based on the policies of the exchange upon which the ETF trades. In addition, Portfolio Funds may bear, along with other shareholders of an ETF, their pro rata portion of the ETF’s expenses, including management fees.

Investments in Initial Public Offerings. Portfolio Funds may invest in initial public offerings. Investments in initial public offerings (or in the relevant securities shortly after their initial public offering) may involve higher risks than investments acquired in secondary public offerings or purchases

on a secondary market due to a variety of factors, including, without limitation, the limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the issuer and limited operating history of the issuer. In addition, some issuers of securities involved in initial public offerings are involved in relatively new industries or lines of business, which may not be widely understood by investors. Some of these companies may be undercapitalized or regarded as developmental stage companies, without revenues or operating income, or the near-term prospect of achieving them. These factors may contribute to substantial price volatility for such securities.

Counterparty Default. The stability and liquidity of repurchase agreements, swap transactions, forward transactions and other over-the-counter derivative transactions participated in by Portfolio Funds depend in large part on the creditworthiness of the parties to the transactions. It is expected that each Portfolio Fund will monitor on an ongoing basis the creditworthiness of firms with which it will enter into such arrangements. If there is a default by the counterparty to such a transaction, a Portfolio Fund will under most normal circumstances have contractual remedies pursuant to the agreements related to the transaction. However, exercising such contractual rights may involve delays or costs which could result in the net asset value of a Portfolio Fund being less than if such Portfolio Fund had not entered into the transaction. Furthermore, there is a risk that any of such counterparties could become insolvent and/or the subject of insolvency proceedings.

If one or more of a Portfolio Fund's prime brokers or other broker-dealers were to become insolvent or the subject of insolvency proceedings in the United States (either under the U.S. Securities Investor Protection Act of 1970, as amended, or the U.S. Bankruptcy Code), there exists the risk that the recovery of such Portfolio Fund's securities and other assets from such prime broker or broker-dealer will be delayed or be of a value less than the value of the securities or assets originally entrusted to such prime broker or broker-dealer.

In addition, a Portfolio Fund may transact with counterparties located in jurisdictions outside the United States. Such local counterparties are subject to the laws and regulations in non-U.S. jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to a Portfolio Fund's assets are subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a counterparty, it is impossible to generalize about the effect of their insolvency on a Portfolio Fund and its assets.

Non-U.S. Investments. Portfolio Funds may invest in securities of non-U.S. companies and in non-U.S. currencies. Investing in the securities of such companies and countries involves certain considerations not usually associated with investing in securities of U.S. companies or the U.S. government, including political and economic considerations, such as greater risks of expropriation and nationalization, confiscatory taxation, the potential difficulty of repatriating funds, general social, political and economic instability and adverse diplomatic developments; the possibility of imposition of withholding or other taxes on dividends, interest, capital gain, other income or gross sale or disposition proceeds; the small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict a Portfolio Fund's investment opportunities. In addition, accounting and financial reporting standards that prevail in non-U.S. countries generally are not equivalent to U.S. standards and, consequently, less information may be available to investors in companies located in such countries than is available to investors in companies located in the United States. Moreover, an issuer of securities may be domiciled in a country other than the country in whose currency the instrument is denominated. The values and relative yields of investments in the securities markets of different countries, and their associated risks, are expected to

change independently of each other. There is also less regulation, generally, of the securities markets in non-U.S. countries than there is in the United States.

Emerging, Developing and Under-developed Markets. Portfolio Funds may invest in emerging, developing and under-developed markets. In addition to the risks associated with investments outside of the U.S., investments in emerging, developing and under-developed markets may involve additional risks. Emerging, developing and under-developed markets generally are not as efficient as those in developed countries. In some cases, a market for the financial instrument may not exist locally, and transactions will need to be made on a neighboring exchange. Volume and liquidity levels in emerging, developing and under-developed markets are lower than in developed countries. When seeking to sell emerging, developing and under-developed market financial instruments, little or no market may exist for such instruments. In addition, imposition of exchange regulations, limitations on removal of funds, political instability and corruption and confiscatory taxation are more likely to occur in emerging, developing and under-developed markets.

Issuers based in emerging, developing and under-developed markets are not generally subject to uniform accounting and financial reporting standards, practices and requirements comparable to those applicable to issuers based in developed countries, thereby potentially increasing the risk of fraud or other deceptive practices. Furthermore, the quality and reliability of official data published by the government or securities exchanges in emerging, developing and under-developed markets may not accurately reflect the actual circumstances being reported.

The issuers of some non-U.S. securities, such as banks and other financial institutions, may be subject to less stringent regulations than would be the case for issuers in developed countries and therefore potentially carry greater risk. Custodial expenses for a portfolio of emerging, developing and under-developed markets securities generally are higher than for a portfolio of securities of issuers based in developed countries.

Many of the laws that govern private and foreign investment, securities transactions and contractual relationships in non-U.S. countries, particularly in emerging and developing countries, are new and largely untested. As a result, a Portfolio Fund may be subject to a number of unusual risks, including inadequate investor protection, contradictory legislation, incomplete, unclear and changing laws, ignorance or breaches of regulations on the part of other market participants, lack of established or effective avenues for legal redress, lack of standard practices and confidentiality customs characteristic of developed markets, and lack of enforcement of existing regulations.

Sovereign Debt. Portfolio Funds may invest in financial instruments issued by a government, its agencies, instrumentalities or its central bank (“**Sovereign Debt**”). Sovereign Debt may include financial instruments that a Portfolio Manager believes are likely to be included in restructurings of the external debt obligations of the issuer in question. The ability of an issuer to make payments on Sovereign Debt, the market value of such debt and the inclusion of Sovereign Debt in future restructurings may be affected by a number of other factors, including such issuer’s (i) balance of trade and access to international financing; (ii) cost of servicing such obligations, which may be affected by changes in international interest rates; and (iii) level of international currency reserves, which may affect the amount of foreign exchange available for external debt payments. Significant ongoing uncertainties and exposure to adverse conditions may undermine the issuer’s ability to make timely payment of interest and principal, and issuers may default on their Sovereign Debt.

Risks Related to Natural and Other Catastrophic Disasters. Certain of the Portfolio Funds’ investments, including, without limitation, investments in the natural resources sector, may be subject to relatively

infrequent but potentially severe risk of loss resulting from the occurrence of one or more catastrophic events or natural disasters, such as floods, forest fires, earthquakes, hurricanes, tsunamis, volcanic eruption or nuclear meltdowns. If any such event or disaster should occur, a Portfolio Fund's investments may be directly impacted by such loss, or operations at one or more of the issuers in which a Portfolio Fund invests may halt, either completely or for extended periods of time, as such disasters may destroy or impair the ability of such issuers to make use of their facilities or obtain the supplies necessary to operate. In addition, in the event of a widespread disaster, insurers of issuers in which a Portfolio Fund invests may become insolvent and unable to pay claims, or the issuers in which a Portfolio Fund invests may incur losses in excess of insured limits.

Risks Associated with Certain Investment Strategies

Credit-Distressed

Bank Debt. Certain Portfolio Funds may invest in bank loans and participations. Risks associated with these obligations include, but are not limited to: inadequate perfection of the security interest granted under the loan documents, the possible invalidation or compromise of a loan transaction as a fraudulent conveyance or preference under relevant creditors' rights laws; the validity and seniority of bank claims and guarantees; environmental liability that may arise with respect to collateral securing the obligations; adverse consequences resulting from participating in such instruments with other institutions with lower credit quality; long and less certain settlement periods; limitations on the ability of the Portfolio Fund to directly enforce its rights with respect to participations and illiquidity in the market for the resale of such loans.

Investments in Distressed Securities. As indicated above under "High Yield Securities," Portfolio Funds may invest in "below investment grade" securities and obligations including securities and obligations of issuers in weak financial condition, or that are experiencing poor operating results, have substantial capital needs or negative net worth, or are facing special competitive or product obsolescence problems, including companies involved in bankruptcy or other reorganization and liquidation proceedings. These securities are likely to be particularly risky investments although they also may offer the potential for correspondingly high returns. Among the risks inherent in investments in troubled entities is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments may also be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate, recharacterize debt as equity or disenfranchise particular claims. Such companies' obligations may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies. In addition, there is no minimum credit standard that is a prerequisite to any investment by any Portfolio Fund in any instrument, and a significant portion of the obligations and securities in which a Portfolio Fund invests may be less than investment grade. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. There is no assurance that a Portfolio Manager will correctly evaluate the value of the assets collateralizing a Portfolio Fund's investments or that such collateral will be sufficient. In any reorganization or liquidation proceeding relating to a company in which a Portfolio Fund invests, such Portfolio Fund may lose its entire investment, may be required to accept cash or securities with a value less than such Portfolio Fund's original investment and/or may be required to accept payment over an extended period of time.

In liquidation (both in and out of bankruptcy) and other forms of corporate reorganization, there exists the risk that the reorganization either will be unsuccessful (due to, for example, failure to obtain requisite

approvals), will be delayed (for example, until various liabilities, actual or contingent, have been satisfied) or will result in a distribution of cash or a new security the value of which will be less than the purchase price to the Portfolio Fund of the security in respect to which such distribution was made.

Borrower Fraud. Of paramount concern in investments in loans is the possibility of material misrepresentation or omission on the part of the borrower. Such inaccuracy or incompleteness may adversely affect the valuation of the collateral underlying the loans or may adversely affect the ability of a Portfolio Fund pursuing a credit strategy to perfect or effectuate a lien on the collateral securing the loan. Portfolio Funds that invest in loans will generally rely upon the accuracy and completeness of representations made by borrowers to the extent reasonable when it makes its investments, but cannot guarantee such accuracy or completeness. Under certain circumstances, payments to a Portfolio Fund may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

Event Driven

Risks of Event-Driven Investing. Prisma Funds and Accounts may invest in Portfolio Funds engaged in event-driven investing. Event-driven investing requires a Portfolio Manager to make predictions about (i) the likelihood that an event will occur and (ii) 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. For example, the adoption of new business strategies or completion of asset dispositions or debt reduction programs by a company may not be valued as highly by the market as the Portfolio Manager had anticipated, resulting in losses. In addition, a company may announce a plan of restructuring which promises to enhance value, but fail to implement it, which can result in losses to investors. In liquidations and other forms of corporate reorganization, the risk exists that the reorganization either will be unsuccessful, will be delayed or will result in a distribution of cash or a new security, the value of which will be less than the purchase price to the Portfolio Fund of the security in respect of which such distribution was made. The consummation of mergers and tender and exchange offers can be prevented or delayed by a variety of factors, including: (i) opposition of the management or stockholders of the target company, which will often result in litigation to enjoin the proposed transaction; (ii) intervention of a federal or state regulatory agency; (iii) efforts by the target company to pursue a "defensive" strategy, including a merger with, or a friendly tender offer by, a company other than the offeror; (iv) in the case of a merger, failure to obtain the necessary stockholder approvals; (v) market conditions resulting in material changes in securities prices; (vi) compliance with any applicable federal or state securities laws; and (vii) inability to obtain adequate financing.

Risk Arbitrage. Risk arbitrage is a strategy that seeks to profit from changes in the price of securities of companies involved in extraordinary corporate transactions. The difference between the price paid by a Portfolio Fund for securities of a company involved in an announced extraordinary corporate transaction and the anticipated value to be received for such securities upon consummation of the proposed transaction will often be very small. Since the price bid for the securities of a company involved in an announced extraordinary corporate transaction will generally be at a significant premium above the market price prior to the announcement, if the proposed transaction appears likely not to be consummated or in fact is not consummated or is delayed, the market price of the securities will usually decline sharply, perhaps by more than the Portfolio Fund's anticipated profit, even if the security's market price returns to a level comparable to that which exists prior to the announcement of the deal.

The risk arbitrage business is extremely competitive. In any given transaction, arbitrage activity by other firms will tend to narrow the spread between the price at which a security may be purchased by a Portfolio Fund and the price it expects to receive upon consummation of the transaction.

Equity Market Neutral

Market Neutral. The success of a Portfolio Fund's relative value investment strategy (including its market neutral strategy) depends upon its Portfolio Manager's ability to identify and exploit perceived inefficiencies in the pricing of securities, financial products, or markets. Identification and exploitation of such inefficiencies involve uncertainty. There can be no assurance that a Portfolio Manager will be able to locate investment opportunities or to exploit pricing inefficiencies in the securities markets. Mispricings, even if correctly identified, may not be corrected by the market, at least within a timeframe over which it is feasible for a Portfolio Manager to maintain a position. Even pure arbitrage positions can result in significant losses if a Portfolio Manager is not able to maintain both sides of the position until expiration/maturity. A reduction in the pricing inefficiency of the markets in which a Portfolio Manager seeks to invest will reduce the scope for the relevant Portfolio Fund's investment strategies. In the event that the perceived mispricings underlying a Portfolio Fund's positions were to fail to converge toward, or were to diverge further from, relationships expected by its Portfolio Manager, the Portfolio Fund may incur losses. Even if a Portfolio Fund's relative value investment strategy is successful, it may result in high portfolio turnover and, consequently, high transaction costs.

Fixed-Income Arbitrage

Fixed-income and Convertible Bond Arbitrage. The success of the investment activities of a Portfolio Manager involved in fixed-income and convertible bond arbitrage will depend on the Portfolio Manager's ability to identify and exploit price discrepancies in these markets. Identification and exploitation of market opportunities involve uncertainty. No assurance can be given that a Portfolio Manager will be able to locate investment opportunities or to correctly exploit price discrepancies. A reduction in the pricing inefficiency of the markets in which a Portfolio Manager seeks to invest will reduce the scope for the Portfolio Manager's investment strategies. In the event that the perceived mispricings underlying the Portfolio Manager's positions were to fail to materialize as expected by such Portfolio Manager, a Portfolio Fund could incur a loss.

Global Macro

Global Macro Generally. The success of a Portfolio Fund's global macro investment strategy depends upon its Portfolio Manager's ability to identify and exploit perceived fundamental, economic, financial and political imbalances that may exist in and between markets throughout the world. Identification and exploitation of such imbalances involves significant uncertainties. There can be no assurance that a Portfolio Manager will be able to locate investment opportunities or to exploit such imbalances. In the event that the theses of a Portfolio Manager underlying a Portfolio Fund's positions fail to be borne out in developments expected by the Portfolio Manager, the Portfolio Fund may incur losses, which could be substantial.

Market Correlation. Markets and instruments can correlate strongly at times or in ways that are difficult for Portfolio Managers to predict, even if such markets and instruments appear uncorrelated in stable macroeconomic or market conditions. Recent market trends suggest that in the wake of financial crises and other events with global effects, such as natural disasters, investor sentiment can, at times, be guided more by risk aversion than by traditional business fundamentals. Accordingly, upon the occurrence of certain trigger events or changes in investor sentiment on the market, an industry or a sector, investors may buy or sell indiscriminately based not on the soundness of a specific investment or market, but rather on a general willingness or hesitance to take risk. Under such circumstances, markets could move in unison thereby enhancing the negative effect of any market downturns on a Portfolio Fund's portfolio and the ability of its Portfolio Manager to effect the Portfolio Fund's investment program. Under such

circumstances, even a well-analyzed and diversified investment approach may not protect a Portfolio Fund from significant losses.

Long/Short Equity

The success of a Portfolio Fund's long/short investment strategy depends upon its Portfolio Manager's ability to identify and purchase securities that are undervalued and identify and sell short securities that are overvalued. The identification of investment opportunities in the implementation of a Portfolio Fund's long/short investment strategy is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. In the event that the perceived opportunities underlying a Portfolio Fund's positions were to fail to converge toward, or were to diverge further from, values expected by its Portfolio Manager, the Portfolio Fund may incur a loss. In the event of market disruptions, significant losses can be incurred which may force a Portfolio Fund to close out one or more positions. Furthermore, the valuation models used to determine whether a position presents an attractive opportunity consistent with a Portfolio Manager's long/short strategy may become outdated and inaccurate as market conditions change.

Managed Futures

Trading Decisions Based on Technical Strategy. The trading decisions of a Portfolio Manager utilizing a managed futures strategy may seek to take into account certain "technical" factors in identifying price trends and price movements. The buy and sell signals generated by the system are not based on analysis of fundamental supply and demand factors, general economic factors or anticipated world events but generally upon a study of actual daily, weekly and monthly price fluctuations, volume variations and changes in open interest. The profitability of any technical trading strategy depends upon occurrence in the future of major price moves or trends in the instruments traded. In the past there have been periods without discernible trends and presumably similar periods will occur in the future. The best trading strategy will not be profitable if there are no trends of the kind it seeks to follow. Any factor that may lessen the prospect of major trends in the future (e.g., increased governmental control of, or participation in, the markets) may reduce the prospect that the strategy will be profitable. Any factor that would make it more difficult to execute trades at the system's signal prices, such as a significant lessening of liquidity in a particular market, also would be detrimental to profitability.

Futures Contracts. The low margin or premiums normally required in trading futures contracts may provide a large amount of leverage, and a relatively small change in the price of a security or contract can produce a disproportionately larger profit or loss. There is no assurance that a liquid secondary market will exist for futures contracts or options purchased or sold by a Portfolio Fund, and a Portfolio Fund may be required to maintain a position until exercise or expiration, which could result in losses.

Futures positions may be illiquid due to "daily price fluctuation limits" or "daily limits" (see also "Restricted and Illiquid Investments" above). In addition, Portfolio Managers may not be able to execute futures contract trades at favorable prices if trading volume in such contracts is low. It is also possible that an exchange or the CFTC may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract or order that trading in a particular contract be conducted for liquidation only. In addition, the CFTC and various exchanges impose speculative position limits on the number of positions that may be held in particular commodities. Trading in commodity futures contracts and options are highly specialized activities that may entail greater than ordinary investment or trading risks.

Item 9: Disciplinary Information

Neither KKR Prisma 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

Affiliated Broker-Dealers

KKR Prisma is an affiliate of KKR Capital Markets LLC and MCS Capital Markets LLC, each of which is a U.S. registered broker-dealer. KKR Prisma is also affiliated with KKR Capital Markets Limited, located in London, which is authorized by the U.K. Financial Conduct 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 and offer investment advisory and other consultancy/advisory services. In addition, KKR Prisma is affiliated with KKR Australia Pty Limited, KKR Australia Investment Management Pty Limited, KKR MENA Limited, KKR Singapore Pte. Ltd. and KKR Saudi Limited, which hold financial services licenses from the Australian Securities and Investment Commission and the Dubai Financial Services Authority, the Monetary Authority of Singapore and the Capital Market Authority in Saudi Arabia, as applicable, permitting them among other things to conduct capital raising and other broker-dealer activities (collectively, the “**Affiliated Brokers**”).

KKR Prisma senior investment personnel will evaluate any transactions between a Prisma Fund or Account (including Co-Investments) and an Affiliated Broker on a case-by-case basis to address any conflicts. Transactions involving a Prisma Fund or Account and an Affiliated Broker, if any, may also be reported to KKR’s Global Conflicts Committee with regard to the appropriateness of the transaction and the firm’s fiduciary obligations.

Please see Item 11 for more information regarding Affiliated Brokers.

Other Investment Advisers

Kohlberg Kravis Roberts & Co. L.P.

KKR Prisma 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 (“**KKR Funds**”). KKR is separately registered under the Advisers Act as an investment adviser. KKR may make investments for its own account, including, for example, through proprietary co-investment vehicles or feeder funds established for KKR and its personnel and associated persons (which may include KKR Prisma investment professionals and other KKR Prisma personnel). See Item 11 for a discussion of the relationship of KKR Prisma, Prisma Funds and Accounts and the KKR Funds.

KKR Asset Management LLC

KKR Prisma is also affiliated with KAM and its subsidiaries. KAM is separately registered as an investment adviser under the Advisers Act. See Item 11 for a discussion of the relationship of KKR Prisma, Prisma Funds and Accounts and the KAM Funds.

Prisma Capital Management International LLP

Prisma Capital Management International LLP, a subsidiary of KKR Prisma, located in London, United Kingdom, is authorized by the Financial Conduct Authority of the United Kingdom to carry out investment management, research and client relations services. It currently only provides research and client relations services to KKR Prisma. Prisma Capital Management International LLP is a Relying Adviser of KKR Prisma.

Prisma Capital Management LLC

Prisma Capital Management LLC, a subsidiary of KKR Prisma, provides investment management services to certain Prisma Fund and Accounts. Prisma Capital Management LLC is a Relying Adviser of KKR Prisma.

Prisma Capital Advisors LLC

Prisma Capital Advisors LLC, a subsidiary of KKR Prisma, provides investment management services to certain Prisma Funds. Prisma Capital Advisors LLC is a Relying Adviser of KKR Prisma.

Commodity Pool Operators and Commodity Trading Advisors

As a result of providing investment advisory services to certain Prisma Funds and Accounts that indirectly invest in commodity futures and other commodity interests, KKR Prisma may from time to time be a commodity trading advisor and/or commodity pool operator for the purpose of the rules and regulations issued by the CFTC under the U.S. Commodity Exchange Act and as such, will rely on certain exemptions from registration with the CFTC under that Act or, in the event that such exemptions cease to apply, register under the applicable regulatory regime. As such status is incidental to KKR Prisma's investment management activities with respect to the relevant Prisma Funds and Accounts, Prisma does not view such status as giving rise to a material conflict of interest in respect of such Prisma Funds or Accounts.

Pooled Investment Vehicles and Regulated Subsidiaries and Sponsors of Limited Partnerships

KKR Prisma, KKR, KAM, Avoca and certain of their respective affiliates serve as sponsors or syndicators of a number of limited partnerships including Prisma Funds, KKR Funds, KAM Funds, and Avoca Funds. KKR Prisma also primarily serves as investment adviser to Prisma Funds that are pooled investment vehicles and corporate entities. In addition, its affiliates, KKR and KAM serve as investment advisers of KKR Funds, KAM Funds and Avoca Funds that are, for the most part, pooled investment vehicles. While KKR Prisma Funds are 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, Prisma Funds, KKR Funds, KAM Funds, Avoca Funds and Other Clients ("**Affiliated Accounts**") may engage in Co-Investments and other transactions alongside each

other, which may give rise to conflicts of interest. KKR has adopted a conflicts process designed to address these conflicts as well as conflicts that may arise from KKR Prisma's investment activities on behalf of KKR proprietary accounts and from KKR Prisma's relationship with KKR and its affiliates. Please refer to Item 11 for a discussion of the potential conflicts that may be raised by KKR Prisma's relationship with these KKR Prisma affiliates and the policies and procedures KKR Prisma has adopted to address these potential conflicts.

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

Code of Ethics

KKR Prisma 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 parent, KKR, for all of its investment advisory subsidiaries, including KKR Prisma. The Code sets out standards of business and personal conduct for each employee (which for these purposes includes other persons as set out in the Code, including certain consultants, advisors, temporary employees and other persons designated by KKR's Global Chief Compliance Officer) 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 Prisma Funds and current or prospective investors in Prisma Funds and Accounts.

The policies and procedures set forth in the Code recognize that as an investment adviser, KKR Prisma is in a position of trust and confidence with respect to the Prisma Funds and Accounts and has a duty to place the interests of the Prisma Funds and Accounts before the interests of KKR Prisma and its employees which for these purposes includes other persons as set out in the Code, including certain consultants, advisors, temporary employees and other persons designated by KKR's Global Chief Compliance Officer. This duty includes an obligation to address or mitigate both conflicts of interest and the appearance of any conflicts of interest. The Code also recognizes that as an investment adviser registered under the Advisers Act, Prisma 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 KKR Prisma 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 Prisma Funds and Accounts, and (iii) preserve the confidentiality of information that they may obtain in the course of KKR Prisma's business and use such information properly, consistent with applicable legal standards, and not in any way adverse to the interests of any Prisma Funds or Accounts.

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 and the securities of KKR affiliates, as well as 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 personal securities transactions and requires employees to disclose all brokerage or securities accounts held in the employee'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. KKR Prisma employees are subject to specific restrictions relating to investments in private placements, specifically, hedge funds.

Certain investment personnel of KKR Prisma maintain personal private fund investment holdings. Certain of these investments are maintained with third-party investment managers that sponsor investment vehicles that KKR Prisma recommends to its clients, or that KKR Prisma may choose to recommend to its clients in the future. Furthermore, certain of these personal investments may have terms that are more favorable than those routinely offered by the unaffiliated investment manager (e.g., reduced fees). These personal investments may give rise to potential or actual conflicts of interest between KKR Prisma's clients on the one hand, and KKR Prisma and its affiliates, on the other hand. Accordingly, KKR Prisma has adopted policies and procedures intended to mitigate any potential or actual conflicts of interest pertaining to this topic.

The Code restricts employees' ability to conduct activities outside the firm that may conflict with the interests of the Prisma Funds or Accounts, requires preapproval for gifts and entertainment in excess of certain values that may be received and/or provided by employees and restricts employees' ability to make political donations. Employees of KKR and Senior Advisors may also serve as directors or interim executives, or otherwise be associated with companies that are competitors of portfolio companies of certain KKR Funds or those instructional investors to which KKR provides services directly through a contractual relationship, ("Other Clients).

KKR's Compliance Group receives and reviews all trading and other reports and employee certifications submitted pursuant to the Code to determine that personal trading (as well as other activities subject to compliance oversight) conducted by employees and other covered persons is consistent with the requirements and restrictions set forth in the Code and does not otherwise indicate any improper trading activities.

Employees may also engage in outside business activities, including serving on boards of directors of third party entities, which may give rise to certain conflicts of interests. KKR's Compliance Group reviews Employee certifications to identify such conflicts of interest.

Additionally, KKR has 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. KKR's Compliance Group is responsible for establishing and administering the information barriers established by KKR.

Participation or Interest in Client Transactions

Principal and Cross Transactions

KKR Prisma typically does not engage in Principal Transactions.

KKR Prisma typically does not engage in Cross Transactions, including rebalancing transactions, on behalf of Prisma Funds or Accounts. However, if the KKR Prisma determines that such a transaction is in the best interest of two Prisma Funds or Accounts (for example, if the only means of obtaining liquidity for a Portfolio Fund or a co-investment is through a transfer rather than a redemption), KKR Prisma may engage in a simultaneous transfer, subject to its best execution obligations. KKR Prisma may coordinate the redemption of interests in a Portfolio Fund or a special purpose company on behalf of one of more Prisma Funds and Accounts and the simultaneous subscription for interests in the same Portfolio Fund or special purpose company by another Prisma Fund and Account. These transactions are effected at the current net asset value of the Portfolio Fund and will be done in accordance with all relevant regulatory requirements. KKR Prisma does not consider such activity to constitute cross or principal

transactions. However, KKR Prisma has elected to apply its policies regarding Cross Transactions and Principal Transactions to simultaneous transfers.

Fee Waivers

Prisma Capital Partners LLC and Prisma Capital Management LLC, a subsidiary of KKR Prisma, each serve as general partner or managing member to a number of funds of funds to which KKR Prisma provides services and which are organized as limited partnerships or limited liability companies. Investors may be solicited to invest in one of these funds of funds if the investment meets the individual investor's investment objectives. In the event that a Prisma Fund or Account invests in another Prisma Fund or Account, fee waivers are obtained so that Prisma Funds or Accounts are not subject to duplicate fees.

Allocation of Investments

KKR Prisma advises or manages multiple portfolios that may have substantially similar investment objectives. However, the opportunity to invest in Portfolio Funds may be available on a limited basis. KKR Prisma endeavors to allocate investment opportunities to Prisma Funds or Accounts over a period of time on a fair and equitable basis, taking into account such factors as their respective investment programs, available cash for investments, minimum investment size allowed by the Portfolio Funds and existing investments of each Prisma Fund or Account for which participation in such investment opportunity is appropriate. KKR Prisma may give advice or take action with respect to one Prisma Fund or Account which may differ from the advice given or action taken with respect to another Prisma Fund or Account.

In addition, with respect to the allocation of appropriate investment opportunities between certain Prisma Funds or Accounts and others, KKR Prisma will give priority to the party that has cash available for investment in Portfolio Funds and which deposited such funds (or, in the case of a related party account, has provided KKR Prisma notice that additional monies are available for investment) at the earliest time.

Relationship with KKR and its Affiliates

Portfolio Funds may pursue a broad range of investment strategies and invest in a broad range of securities and instruments and other assets globally. While it is not KKR Prisma's current intention to invest Prisma Funds directly in KAM Funds, KKR Funds, Avoca Funds or other investment funds sponsored by KKR Prisma's affiliates ("**Affiliated Funds**") other than certain Co-Investments as discussed below, KKR (including, for these purposes, KKR, KAM, Avoca, the Affiliated Brokers and their respective affiliates) is a major participant in the global markets and may frequently, or from time to time, be actively engaged in transactions in the same securities and financial instruments in which Portfolio Funds are invested or in other securities and financial instruments issued by the same issuers in which Portfolio Funds are invested. If a Prisma Fund or Account invests in a Portfolio Fund that becomes an Affiliated Fund after the date of such Prisma Fund or Account's investment (for example following the acquisition of the relevant Portfolio Manager or its investment team by KKR), management fees and incentive fees and other performance-based compensation applicable to the investment by the relevant Prisma Fund or Account will be waived so that two levels of management fees and performance-based compensation payable to KKR Prisma and its newly affiliated Portfolio Manager are not directly and indirectly borne by investors in the relevant Prisma Fund or Account, and the Prisma Fund Account will continue to remain invested in any such Affiliated Fund to the extent consistent with applicable law.

Actions taken by KKR, KKR Funds or KAM Funds and any other affiliates and Affiliated Accounts in respect of any securities and financial instruments in which Portfolio Funds are invested or in other

securities and financial instruments issued by the same issuers in which Portfolio Funds are invested may adversely impact an investment made by a Prisma Fund or Account particularly where interests are not aligned. In addition, KKR, KAM, Avoca, and the Affiliated Brokers and their respective affiliates may directly and indirectly receive fees, commissions and other compensation from issuers invested in by Portfolio Funds or otherwise in connection with transactions in which a Portfolio Fund may participate. Any such activities will be controlled by the Portfolio Managers and will be outside the control of KKR Prisma.

For example, KKR, KKR Funds and KAM Funds may own or control companies in which a Portfolio Fund has an interest or which are competitors of such companies and may take actions in respect thereof that are adverse to the interests of a Portfolio Fund (for example if a Portfolio Fund holds a debt instrument issued by a company in respect of which KKR Funds are the controlling shareholders, interests may not be aligned particularly where the company is financially distressed). Portfolio Funds may also invest in issuances of securities and other instruments that are underwritten by Affiliated Brokers or with respect to which an Affiliated Broker serves as placement agent or other intermediary (and receives a related commission or other transaction fee or compensation). In addition, Portfolio Funds may invest in securities issued by the Public Company.

As previously indicated, from time to time, a Prisma Fund or Account may invest in a Co-Investment that is sponsored by KKR or its affiliates and in which KKR and its affiliates, including KKR Funds, KAM Funds or other Affiliated Accounts and KKR and its affiliates for their own investment purposes participate. KKR (and its affiliates) may also offer third party co-investors (including strategic and other investors) the opportunity to participate in a particular Co-Investment. To the extent KKR and its affiliates, third party co-investors, KKR Funds, KAM Funds or other Affiliated Accounts participate in a Co-Investment in which a Prisma Fund or Account participates (collectively, “**Co-investors**”), the size of the investment opportunity available to such Prisma Fund or Account may be less than it would have otherwise have been.

KKR (and its affiliates) and KKR Prisma will generally seek to ensure that any Prisma Fund or Account participating in a Co-Investment alongside other Co-investors participate in such Co-Investment and any related transactions on comparable terms to the extent KKR (or its affiliate) and KKR Prisma determine appropriate and subject to legal, tax and regulatory considerations. Notwithstanding the foregoing, from time to time certain Co-investors co-investing with a Prisma Fund or Account may invest on different (and more favorable) terms than those applicable to the Prisma Fund or Account and may have interests or requirements that conflict with and adversely impact the Prisma Fund or Account (for example, with respect to their liquidity requirements, available capital, the timing of acquisitions and disposition or control rights).

Co-investors investing in any Co-Investment in which a Prisma Fund or Account participates that are KKR Funds, KAM Funds, Avoca Funds or other Affiliated Accounts including Affiliated Accounts established principally for the benefit of employees and other associated persons of KKR and its affiliates and other proprietary KKR accounts typically will not be subject to management fees or incentive allocations (or other performance compensation) in respect of such Co-Investments. Such Co-Investors will, however, generally share an allocable amount of other fees and expenses borne by Co-Investors investing in such Co-Investments. Management fees or performance compensation applicable to other Co-investors will be established by KKR (or its affiliate) in its sole discretion and may be less than those applicable to the participating Prisma Fund or Account. Certain strategic and other Co-investors not affiliated with KKR Prisma or KKR may not be subject to or otherwise charged any management fees and/or performance compensation in respect of such Co-Investments. KKR or its Affiliated Brokers may receive transaction fees, syndication fees, placement fees and/or other fees and commissions in connection with Co-Investments in which a Prisma Fund or Account invests to the extent permitted by

applicable law. Such fees and commissions will not be shared with KKR Prisma or any relevant Prisma Fund or Account.

Affiliated Brokers (including their respective related lending vehicles) may, from time to time, manage or otherwise participate in underwriting syndicates and/or selling groups with respect to the securities and debt instruments of KKR portfolio companies and other non-controlled entities in which a Portfolio Fund may invest. Affiliated Brokers may otherwise be involved in the public or private placement of such securities and other instruments, and/or may provide advisory services to portfolio companies and other non-controlled entities in which Portfolio Funds may invest, including in connection with mergers and acquisitions, the syndication of KKR portfolio company co-investment opportunities, and may provide acquisition financing and other lending services to such entities in addition to financing provided through a KKR Fund or Other Client's investment. In addition, Affiliated Brokers may, alone or with other lenders (including other KKR entities), arrange lines of credit to portfolio companies and other non-controlled entities in which Portfolio Funds may invest. Affiliated Brokers (through their respective related lending vehicles) may also provide lines of credit to third party borrowers, in which Portfolio Funds may invest. Affiliated Brokers may also, from time to time, provide syndication services to such entities including in respect of Co-Investments in transactions participated in by Portfolio Fund or Prisma Funds and Accounts. Such Affiliated Brokers may receive fees, commissions, financing fees, interest payments and other compensation in respect of the foregoing activities. Affiliated Brokers and other KKR entities may, as a consequence of such activities, from time to time hold positions in instruments or securities issued by portfolio companies in which the Portfolio Funds may also be invested.

Companies in which Portfolio Funds may invest (including Co-Investments) that are owned or controlled by KKR, KKR Funds, KAM Funds, Avoca Funds or other Affiliated Accounts may bear the cost of consulting services provided by Capstone Consulting LLC and its related parties ("**KKR Capstone**") and RPM Energy Management LLC ("**RPM**"). Each of KKR Capstone, which provides consulting services to KKR, KKR Funds, Other Clients and certain KKR Fund portfolio companies, holding companies and other entities in or through which the Portfolio Funds invest, and RPM, which provides operating and consulting services to KKR, KKR Funds, Other Clients and certain KKR Fund portfolio companies and/or assets in the oil and gas industry, is owned by its senior management and neither is a subsidiary of KKR. KKR Capstone uses the name "KKR" under license from KKR. Generally, KKR Capstone and RPM have master consulting agreements in place with KKR for due diligence work and other projects contracted by KKR on behalf of KKR Funds and Other Clients and they may enter into engagement letters with KKR Fund portfolio companies, holding companies and other entities for consulting services provided to such entities. Under those agreements and engagement letters, KKR Capstone and RPM are generally entitled to fees and expense reimbursements. While such fees and reimbursable expenses and other compensation paid to KKR Capstone and RPM are believed by KKR to be reasonable and generally at market rates for the relevant activities, such compensation is not negotiated at arm's length and from time to time may be in excess of fees, reimbursable expenses or other compensation that may be charged by comparable third parties. KKR may in the future engage technical partners ("**Technical Partners**") in addition to KKR Capstone and RPM, including, but not limited to, for operational consulting, energy industry consulting and property management services in the real estate sector, on terms substantially similar to those described herein.

KKR Prisma and KKR have adopted information barrier policies and procedures to provide for the proper handling of confidential information. In particular these policies and procedures are designed to prevent the sharing of information regarding KAM Funds, KKR Funds, Avoca Funds and the companies and other issuers in which they invest with KKR Prisma, and the sharing by KKR Prisma of portfolio information relating to its Portfolio Funds with KKR, KAM, Avoca and the Affiliated Brokers.

Other Conflicts of Interest

KKR Funds, Other Clients, certain co-investment vehicles, certain KKR Funds that are either feeder funds investing in other KKR Funds or side-by-side vehicles investing alongside other KKR Funds that are established primarily for the benefit of Employees, Senior Advisors, KKR Capstone and RPM executives and certain other persons associated with KKR (“**KKR Associates Vehicles**”) KAM Funds, KKR Prisma Funds and Avoca Funds will generally engage common legal counsel and other advisors to represent all of the parties in a particular transaction, including a transaction in which such funds have conflicting interests because they are investing in different securities of a single portfolio company. In the event of a significant dispute or divergence of interest between one or more KKR Funds, Other Clients, certain co-investment vehicles, KKR Associates Vehicles, KAM Funds, KKR Prisma Funds and Avoca Funds, such as in a work-out or other distressed situation, separate representation may become desirable, in which case KKR may hire separate counsel in its sole discretion, and in litigation and other circumstances, separate representation may be required. Partners of the law firms and other advisor and service providers engaged to represent KKR Funds, Other Clients, certain co-investment vehicles, KKR Associates Vehicles, KAM Funds, KKR Prisma Funds and Avoca Funds may be, directly or indirectly, investors in such funds, and may also represent one or more portfolio companies or limited partners of such funds.

Item 12: Brokerage Practices

The purchase and sale of interests in Portfolio Funds in which Prisma Funds and Accounts invest are executed directly by the Portfolio Funds without the use of a broker or dealer or the payment of commissions. In addition, since KKR Prisma does not manage the Portfolio Funds, it does not have the authority to decide what brokers or dealers the Portfolio Funds use or the level of commissions paid to such brokers or dealers.

Item 13: Review of Accounts

KKR Prisma monitors Prisma Funds and Accounts on an on-going basis. KKR Prisma portfolio managers have frequent meetings and conversations with the Portfolio Managers of the Portfolio Funds in which Prisma Funds and Accounts invest. Such meetings and conversations generally occur on at least a monthly basis. The Portfolio Funds or Portfolio Managers also periodically report performance, exposure and position information which is reviewed by the KKR Prisma portfolio managers as received. In addition, the investment and operational due diligence teams each conduct an on-site review of each Portfolio Fund generally on an annual basis. The risk due diligence team conducts on-site reviews of Portfolio Funds as required. Any Co-Investments made by Prisma Funds or Accounts will generally be monitored as part of the monitoring process for the relevant Prisma Fund or Account and the Portfolio Manager associated with such investment.

KKR Prisma’s Investment Committee typically meets (i) bi-weekly to carry out an in-depth review of a specific strategy sector to develop an intermediate-term outlook that may in turn affect Portfolio Manager selection and portfolio positioning, (ii) monthly to approve any proposed Portfolio Managers and to consider the upcoming capital activity due to external cash flows and the redemption/subscription profile of the Portfolio Funds in each portfolio, (iii) quarterly to carry out a comprehensive review of each Portfolio Fund and Account to assess performance and compliance with set guidelines as well as consistency across similar mandates, to review the operational due diligence team’s work and any potential issues with current and prospective Portfolio Managers and to review the risk management team’s work and any potential issues with current and prospective Portfolio Managers and/or portfolios. In addition, KKR Prisma’s investment team holds a macroeconomic outlook meeting on a quarterly basis to develop an intermediate term (18-month) outlook for each strategy.

Investors in Prisma Funds typically receive a monthly report from KKR Prisma reflecting the estimated performance of the portfolio and various portfolio statistics and a monthly statement from the Portfolio Funds' independent administrators showing the net asset value of their investment. Accounts generally receive monthly reports setting forth a variety of information including, but not limited to, the composition of the portfolio, the period and year-to-date income of each Portfolio Fund, and the performance attribution by investment strategy or Portfolio Fund.

Investors also periodically receive letters or reports commenting on portfolio construction and performance, reviewing general market factors and conditions, and providing information regarding KKR Prisma.

Please see Item 15 for additional information regarding client reporting.

Item 14: Client Referrals and Other Compensation

KKR Prisma may enter into contracts pursuant to which it compensates third parties for client referrals. Any such arrangement must fully comply with applicable regulatory requirements including the requirements (a) that the arrangement be pursuant to a written agreement with the third party, (b) that the third party be required to provide the prospective client with a copy of KKR Prisma's Form ADV Part 2 and a separate written disclosure document describing the arrangement between KKR Prisma and the third party, and (c) that KKR Prisma obtain the client's acknowledgement that it has received the written disclosure document at the time of the initial solicitation.

Such arrangements generally provide for payments to the solicitor based upon a percentage of fees paid to KKR Prisma. Such fees are not paid by Prisma Funds or Accounts. However, these arrangements present potential conflicts of interest on the part of the solicitor to favor Prisma Funds and Accounts over other investments with respect to which it receives less compensation.

Affiliated Brokers may also provide client referrals to KKR Prisma. It is not currently contemplated that Affiliated Brokers will be compensated for such services. Please see Item 11 for more information regarding compensation to Affiliated Brokers.

Item 15: Custody

Pursuant to Rule 206(4)-2 of the Advisers Act, KKR Prisma may be deemed to have custody of client assets. However, Prisma Funds and Accounts that are affected by this rule are subject to annual audits and provide audited financial statements to its investors within 180 days of the Prisma Fund's or Account's fiscal year end. As such, they are exempt from the requirement to have quarterly account statements delivered to investors by a qualified custodian.

Please see Item 13 for more information regarding reports to clients.

Item 16: Investment Discretion

KKR Prisma, as the sole investment manager of the Prisma Funds, determines the Portfolio Funds (including any Co-Investments) in which to invest or from which to withdraw capital and the allocation of assets to each Portfolio Fund in its sole discretion and in accordance with each Prisma Fund's stated investment objectives, limitations and restrictions and KKR Prisma's internal policies and procedures. To the extent KKR Prisma provides investment advisory or management services to Prisma Funds or Accounts that are subject to ERISA ("ERISA Clients"), KKR Prisma will be acting as an ERISA

fiduciary to such ERISA Clients. KKR Prisma's fiduciary relationships with ERISA Clients may cause conflicts of interest and independently may affect the actions KKR Prisma is permitted to take with respect to any other KKR Prisma Funds or Accounts in certain situations where an ERISA Client may be negatively affected.

For Accounts, KKR Prisma negotiates the level of investment discretion with the client at the outset of the advisory relationship. For certain Accounts, KKR Prisma has complete discretionary authority to select the identity and amount of Portfolio Fund interests to be bought or sold. For other Accounts, KKR Prisma's discretion will be limited such that it must be exercised within specific investment parameters and restrictions. Finally, in some instances, the investor may have final approval over all or some investment decisions for its Account. In all cases, however, KKR Prisma exercises its discretion in a manner consistent with the stated investment objectives, limitations and restrictions for the particular Account, and KKR Prisma's internal policies and procedures.

Item 17: Voting Client Securities

KKR Prisma has adopted a Proxy Voting Policy as required by Rule 206(4)-6 under the Advisers Act. Generally, KKR Prisma will vote proxy proposals, amendments, consents or resolutions relating to Portfolio Funds in a manner that serves the best interests of the applicable KKR Prisma Fund or Account, as determined by KKR Prisma in its discretion, taking into account relevant factors, including, but not limited to: (i) the impact on the value of the expected returns from the Portfolio Fund; (ii) the attraction of additional capital to the underlying Portfolio Fund; (iii) the alignment of the Portfolio Manager's interests with the interests of the underlying investors in the Portfolio Funds, including establishing appropriate incentives for the Portfolio Manager; (iv) the costs associated with the proxy; (v) the impact on redemption or withdrawal rights; (vi) the continued or increased availability of portfolio information; and (vii) business and industry practices.

Routine Matters

Routine matters are typically proposed by a Portfolio Manager and meet the following criteria: (i) they do not measurably change the structure, management, control or operation of the underlying Portfolio Fund; (ii) they do not measurably change the terms of, or fees or expenses associated with, an investment in the underlying Portfolio Fund; and (iii) they are consistent with customary industry standards and practices, as well as the laws of the state of incorporation applicable to the underlying Portfolio Fund. Routine matters may include, but are not limited to, the election or reelection of directors, appointment or election of an auditor, the time and location of an annual meeting, and a change in name of an underlying Portfolio Fund.

KKR Prisma will generally vote with the Portfolio Manager with respect to routine matters.

Non-Routine Matters

Non-routine matters involve a variety of issues and may be proposed by a Portfolio Manager or investors of an underlying Portfolio Fund. These proxies may involve one or more of the following: (i) a measurable change in the structure, management, control or operation of the underlying Portfolio Fund; (ii) a measurable change in the terms of, or fees or expenses associated with, an investment in the underlying Portfolio Fund; or (iii) a change that is inconsistent with industry standards and/or the laws of the state of formation applicable to the underlying Portfolio Fund.

Non-routine matters may include, but are not limited to, the approval or renewal of the investment management agreement, the termination or liquidation of the underlying Portfolio Fund, or an increase in fees and expenses.

KKR Prisma will decide on non-routine matters on a case-by-case basis, taking into account its Proxy Policies, factors relevant to each proxy and regulatory obligations.

KKR Prisma will abstain from voting or affirmatively decide not to vote if KKR Prisma determines that abstaining or not voting is in the best interests of the relevant Prisma Fund or Account.

KKR Prisma recognizes that there may be a potential conflict of interest between the interests of Prisma Funds and Accounts, on the one hand, and the interests of KKR Prisma or its affiliates, on the other hand. KKR Prisma has adopted policies to address these and other issues that could give rise to a conflict, including referring the matter to an independent third party, delegating the voting decision to the relevant Prisma Fund or Account, informing the underlying investors in the relevant Prisma Fund or Account and obtaining majority consent, or obtaining the approval of the Chief Compliance Officer.

KKR Prisma maintains documentation to support its proxy voting position on such other proxy matters. Prisma may depart from these guidelines in order to avoid voting decisions believed to be contrary to the best interests of the Prisma Funds and Accounts or if it has agreed otherwise with the relevant underlying investors. Any such exceptions will be documented by KKR Prisma and reported to the Chief Compliance Officer.

A Prisma Fund or Account or an investor in a Prisma Fund may obtain a copy of KKR Prisma's Proxy Voting policies and procedures and information on how KKR Prisma voted proxies on behalf of such party on written request to KKR Prisma.

Item 18: Financial Information

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

Item 19: Requirements for State-Registered Advisers

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