

Emerging Sovereign Group, LLC

Part 2A of Form ADV

The Brochure

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This brochure provides information about the qualifications and business practices of Emerging Sovereign Group, LLC (the “Adviser”). If you have any questions about the contents of this brochure, please contact Michelle Dea at 212-813-4600. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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

Material Changes

The Adviser's most recent annual update to Part 2 of Form ADV was made in March 2013. In August 2013, the Adviser made an interim filing to reflect material and non-material changes to Adviser's personnel (change in identity of Chief Compliance Officer) and funds (updates the listings of funds to reflect fund closures and new fund launches since the last update, updates new subscription minimums, and updates regulatory assets and number of clients), and updates to the investment objective and strategy of ESM (as defined below) that were effective as of October 1, 2013. It also expanded the disclosure of the CBE (as defined below) investment objective and strategy. Since the August 2013 interim filing, there have not been any material changes to the Adviser's business activities.

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Advisory Business

The Adviser, a Delaware limited liability company, was founded in April 2002. From April 2002 through June 2011, J. Kevin Kenny served as the Adviser's Managing Member. On July 1, 2011, TC Group, L.L.C. ("TC Group"), which is an affiliate of The Carlyle Group (collectively, with TC Group, "Carlyle"), acquired a 55% equity interest in the Adviser and was appointed the Managing Member of the Adviser. The Carlyle Group is a global alternative asset management firm. Mr. Kenny retained a significant equity interest in the Adviser and continues to be a member of the Adviser and is the Chief Investment Officer of the Adviser.

Except as set forth below, Messrs. Kenny, Mete Tuncel and Jason Kirschner (the "ESG Principals") continue to manage and control the day-to-day ordinary course of business operations

of the Adviser, and have sole authority to make investment, holding and disposition decisions and all other investment related decisions involving the funds managed by the Adviser. Notwithstanding the foregoing, the Adviser has formed an Operating Committee consisting of Mr. Kenny and Michael J. Petrick, the Head of Carlyle's Global Market Strategies Group. The Operating Committee must jointly approve (A) certain fund-related actions of the Adviser, such as, but not limited to, overall investment guidelines, starting or launching new funds, accounts or strategies, closing existing funds or forming separate series of limited partnership interests or classes of shares of any fund, and (B) operating matters which are not in the ordinary course of business.

The Adviser provides investment advisory services on a discretionary basis to clients, which are primarily commingled investment vehicles intended for institutional investors and other sophisticated investors. Currently, the Adviser provides investment advisory services to the following funds and feeders (each a "Fund" and, collectively, the "Funds"):

- Emerging Sovereign Fund LP
- Emerging Sovereign Offshore Fund Ltd.
- Emerging Sovereign Master Fund Ltd.

- ESG Cross Border Equity Fund LP
- ESG Cross Border Equity Offshore Fund Ltd.
- ESG Cross Border Equity Master Fund Ltd.

- ESG Selection Onshore Fund-S LP
- ESG Selection Offshore Fund-S Ltd.
- ESG Selection Master Fund-S Ltd.

- ESG Credit Macro Event Fund LP
- ESG Credit Macro Event Offshore Fund Ltd.
- ESG Credit Macro Event Master Fund Ltd.

- ESG Treasury Opportunities Onshore Portfolio LP
- ESG Treasury Opportunities Offshore Portfolio Ltd.
- ESG Treasury Opportunities Master Portfolio Ltd.

- ESG Domestic Opportunity Fund LP
- ESG Domestic Opportunity Offshore Fund Ltd.
- ESG Domestic Opportunity Master Fund Ltd.

- ESG Nexus Fund LP
- ESG Nexus Offshore Fund Ltd.
- ESG Nexus Master Fund Ltd.

The Funds are private investment funds that are offered to high net-worth, financially sophisticated individual and institutional investors. In providing such services to the Funds, the Adviser formulates its investment objective, directs and manages the investment and reinvestment

of each Fund's assets and provides reports to investors. The Adviser manages the assets of each Fund in accordance with the terms of the governing documents applicable to each Fund.

From time to time, the Adviser may also provide investment advisory services with respect to certain separately managed account clients. Such other accounts and the Funds may have investment objectives or may implement investment strategies that are identical or substantially similar to each other. Accordingly, these clients (including any entities or accounts managed by Carlyle or their respective members, principals, employees or affiliates) may co-invest in many of the same securities and issues.

The Adviser provides advice to client accounts based on specific investment objectives and strategies. Under certain limited circumstances, the Adviser may agree to tailor advisory services to the individual needs of clients and in such circumstances, clients may impose restrictions on investing in certain securities or may work with the Adviser to establish risk parameters or impose position limitations on such client's account.

As of December 31, 2013, the Adviser managed \$7,895,068,983 in regulatory assets under management (excluding any assets managed independently by Carlyle) on a discretionary basis. For additional information regarding Carlyle, please see Other Financial Industry Activities and Affiliates – The Carlyle Group and Other Financial Industry Activities and Affiliates – Investment Advisers below and Part 1 and Part 2 of Form ADV of Carlyle Investment Management L.L.C. available at: <http://www.adviserinfo.sec.gov/>.

Fees and Compensation

MANAGEMENT FEES

The Adviser receives a management fee (a "Fixed Fee") of 1.5% per annum, paid quarterly, in advance, based on the net assets of each Fund (without accrual of the incentive allocation) as of the first day of the quarter for the following Funds:

- Emerging Sovereign Fund LP
- Emerging Sovereign Offshore Fund Ltd.
- Emerging Sovereign Master Fund Ltd.

- ESG Domestic Opportunity Fund LP
- ESG Domestic Opportunity Offshore Fund Ltd.
- ESG Domestic Opportunity Master Fund Ltd.

The Adviser receives a Fixed Fee of 1.5% per annum, paid quarterly, in advance, based on the net assets of each Fund (without accrual of the incentive allocation) attributable to Sub-Class 1/Series 1 shares and a Fixed Fee of 2.25% attributable to Sub-Class 2/Series 2 shares for the following Funds:

- ESG Cross Border Equity Fund LP
- ESG Cross Border Equity Offshore Fund Ltd.
- ESG Cross Border Equity Master Fund Ltd.

If additional contributions are made to a Fund during the quarter, the Fixed Fee will be prorated and charged at the time of such contribution. The Fixed Fee will be prorated for any period that is less than a full fiscal quarter.

The Adviser receives a Fixed Fee of 1.5% per annum, paid monthly, in advance, based on the net assets of each Fund (without accrual of the incentive allocation) as of the first day of the month for the following Funds:

- ESG Treasury Opportunities Onshore Portfolio LP
- ESG Treasury Opportunities Offshore Portfolio Ltd.
- ESG Treasury Opportunities Master Portfolio Ltd.

- ESG Credit Macro Event Fund LP
- ESG Credit Macro Event Offshore Fund Ltd.
- ESG Credit Macro Event Master Fund Ltd.

- ESG Selection Onshore Fund-S LP
- ESG Selection Offshore Fund-S Ltd.
- ESG Selection Master Fund-S Ltd.

- ESG Nexus Fund LP
- ESG Nexus Offshore Fund Ltd.
- ESG Nexus Master Fund Ltd.

If the fund structure is a master-feeder, the Adviser will receive the Fixed Fee at the master fund level. To the extent the Fixed Fee is paid to the Adviser at the master fund level, no Fixed Fee will be paid at the feeder fund level. Furthermore, any prepaid but unearned Fixed Fee will be refunded to an investor in the applicable Fund. The Adviser generally determines the amount of the relevant refund on a pro rata basis, based upon the portion of the relevant period during which it provided services.

PERFORMANCE ALLOCATION

The Adviser (or an affiliated entity) receives 20% of the net profits, if any, subject to a “loss carry forward” provision (the “Performance Allocation”) for the following Funds:

- Emerging Sovereign Fund LP
- Emerging Sovereign Offshore Fund Ltd.
- Emerging Sovereign Master Fund Ltd.

- ESG Cross Border Equity Fund LP
- ESG Cross Border Equity Offshore Fund Ltd.
- ESG Cross Border Equity Master Fund Ltd.

- ESG Selection Onshore Fund-S LP
- ESG Selection Offshore Fund-S Ltd.
- ESG Selection Master Fund-S Ltd.

- ESG Credit Macro Event Fund LP
- ESG Credit Macro Event Offshore Fund Ltd.
- ESG Credit Macro Event Master Fund Ltd.
- ESG Treasury Opportunities Onshore Portfolio LP
- ESG Treasury Opportunities Offshore Portfolio Ltd.
- ESG Treasury Opportunities Master Portfolio Ltd.
- ESG Domestic Opportunity Fund LP
- ESG Domestic Opportunity Offshore Fund Ltd.
- ESG Domestic Opportunity Master Fund Ltd.
- ESG Nexus Fund LP
- ESG Nexus Offshore Fund Ltd.
- ESG Nexus Master Fund Ltd.

The Performance Allocation is payable as of the end of each year and upon withdrawals. The Performance Allocation is charged by the Adviser (or an affiliated entity) in compliance with Rule 205-3 under the Investment Advisers Act of 1940, as amended (the “Advisers Act”).

WITHDRAWAL NOTICES

Investors in the following Funds may withdraw on the last day of a calendar quarter on 60 days written notice:

- ESG Domestic Opportunity Fund LP
- ESG Domestic Opportunity Offshore Fund Ltd.
- ESG Domestic Opportunity Master Fund Ltd.
- Emerging Sovereign Fund LP
- Emerging Sovereign Offshore Fund Ltd.
- Emerging Sovereign Master Fund Ltd.
- ESG Cross Border Equity Fund LP
- ESG Cross Border Equity Offshore Fund Ltd.
- ESG Cross Border Equity Master Fund Ltd.

Investors in the following Funds may withdraw on the last day of a calendar month on 30 days written notice:

- ESG Treasury Opportunities Onshore Portfolio LP
- ESG Treasury Opportunities Offshore Portfolio Ltd.
- ESG Treasury Opportunities Master Portfolio Ltd.

- ESG Credit Macro Event Fund LP
- ESG Credit Macro Event Offshore Fund Ltd.
- ESG Credit Macro Event Master Fund Ltd.
- ESG Selection Onshore Fund-S LP
- ESG Selection Offshore Fund-S Ltd.
- ESG Selection Master Fund-S Ltd.
- ESG Nexus Fund LP
- ESG Nexus Offshore Fund Ltd.
- ESG Nexus Master Fund Ltd.

The Adviser, in its sole discretion, may offer different fees or withdrawal schedules to qualified investors that are members, principals, employees or affiliates of the Adviser or relatives of such persons, and for certain large or strategic investors.

In addition to the Adviser's fees, investors will bear indirectly the fees and expenses charged to the Funds. Each Fund sets forth its specific fee structure (including how it charges fees) along with the additional operational expenses in a confidential explanatory memorandum or similar offering document provided to prospective investors. Fees and expenses that are typically borne by the Funds generally include, without limitation, fees paid to the Adviser and to the Fund's administrator, independent directors' fees, legal, accounting, auditing (including financial statements) and other professional expenses, insurance (including D&O insurance) and other professional expenses, administration, administrative fees and expenses, research expenses (including research-related travel) and investment expenses such as commissions, trading and portfolio services and support, interest on margin accounts and other indebtedness, taxes, custodial fees, bank service fees and other expenses related to the purchase, sale or transmittal of the Fund's assets as shall be determined by the applicable Fund in its sole discretion. The brokerage fees and expenses are also discussed in more detail in Item 12 "Brokerage Practices" below. The Funds are generally organized in a "master-feeder" structure, so "feeder funds" will bear a pro rata share of the expenses associated with the related "master fund". Clients and investors should review all fees charged by the Adviser and its affiliates, custodians and brokers and others to fully understand the total amount of fees to be paid. Fees and expenses paid to third parties in connection with the acquisition or disposition of investments are borne by the Funds.

From time to time, the Adviser may also provide investment advisory services with respect to certain separately managed account clients. Fees/expenses and terms can vary based on the size of each managed account and/or strategy/investment objective.

Performance Based Fees and Side-by-Side Management

As stated in the "Fees and Compensation" section above, the Adviser charges performance based fees which are fees based on a share of capital gains on or capital appreciation of the client's assets and these fees vary across advised Funds.

The fact that the Adviser is compensated based on the trading profits may create an incentive for the Adviser to make investments on behalf of clients that are riskier or more speculative than

would be the case in the absence of such compensation. In addition, the performance based fee received by the Adviser is based primarily on realized and unrealized gains and losses. As a result, the performance based fee earned could be based on unrealized gains that clients may never realize.

The Adviser manages multiple client accounts. Accordingly, the Adviser has adopted and implemented policies and procedures intended to address conflicts of interest that may arise relating to the management of multiple accounts. Specifically, the Adviser has adopted a policy pursuant to which it seeks to allocate investment opportunities among Funds in a fair and equitable manner, bearing in mind, among other things, the size, investment objectives, risk tolerance, return targets, diversification considerations, permissible and preferred asset classes, and liquidity needs of each Fund. Final allocation decisions are under the purview of the Adviser.

Types of Clients

The Adviser provides investment advice to the Funds, as stated in the “Advisory Business” section above. From time to time, the Adviser also may provide investment advisory services with respect to certain separately managed account clients.

The Funds are private investment funds that are offered to high net-worth, financially sophisticated individual and institutional investors. Interests in the Funds are not registered under the Securities Act of 1933, as amended (the “Securities Act”), and such Funds are not registered under the Investment Company Act of 1940, as amended (the “Investment Company Act”). Accordingly, interests in the Funds are offered and sold exclusively to investors satisfying the applicable eligibility and suitability requirements either in private transactions within the United States or in offshore transactions.

The Funds operate as pooled investment vehicles intended to provide management expertise and other advantages to clients. As noted above, the Funds are generally organized in a “master-feeder” structure, where certain “feeder funds” (for example, an onshore private investment Delaware partnership and an offshore Cayman Islands exempted company) invest substantially all of their assets into a related “master fund,” although the feeder funds may make direct investments for tax, legal or regulatory reasons.

Subject to the discretion of the Fund to accept a lesser amount, each Fund sets forth the minimum investment threshold in a confidential explanatory memorandum or similar offering document provided to prospective investors.

The Adviser may from time to time enter into letter agreements or other similar agreements (collectively, “Side Letters”) with one or more investors or shareholders of a Fund which provide such investor or shareholder(s) with additional and/or different rights (including, without limitation, with respect to management fees, the performance allocations, withdrawals, access to information, minimum investment amounts and liquidity terms) than such shareholder(s) or investors have pursuant to general terms of such collective investment vehicle. The Adviser will not be required to notify any or all of the other investors or shareholders of any such written agreements or any of the rights and/or terms or provisions thereof, nor will the Adviser be required to offer such additional and/or different rights and/or terms to any or all of the other

investors or shareholders. Investors may upon request obtain increased transparency with respect to a Fund, which may include information about such Fund's portfolio and positions. This increased transparency may occur in various forms including, but not limited to, more frequent meetings or conferences that the investor schedules with the Adviser, at which more in-depth discussions regarding the Fund will typically occur.

In connection with subscriptions by investors in the Funds, the Funds may accept subscriptions from investors who also provide services to the Funds including brokers or individuals that are affiliated with such brokers. Relationships such as these could be viewed as creating a conflict of interest. The governing documents for the Funds do not prohibit the Adviser from engaging in any business activities with investors who are brokers or individuals that are affiliated with brokers. As a result, the Adviser, subject to the Adviser's best execution policy, may from time to time place trades with brokers who are investors in the Funds or individuals that are affiliated with such brokers.

Methods of Analysis, Investment Strategies and Risk of Loss

The Adviser utilizes a variety of methods and strategies to make investment decisions and recommendations. The methods of analysis include fundamental research and cyclical analysis as well as the use of carefully constructed risk management tools and approaches. The Adviser employs the following investment strategies:

Emerging Sovereign Fund LP ("ESF") and Emerging Sovereign Offshore Fund Ltd. ("ESOF") each invests substantially all of its assets in Emerging Sovereign Master Fund Ltd. (collectively, "ESM"). The following describes ESM as of October 1, 2013: ESM is a multi-strategy fund that seeks to provide superior uncorrelated returns primarily by investing globally in the fixed income, equity, credit, currency and commodity markets. The Adviser currently anticipates that the geographic focus of ESM will generally be emerging market countries, although a significant portion of ESM's portfolio may be focused on non-emerging market countries. By way of clarification, emerging market countries include all countries that are not among the list of G7 countries. The Adviser seeks to generate superior returns, which should not be correlated with the performance of the U.S. equity markets.

ESG Cross Border Equity Fund LP ("CBEF") and ESG Cross Border Equity Offshore Fund Ltd. ("CBEOF") each invests substantially all of its assets in ESG Cross Border Equity Master Fund Ltd. (collectively, "CBE"). CBE seeks to provide superior non-market correlated returns primarily by investing in emerging market and global equities. By adhering to a strict investment philosophy, the Adviser seeks to generate absolute returns which should not be correlated with the performance of the U.S. equity markets. CBE is a long/short equity fund that focuses on investments in emerging markets, although it also invests globally, and its global reach may, from time to time, be significant. The Adviser combines rigorous fundamental stock selection with a carefully constructed macroeconomic overlay. Each individual position will be the product of CBE's fundamental "Growth at a Reasonable Price" orientation. CBE will seek to leverage the expertise of the Adviser to monitor the relevant macroeconomic, political and social factors in order to manage country and regional net exposures.

ESG Domestic Opportunity Fund LP (“DOF LP”) and ESG Domestic Opportunity Offshore Fund Ltd. (“DOF Ltd”) each invests substantially all of its assets in ESG Domestic Opportunity Master Fund Ltd. (collectively, “DOFM”). DOFM is a long biased emerging market equity fund that combines rigorous fundamental stock selection with a carefully constructed macroeconomic overlay. Each individual position will be the product of DOFM’s fundamental “Growth at a Reasonable Price” orientation. DOFM will focus on the universe of emerging market domestic demand opportunities.

ESG Selection Onshore Fund-S LP (“S2F”) and ESG Selection Offshore Fund-S Ltd. (“S2OF”) each invests substantially all of its assets in ESG Selection Master Fund-S Ltd. (collectively, “S2M”). S2M seeks to provide superior non-market correlated returns by investing with an emphasis on the influence of Chinese economic performance on global asset markets and make investments in global capital markets in an attempt to benefit from higher sovereign credit risk and deteriorating sovereign balance sheet views.

ESG Credit Macro Event Fund LP (“CMEF”) and ESG Credit Macro Event Offshore Fund Ltd. (“CMEOF”) each invests substantially all of its assets in ESG Credit Macro Event Master Fund Ltd. (collectively, “CMEM”). The investment objective of CMEM is to make investments in global capital markets in an attempt to benefit from higher sovereign credit risk and deteriorating sovereign balance sheet views.

ESG Treasury Opportunities Onshore Portfolio LP (“TOPN”) and ESG Treasury Opportunities Offshore Portfolio Ltd. (“TOPO”) each invests substantially all of its assets in ESG Treasury Opportunities Master Portfolio Ltd. (collectively, “TOPM”). TOPM seeks to benefit from higher rates and steeper curves in the developed and emerging market worlds. Due to the extensive use of options, potential upside is significantly higher than more conservative trading strategies, while total loss of capital is also a possibility.

ESG Nexus Fund LP (“Nexus LP”) and ESG Nexus Offshore Fund Ltd. (“Nexus Ltd”) each invests substantially all of its assets in ESG Nexus Master Fund Ltd. (collectively, “Nexus”). Nexus seeks to achieve returns by focusing on asymmetric investment opportunities in China arising from China’s economic outlook, policy options and its effect on global markets.

The Adviser may also provide investment advisory services to managed accounts. The managed accounts may have an investment strategy/objective that is different from other accounts managed by the Adviser.

All investing involves a risk of loss and the investment strategies offered by the Adviser could lose money over short or even long periods. Past performance is not a guarantee of future results and individual account performance will vary. Performance could be adversely affected by a number of different risks including but not limited to:

Speculative Investments. The Adviser may invest in equity securities of certain publicly-traded companies that the Adviser identifies as candidates for improvement in corporate strategy, management and/or corporate governance. Such investments are highly speculative in nature and may present particular risks if the client is not sufficiently diversified or if the relevant markets in which the clients’ portfolio companies conduct business are particularly volatile. In addition, the

companies in which the client may invest may have experienced and may continue to experience losses, and some may be financially troubled companies. Although the Adviser will seek to play an important role in bringing about needed improvements by being an active and responsible shareholder, there can be no assurance that the Adviser will achieve these goals, or that the achievement of these goals will result in any return on the client's investment or any return of capital invested.

Derivatives. The Adviser may utilize swaps and other derivative products written by broker-dealers or other financial intermediaries in connection with its fundamental equity long short investment strategy. The Adviser may invest in currencies and currency forward contracts and options, primarily to hedge currency risk in non-U.S. investments. Furthermore, in the future, the Adviser may take advantage of opportunities in the area of options, futures contracts and options thereon and any other synthetic, hybrid or derivative instruments which are not presently contemplated for use on behalf of the client accounts or which are not currently available but which may be developed to the extent such opportunities are both consistent with the clients' investment objectives and legally permissible for each such client.

Initial Public Offerings. The Adviser may purchase shares of initial public offerings ("IPOs") for eligible client accounts. The Adviser's policy is to allocate IPOs to eligible client accounts pro-rata, based on the accounts' assets at the time of the allocation and subject to rounding the allocated shares. Any deviations from Adviser's IPO allocation policy are fully documented and maintained in writing. Adviser's related persons indirectly benefit from profits realized from IPOs due to their ownership interest in the Funds, certain of which may receive allocations of IPO shares. Additionally, Adviser would benefit through its receipt of incentive fees. The eligible accounts that receive IPOs could be construed as benefiting from the allocation of IPO shares in part due to the commissions and other revenue generated from trading in all Advisory accounts. Broker/dealers' receipt of increased trading revenues may garner more favorable allocations of IPO shares to Adviser. Underwriters may not sell IPO securities to certain persons, including brokers or people associated with brokers. Certain clients of the Adviser may be ineligible to participate in the Adviser's investments in IPO securities, therefore, some investors may not participate in any gain or loss associated with any IPO securities.

Swaps. There may be occasions when a client will enter into swaps or other transactions with other clients that have similar investment objectives in order to provide all clients with similar investment objectives with roughly equivalent exposure to the same investments. This would be done where regulatory, minimum lot or size requirements or other restrictions make it difficult for a client to make or rebalance such investment directly. Such swap or other transactions could have an adverse effect on the client by exposing it to counterparty risk from the other clients. In addition, The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") includes provisions that require increased regulation of derivatives markets. The Dodd-Frank Act has introduced mandatory execution and clearing of certain swaps, as well as new recordkeeping and reporting requirements. This increased regulation may increase the costs of entering into certain transactions.

Forward Currency Contracts. A client may enter into forward currency contracts, which represent agreements to exchange non-U.S. currencies on specific future dates at predetermined rates. A client enters into these contracts to manage its exposure to changes in non-U.S.

exchanges rates arising from investment denominated in non-U.S. currencies. Upon entering into these contracts, risks may arise from the potential inability of counterparties to meet the terms of their contracts and from possible movements in non-U.S. exchange rates.

Commodity Futures Contracts. Certain Carlyle-affiliated entities may trade in commodity futures contracts that are also held by the Adviser's clients and that may be subject to the regulatory rules imposing position limits. The Adviser generally will seek to conduct its business so that its positions in commodity futures contracts will not be aggregated with those of other Carlyle-affiliated entities. The Adviser will seek to identify situations that may present risk that its positions will be aggregated with the positions of other Carlyle-affiliated entities, and seek to ensure compliance with applicable position limit rules. In the event that the Adviser's clients' positions in certain commodity futures contracts are aggregated with the positions of other Carlyle-affiliated entities, such aggregation may limit the number of such contracts in which the Adviser's clients invest.

Investments Related to Investors. The Adviser may invest client assets in securities issued by its investors or their affiliates or other entities with which Adviser may have business relationships. No such investments are made unless the investments are in the best interests of clients and Adviser has ensured that such investments are made in compliance with its Insider Trading Policy.

Liquidity Issues. The Adviser may invest in instruments for which there is no active trading market. Moreover, many of the Adviser's investments may be held by relatively few other investors. Under adverse market or economic conditions or in the event of adverse changes in the financial condition of the issuer or of the asset, the Adviser may find it more difficult to sell such instruments when it advisable to do so or may be forced to sell them at prices lower than if the instruments were widely held. Thus, the range of disposal strategies available to clients may be further limited. Finally, dispositions of investments may be subject to contractual and other limitations on transfer, or other restrictions that would interfere with subsequent sales of such investments or adversely affect the terms obtainable upon a disposition.

Highly Competitive Market for Investment Opportunities. The activity of identifying, completing and realizing attractive investments is highly competitive and involves a high degree of uncertainty. Clients face competition from numerous competitors in all fields of activity. Clients will be competing for investments with a variety of other investment vehicles, as well as individuals, financial institutions and other institutional investors. Additional funds with similar investment objectives may be formed in the future by other unrelated parties. There can be no assurance that clients will be able to locate and complete investments which satisfy the investment objectives or that it will be able to invest fully its available capital.

Fixed Income Securities. Risks associated with investing in fixed income securities (i.e., bonds) include:

- The bond issuer's inability to pay interest or repay the bond;
- Changes in market interest rates cause the bond's value to fall;
- Illiquidity in the bond market may make the bond difficult or impossible to sell;
- The bond issuer may repay the bond prior to maturity; or

- Inflation may reduce the effective yield on the bond's interest payments

Bonds - Call Provisions. Many bonds, including agency, corporate and municipal bonds, and all mortgage-backed securities, contain a provision that allows the issuer to “call” all or part of the issue before the bond's maturity date. The issuer usually retains this right to refinance the bond in the future if market interest rates decline below the coupon rate. There are three disadvantages to the call provision. First, the cash flow pattern of a callable bond is not known with certainty. Second, because the issuer will call the bonds when interest rates have dropped, clients are exposed to reinvestment rate risk – clients will have to reinvest the proceeds received when the bond is called at lower interest rates. Finally, the capital appreciation potential of a bond will be reduced because the price of a callable bond may not rise much above the price at which the issuer may call the bond.

Bonds – Yield Curves. Bond portfolios typically include bonds with a range of maturity dates. In assembling a bond portfolio, the Adviser generally assumes that changes in the yield curve will occur at roughly parallel rates, that is, that interest rates on long-term bonds will move up or down in the same amount as interest rates on short-term bonds. In reality, shifts in the yield curve are unpredictable, and changes on long-term bond yields rarely move in parallel with changes to short-term bond yields. To the extent that the yield curve movements deviate from this assumption, the bond portfolio will generate results different from those intended by the Adviser.

Bonds – Inflation. Inflation risk results from the variation in the value of cash flows from a security due to inflation, as measured in terms of purchasing power. For example, if a client purchases a 5-year bond in which it can realize a coupon rate of 5%, but the rate of inflation is 6%, then the purchasing power of the cash flow has declined. For all but inflation linked bonds, adjustable bonds or floating rate bonds, clients are exposed to inflation risk because the interest rate the issuer promises to make is fixed for the life of the security. To the extent that interest rates reflect the expected inflation rate, floating rate bonds have a lower level of inflation risk.

Bonds - High Yield. The Adviser may invest for clients in “high yield” or “junk” bonds, i.e. bonds that are rated in the sub-investment rating categories by credit rating agencies. High yield securities are more likely to suffer a default in interest payments, and the principal of such bonds might not be repaid on time or at all. In addition, the prices of such bonds are generally more volatile than the prices of higher rated bonds. The market is less liquid than the market for higher rated securities, which can adversely affect the prices at which these securities can be sold and may even make it impossible to sell such securities.

Synthetic Securities. In addition to credit risks associated with holding non-investment grade loans and high yield debt securities, clients investing in synthetic securities will usually have a contractual relationship only with the counterparty of such synthetic securities, and not the issuer of the underlying or linked obligation (whether an equity, debt or other instrument). Clients generally will have no right to directly enforce compliance by that underlying or linked issuer nor any rights of set-off against the that issuer, nor have any voting rights with respect to the underlying or linked obligation. Clients will not benefit directly from the collateral supporting that obligation or have the benefit of the remedies that would normally be available to a holder of that obligation. In addition, in the event of insolvency of the counterparty to such a contract, clients will be treated as a general creditor of such counterparty. As a result, concentrations of

synthetic securities in any one counterparty subject these investments to an additional degree of risk with respect to defaults by the counterparty as well as by the issuer of the underlying or linked obligation.

Investing in Foreign Securities Entails Unique Risks. The Adviser may invest for clients in non-U.S. securities and other assets, which will give rise to risks relating to political, social and economic developments abroad, as well as risks resulting from the differences between the regulations to which U.S. and non- U.S. issuers and markets are subject. These risks include political or social instability, the seizure by foreign governments of company assets, acts of war or terrorism, withholding taxes on dividends and interest, high or confiscatory tax levels and limitations on the use or transfer of assets. In addition, enforcing legal rights in some foreign countries is difficult, costly and slow, and there are sometimes special problems enforcing claims against foreign governments.

Investment and Repatriation Restrictions. Some countries have laws and regulations that currently limit or preclude direct foreign investment or may increase the costs and expenses of investment. Prior government approval for foreign investments may be required under certain circumstances, and the process of obtaining these approvals may require a significant expenditure of time and resources. Repatriation of investment income, capital and the proceeds of sale by foreign investors may require governmental registration and approval in some countries. Investments may require significant government approvals under corporate, securities, exchange control, foreign investment and other similar laws and may require financing and structuring alternatives that differ significantly from those customarily used in the United States. In addition, foreign governments from time to time impose restrictions intended to prevent capital flight, which may, for example, involve punitive taxation (including high withholding taxes) on certain securities transfers or the imposition of exchange controls making it difficult or impossible to exchange or repatriate foreign currency. These and other restrictions may make it impracticable to distribute the amounts realized from a foreign investment at all or may force the distribution in currencies other than in U.S. dollars, and therefore a portion of the distribution may be made in foreign securities or currency.

Legal Framework and Corporate Governance. Laws and regulations of some countries may impose restrictions that would not exist in the United States, may lack certain protections provided by U.S. law or may not be fully or consistently enforced, particularly where the other party to a dispute is a local resident or entity. In addition, many countries provide inadequate legal remedies for breaches of contract, including settling disputes with local partners with whom the portfolio may enter into joint ventures.

Currency Risk. Client's investments may be denominated in local currencies. However, the Adviser will maintain its books and intends to pay distributions in U.S. dollars. Accordingly, fluctuations in exchange rates between the U.S. dollar and the relevant local currencies will directly affect the value of the clients' investments and the ultimate rate of return realized by investors. For example, several Latin American countries have had in the past dramatic fluctuations in their currency exchange rates, including large devaluations against the U.S. dollar. In addition, exchange controls have, from time to time, been implemented. There can be no assurances that there will not be a recurrence of such fluctuations or exchange controls in the currency exchange rates of any of the countries in which the portfolio intends to invest. In

addition, the portfolio may incur costs or delays in connection with conversions between various currencies. The Adviser may evaluate the use of currency hedging arrangements to mitigate the risk of currency fluctuations and cause the portfolio to enter into such arrangements. However, there can be no assurance that such arrangements will be available, effective or sufficient to mitigate risk.

Investing in Non-U.S. Securities Entails Currency Risks. Non-U.S. securities and other assets often trade in currencies other than the U.S. dollar, and clients may directly hold foreign currencies and purchase and sell foreign currencies through forward exchange contracts. Changes in currency exchange rates will affect the client's net asset value, the value of dividends and interest earned, and gains and losses realized on the sale of investments. An increase in the strength of the U.S. dollar relative to these other currencies may cause the value of the client's investments to decline. Some foreign currencies are particularly volatile. Foreign governments may intervene in the currency markets, causing a decline in value or liquidity of the client's foreign currency holdings.

Quality of Financial Reporting. Financial reporting and financial information at the enterprise level is often not as reliable in the countries in which the Adviser invests for clients as in other more developed regions. While there is a trend toward improved financial reporting by companies in developing countries and increased enforcement of statutes concerning financial and tax reporting, there can be no assurance that the financial information can be made as reliable as in other regions.

Risks from Economic Conditions. Investments in emerging markets will be impacted by economic conditions in the countries in which those companies operate. Many developing countries have a history of economic instability, and an investment's success may depend on the overall level of economic activity and political and social stability in these emerging markets. Investments in foreign companies may be adversely affected by declining economic conditions in the host country.

Emerging markets often endure high inflation. Higher rates of inflation generally adversely affect the economies and financial markets of developing countries and the ability of their governments to create conditions that stimulate or maintain economic growth. In addition, governmental measures to curb inflation and speculation about possible future governmental measures may contribute to the negative economic impact of inflation and may create general economic uncertainty. Future governmental economic measures, such as interest rate increases, intervention in foreign exchange markets and actions to adjust or fix currency values, may trigger or exacerbate increases in inflation, and consequently have an adverse impact on investment returns.

Sovereign Risk. Governments of some developing countries have exercised and continue to exercise substantial influence over many aspects of the private sector. In some cases, the government owns or controls many companies, including some of the largest, such as energy and utility companies. The policies set by these companies could have a significant effect on economic and market conditions in such countries. Moreover, the economies of these countries generally are dependent upon international trade and, accordingly, have been and may continue to be adversely affected by trade barriers, exchange controls, managed adjustments in relative currency

values and other protectionist measures imposed or negotiated by the countries with which they trade. These economies also have been and may continue to be adversely affected by economic conditions in the countries with which they trade. There is the possibility of nationalization, expropriation or confiscatory taxation, regime changes, changed or increased government regulation, economic or social instability or diplomatic developments (including war) which could affect adversely the economies of such countries or the value of investments in those countries.

In-Kind Distributions. The Funds may distribute securities instead of cash. Thus, upon an investor's withdrawal of an interest in a Fund, it may receive securities that are illiquid or difficult to value.

Risks of Restrictions on Client Transactions. By reason of their responsibilities in connection with their other activities, other affiliates of Carlyle or may deem themselves restricted from initiating transactions in certain securities, because, among other possible reasons, they have acquired material non-public information. Such restriction may operate to also restrict the Adviser and its clients. As a result, a client may not be able to initiate a purchase or sale transaction that it otherwise might. Further details about the types of restrictions and limitations resulting from the Adviser's status as an affiliate of The Carlyle Group can be found in "Other Financial Industry Activities and Affiliations," under the heading "The Carlyle Group"

Investors should review the Funds' offering documents and other governing documents to understand the risks and potential conflicts of interest. This Form ADV Part 2A is not intended to serve as an exhaustive list or a comprehensive description of all risks and conflicts that may arise in connection with the management and operation of the Funds.

Disciplinary Information

The Adviser and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of the Adviser or its personnel. For information regarding Carlyle, please see Part 1 and Part 2 of Form ADV of Carlyle Investment Management L.L.C. available at: <http://www.adviserinfo.sec.gov/>.

Other Financial Industry Activities and Affiliations

General Partner

Emerging Sovereign Partners LLC, an affiliate of the Adviser and a registered commodity pool operator, serves as the general partner of the following Funds:

- Emerging Sovereign Fund LP
- ESG Cross Border Equity Fund LP
- ESG Selection Onshore Fund-S LP
- ESG Credit Macro Event Fund LP
- ESG Treasury Opportunities Onshore Portfolio LP
- ESG Domestic Opportunity Fund LP
- ESG Nexus Fund LP

Commodities-Related Registrations

ESP is registered as a commodity pool operator with respect to the above-listed entities. The Adviser is registered as a commodity pool operator of Emerging Sovereign Offshore Fund Ltd., Emerging Sovereign Master Fund Ltd., ESG Cross Border Equity Offshore Fund Ltd., ESG Cross Border Equity Master Fund Ltd., ESG Treasury Opportunities Offshore Portfolio Ltd., ESG Treasury Opportunities Master Portfolio Ltd., ESG Domestic Opportunity Offshore Fund Ltd., ESG Domestic Opportunity Master Fund Ltd., ESG Nexus Offshore Fund Ltd., ESG Nexus Master Fund Ltd., ESG Selection Offshore Fund-S Ltd., and ESG Selection Master Fund-S Ltd. In connection with registration as a commodity pool operator, certain of ESP and the Adviser's management persons are registered as associated persons and/or principals of ESP and the Adviser, respectively.

The Carlyle Group

As noted above under the section entitled "Advisory Business", since July 1, 2011, an affiliate of The Carlyle Group serves as the Managing Member of the Adviser. The Carlyle Group (www.carlyle.com) is a global alternative asset manager. Carlyle invests across four segments - Corporate Private Equity, Real Assets, Global Market Strategies and Solutions - in Africa, Asia, Australia, Europe, North America, South America and the Middle East. In May 2012, The Carlyle Group L.P. completed an initial public offering of its common units. For additional important information regarding Carlyle please see Part 1 and Part 2 of Form ADV of Carlyle Investment Management, L.L.C. available at: <http://www.adviserinfo.sec.gov/>.

Carlyle has not generally been active in the strategies utilized by the Adviser and has no operating or investment history upon which prospective investors may evaluate Carlyle's contribution to the Adviser. Accordingly, Carlyle's ability to influence the Adviser could adversely affect the Adviser's clients and an investment in the Funds or other accounts managed by the Adviser could entail a significant degree of risk.

As of July 1, 2011, when Carlyle acquired its equity interest in the Adviser, the Adviser became part of Carlyle's Global Market Strategies Group, which focuses on various types of credit and other alternative investments. The Global Market Strategies Group includes several separately-registered investment advisers, including the Adviser. Although the Adviser is a separately-registered investment adviser, its status as part of the larger Carlyle organization raises certain actual and potential conflicts of interest, as discussed below.

Due to the fact that the Adviser's affiliate, The Carlyle Group, L.P., is a public company and its affiliates have many different asset management and advisory businesses and operate on a global basis, the Adviser may be subject to increased scrutiny and greater regulatory oversight than it would be absent the Carlyle relationship. In addition, increased regulatory oversight of Carlyle and its affiliates may impose additional requirements and administrative burdens on the Adviser, including, without limitation, implementing new policies and procedures and complying with reporting obligations.

The Adviser may invest on behalf of its clients in companies or other entities in which Carlyle-affiliated advisory clients (e.g., pooled investment vehicles and managed accounts) have or are

concurrently making a separate investment and, likewise, Carlyle-affiliated advisory clients may invest in companies or other entities in which the Adviser's clients have an existing investment or is concurrently making an investment. In such situations, the Adviser's clients and such other Carlyle-affiliated advisory clients may have conflicting interests (e.g., over the terms of their respective investments). Further, in a bankruptcy proceeding, the interests of the Adviser's clients may be subject to enhanced scrutiny, subordinated or otherwise adversely affected by virtue of the involvement and actions of an affiliate of Carlyle relating to such affiliate's investment.

The Adviser also may be subject to legal and contractual restrictions on its investment activities as a consequence of the Carlyle relationship including, for example, restrictions under the Bank Holding Company Act or limitations imposed by non-U.S. regulatory authorities (e.g., the UK Panel on Takeovers and Mergers), or restrictions on the purchase or sale of, or exercise of voting or other rights with respect to, the securities or other instruments of a company when a Carlyle advisory client holds the equity of the company and the company is an affiliate of Carlyle (a "Carlyle Portfolio Company"). When a company is or becomes a Carlyle Portfolio Company, for example, this may preclude the Adviser's clients from initiating an activist strategy with respect to a particular company, or from pursuing an activist strategy to its conclusion. In considering whether to make an investment in a Carlyle Portfolio Company, the Adviser takes into account such potential legal and/or contractual restrictions and considers the likely impact of such restrictions on the Adviser's strategy with respect to that investment. Any such investment is made on an arms'-length basis and on terms that are fair to the Adviser's clients, in the good faith judgment of the Adviser. Michael J. Petrick, the Head of Carlyle's Global Market Strategies Group, also serves on the Adviser's Operating Committee. The Operating Committee has decision-making authority on matters outside the ordinary course of the Adviser's business. Mr. Petrick is not required to, and does not, allocate all of his professional time to the Adviser. Rather, he allocates the majority of his time to matters pertaining to other areas of Carlyle's business, and devotes so much of his time to the Adviser's business as is reasonably warranted, in his judgment.

Carlyle has in place information barriers to segregate the flow of material, non-public information between the Global Market Strategies Group (which includes the Adviser and other investment advisers, as well as personnel in the Global Market Strategies Group) and the rest of Carlyle. In addition, as part of the Global Market Strategies Group, the Adviser also is subject to other information barriers established by Carlyle, such as a one-way information barrier between Carlyle's Solutions segment, on the one hand, and the other business segments of Carlyle (including Global Market Strategies), on the other hand. The effect of these information barriers is that the Adviser generally will not be able to use, act on or otherwise be made aware of material non-public (or certain other commercially sensitive) information otherwise known by or in the possession of the rest of Carlyle (and vice-versa), and collaboration between personnel of the Global Market Strategies Group, on the one hand, and personnel working within the rest of Carlyle, on the other hand, may be limited, reducing potential synergies that could otherwise benefit the Adviser's clients.

At the same time, there is no information barrier between the Adviser and the rest of Carlyle's Global Market Strategies Group (except that certain business units within Global Market Strategies, focused on commodities, energy mezzanine opportunities and quantitative strategies, respectively, are walled off from others in the group, including the Adviser). Therefore, the

Global Market Strategies Group operates a single restricted list that contains securities in which the Global Market Strategies Group, including the Adviser (but excluding the walled-off businesses described above), cannot trade. While the Adviser typically is consulted with respect to a proposed addition to the Global Market Strategies Group restricted list, the addition of a name to the list may be beyond the Adviser's control. As a result, there may be instances in which the Adviser would be precluded from acquiring a particular security for the benefit of the Funds or a managed account. Similarly, the Adviser may not be able to dispose of a security owned by its Funds or managed accounts, even in a declining market, until the security is removed from the restricted list.

Investment Advisers

The Adviser is under common control with Carlyle Investment Management L.L.C. ("CIM") and a number of other advisers (together with CIM, the "Other Advisers"). The Form ADV Part 2A for CIM, more fully describes the locations and advisory businesses of the Other Advisers. The Other Advisers manage investment vehicles whose investment strategies may overlap with those of the Adviser's clients. It is therefore possible that the Other Advisers may independently consider the same investment opportunities as the Adviser's clients, and thereby, on any given occasion, compete with the Adviser for these investment opportunities.

The Adviser and one of the Other Advisers, CELF Advisors LLP ("CELF"), an investment adviser formed as a limited liability partnership under the laws of England and Wales and authorized by the UK Financial Conduct Authority (the "FCA"), have entered into a Sub-Advisory Agreement in order to address the FCA's regulatory requirements relating to the fact that one of the ESG Principals, Mete Tuncel, operates from London. CELF is exempt from SEC registration but is an exempt reporting adviser under the Advisers Act and, accordingly, has a Form ADV on file with the SEC. Pursuant to the agreement, Mr. Tuncel, who serves as a partner at CELF as well as a principal of the Adviser, exclusively provides services to the Adviser and its clients. Mr. Tuncel has no other duties at CELF. All costs that CELF incurs in connection with this arrangement, including any compensation or benefits that CELF furnishes to Mr. Tuncel, are reimbursed by the Adviser to CELF. Mr. Tuncel is subject to the relevant compliance policies and procedures of each of the Adviser and of CELF.

Neither the Other Advisers nor any person connected with them, other than Mr. Tuncel, is under any obligation to offer to the Adviser investment opportunities of which any of them becomes aware or to account to the Adviser in respect of (or share with the Adviser or inform it of) any such transaction or any benefit received by any of them from any such transaction.

In addition, certain advisory clients of the Other Advisers may invest in hedge funds managed by the Adviser, including the Funds. Any such investments would be subject to the applicable Fund's standard offering terms.

Broker-Dealers

TCG Securities, L.L.C. ("TCG Securities"), an affiliate of Carlyle, is a limited purpose broker-dealer registered with the SEC and a member of the Financial Industry Regulatory Authority ("FINRA"). Carlyle Hong Kong Equity Management Limited ("CHKEM"), an affiliate of

Carlyle, is a limited company authorized by the Securities and Futures Commission of Hong Kong to carry out Type 1 (dealing in securities) regulated activity. Carlyle Australia Equity Management Pty Ltd (“CAEM”), an affiliate of Carlyle, is an Australian financial services licensed limited company. TCG Securities, CHKEM and CAEM act as placement agents with respect to the offer and sale of interests in affiliated private investment vehicles, including the Funds. TCG Securities, CHKEM and CAEM do not currently intend to offer investment products sponsored or issued by unaffiliated third-parties, or to act as a broker-dealer or agent for transactions effected on behalf of the Adviser or other of its affiliated, private investment vehicles and does not intend to hold funds or securities for, or owe money or securities to, clients generally. Additionally, Carlyle holds and may in the future acquire ownership stakes in one or more other broker-dealers. The Adviser may execute trades with such Carlyle-affiliated broker-dealers. The Adviser will execute trades in all cases consistent with its duty to seek best execution.

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

The Adviser, as a Carlyle affiliate, has adopted The Carlyle Group Code of Conduct (the “Code”). The Code sets forth standards of ethical conduct for employees and is designed to address and avoid potential conflicts of interest as required under Rule 204A-1 of the Advisers Act. Among other things, the Code prescribes standards for dealing with clients ethically, addresses conflicts of interest issues, and supplements personal trading and operating procedures. The Code provides guidance in specific areas, including but not limited to, confidentiality of the Adviser’s information, personal investments, and gifts and entertainment and personal political activities.

Clients and investors or prospective investors may request a copy of the Code by contacting the Adviser at the address or telephone number listed on the first page of this document.

In addition to the Code of Conduct referred to in the paragraph above, the Adviser, as a Carlyle affiliate, has adopted the New York Attorney General's Public Pension Fund Reform Code of Conduct. That code governs the Adviser’s interactions with public pension funds in the United States and, among other matters, (a) bans the use of outside placement agents and lobbyists in connection with obtaining investments from such public pension funds, (b) bans certain campaign contributions in the United States and (c) provides for (i) increased disclosure, (ii) strengthened employment, confidentiality and gift policies, and (iii) conflicts of interest procedures as they relate to public pension funds in the United States. The code also addresses the pay-to-play regulations recently promulgated by the SEC. A copy is available to clients, investors or prospective clients by writing to the address listed on the front page of this document.

Brokerage Practices

The Adviser typically manages client accounts on a discretionary basis, subject to the restrictions (if any) that have been provided by clients. For accounts handled on a discretionary basis, the Adviser typically has the authority to determine the securities to be bought and sold without obtaining client consent to specific transactions. The Adviser is also authorized to determine the broker or dealer it will use for each securities transaction for its clients, and places transactions

with brokers consistent with its duty to seek to obtain best execution. The Adviser may pay for such research and related services with “soft dollars” as described further below.

In selecting brokers or dealers to execute transactions, the Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission, mark-up or other cost. It is not the Adviser's practice to negotiate “execution only” commission rates; thus, a client of the Adviser may be deemed to be paying for research and related services and other services provided by the broker which are included in the commission, mark-up or other cost.

Except for services that would be an expense of such client or as otherwise described below, the Adviser will limit the use of “soft dollars” to obtain research and brokerage services to services which constitute research and brokerage within the meaning of Section 28(e). Research services within Section 28(e) may include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants’ advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice from brokers on order execution; and certain proxy services. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an adviser and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self-regulatory organization such as comparison services, electronic confirms or trade affirmations.

Research and brokerage services obtained by the use of commissions arising from a client's portfolio transactions may be used by the Adviser in its other investment activities and thus, a client account may not necessarily, in any particular instance, be the direct or indirect beneficiary of the research or brokerage services provided.

In some instances, the Adviser may receive a product or service that may be used only partially for functions within Section 28(e). In such instances, the Adviser will make a good faith effort to determine the relative proportion of the product or service used to assist the Adviser in carrying out its investment decision-making responsibilities and the relative proportion used for administrative or other purposes outside Section 28(e). The proportion of the product or service attributable to assisting the Adviser in carrying out its investment decision-making responsibilities will be paid through brokerage commissions generated by client transactions and the proportion attributable to administrative or other purposes outside Section 28(e) will be paid for by the Adviser from its own resources.

Information so received is in addition to and not in lieu of services required to be performed by the Adviser’s management and performance fees are not reduced as a consequence of the receipt of such supplemental research information. Because commission rates in the United States are negotiable, the Adviser's selection of broker-dealers on the basis of considerations which are not

limited to applicable commission rates may at times result in a client being charged higher transaction costs than it would otherwise obtain. Nonetheless, the Adviser's decision on which broker-dealer to utilize will be fully driven by a concerted effort to seek best execution. Research services received from broker-dealers are supplemental to the Adviser's own research effort and, when utilized, are subject to internal analysis before being incorporated by the Adviser into its investment process.

As a practical matter, it would not be possible for the Adviser to generate all of the information presently provided by broker-dealers. The Adviser pays cash for certain research services received from external sources. The Adviser also allocates brokerage for research services, which are available for cash. While the receipt of research services from brokerage firms has not reduced the Adviser's normal research activities, the expenses of the Adviser could be materially increased if it attempted to generate such additional information through its own staff. To the extent that broker-dealers provide research services of value, the Adviser is relieved of expenses, which it may otherwise bear. In addition, the Adviser has an incentive to select a broker-dealer based on its interest in receiving research or other products or services, rather than client's interests in receiving lower transaction costs.

It is anticipated that each client's debt transactions will occur primarily with the issuers, underwriters or major dealers acting as agents. Such transactions are normally on a net basis which does not involve payment of a separate brokerage commission. Rather, the cost of securities purchased from an underwriter usually includes a commission paid by the issuer to the underwriters; transactions with dealers normally reflect the spread between bid and ask prices. In addition, it is anticipated that each client's equity transactions will occur primarily with registered broker/dealers.

In selecting brokers and negotiating commission rates, the Adviser will take into account the financial stability and reputation of brokerage firms, the brokerage, research and related execution services and other services provided by such brokers and referrals of investors (consistent with best execution), although the Fund or account for which the transaction was effected, may not, in any particular instance, be the direct or indirect beneficiary of the research or related services provided.

The Adviser may also direct portions of its brokerage business to brokers who refer prospective investors to the Adviser. Because such referrals, if any, are likely to benefit the Adviser but will provide an insignificant (if any) benefit to clients and investors in the Funds, the Adviser will have a conflict of interest with the clients and the Funds when allocating brokerage business to a broker who has referred investors to the Adviser. The Adviser believes that the risk of this conflict is mitigated by its internal best execution procedures, including its quarterly best execution meetings. To prevent brokerage commissions from being used to pay investor referral fees, the Adviser will not allocate brokerage business to a referring broker unless the Adviser determines in good faith that the commissions payable to such broker are reasonable in relation to those available from non-referring brokers offering services of substantially equal value to the Adviser.

The Adviser from time to time may participate in certain "capital introduction" programs organized or sponsored by certain prime or executing brokers to the Funds of such prime or executing brokers, which programs may include the prime or executing brokers or their affiliates

introducing the Adviser to potential investors with which the prime or executing broker or its affiliate have a pre-existing relationship. Currently, neither the Adviser nor the Funds compensate prime or executing brokers or their affiliates for organizing such programs or making such introductions or for any investments ultimately made by such prospective investors (although either may do so in the future). While such programs and introductions provided by a prime or executing broker or its affiliates may provide an incentive or influence the Adviser in deciding whether to use such prime or executing broker in connection with brokerage, financing, trade execution and other activities of the Funds, the Adviser will not commit to allocate a particular amount of brokerage to a prime or executing broker in any such situation.

The Adviser may aggregate purchase and sale orders of investments held by client accounts managed by the Adviser with similar orders being made simultaneously for other accounts or entities managed by the Adviser if, in the Adviser's reasonable judgment, such aggregation is reasonably likely to result in an overall economic benefit to clients based on an evaluation that they will be benefited by relatively better purchase or sale prices, lower commission expenses or beneficial timing of transactions, or a combination of these and other factors. In many instances, the purchase or sale of investments for clients will be affected simultaneously with the purchase or sale of like investments for other accounts or entities. Such transactions may be made at slightly different prices, due to the volume of securities purchased or sold. In such event, the average price of all securities purchased or sold in such transactions may be determined, at the Adviser's sole discretion, and the client account may be charged or credited, as the case may be, with the average transaction price.

When the Adviser determines that it would be appropriate for one or more accounts managed by the Adviser to participate in an investment opportunity, the Adviser seeks to execute orders for all of the participating accounts and its own account, on an equitable basis. Specifically, if the Adviser has determined to invest at the same time for more than one of the accounts, the Adviser may place combined orders for all such accounts simultaneously and if any order is not filled at the same price, it may average the prices paid. Similarly, if an order on behalf of more than one account cannot be fully executed under prevailing market conditions, the Adviser generally will allocate the securities traded among the different accounts pro rata based on each such client's capital available for investment or, if for any reason this would not result in a position size that is economically reasonable, by any other basis which it considers equitable. In these circumstances, each account would pay, in connection with the acquisition of securities by more than one account, the average price per unit acquired, which may be higher than if it had acted alone, and it may otherwise not be able to execute an investment decision as effectively as it could have if it had acted alone. There may be corresponding potential disadvantages when more than one client account simultaneously seeks to dispose of commonly held securities and other investment positions. In addition, situations may occur where a client could be disadvantaged because of the activities conducted by the Adviser for other accounts. Such situations may be based on, among other things: legal restrictions on the combined size of positions which may be taken for all accounts managed by the Adviser; the difficulty of liquidating an investment for more than one account where the market cannot absorb the sale of the combined positions; or the determination that a particular investment is warranted only if hedged with an option and there is a limited availability of such options. Instances also may arise where the Adviser determines an investment opportunity to be suitable for more than one account but the market is too illiquid to enable each to participate to the extent advisable. In the above situations, or in other situations in which

conflicts arise, the Adviser will endeavor to allocate investment opportunities fairly; nevertheless, from time to time as any given conflict situation arises, such conflict may be resolved in a manner detrimental to a particular client.

Sensitive allocation issues arise when the Adviser is given the opportunity to participate in an offering that is expected to be over-subscribed. Since hot issue premiums provide the potential of an immediate profit and since the Adviser may typically receive only a small portion of the allotments sought, the Adviser will exercise particular care in the allocation of these securities. For these reasons, final allocations may not be feasible until after the Adviser determines the amount of the issue to be allocated to it and the price. Allocation of IPOs will begin with a determination of which accounts are permitted to participate based upon regulatory constraints and account guidelines and restrictions. Thereafter, the principles of the general allocation policy will apply to all eligible accounts.

If the Adviser makes an error while placing a trade for a client, the Adviser will use its best efforts to break or otherwise correct the trade, and will mitigate losses as fully as possible. As a general matter, the Adviser bears both the cost of correcting any error, and the cost of any uncorrectable error, if the error is the result of the Adviser's gross negligence, willful misconduct or as otherwise provided under applicable law. In determining whether its personnel have violated the standard of care such that the Adviser is responsible for a loss resulting from a trade error, the Adviser will have a conflict of interest between its economic interest and the interests of the Adviser's clients. Broker-dealers may not assume responsibility for trade error losses caused by the Adviser.

As is consistent with its duty to seek to obtain best execution, occasionally the Adviser may cross trades for client accounts. A cross trade occurs when the Adviser purchases and sells a particular security between two or more accounts under the Adviser's management by instructing brokers to cross the trade. The Adviser generally utilizes "cross" trades to address account funding issues and when it specifically deems the practice to be advantageous for each participant. In no instance does the Adviser receive additional compensation when crossing trades for client accounts. The Adviser will seek to ensure that the terms of the transaction, including the consideration to be paid or received, are fair and reasonable, and that the transaction is done for the sole benefit of the clients. In addition, cross trades may be effected between clients subject to the following guidelines: (i) such transactions shall be effected for cash consideration at the current market price of the particular securities, and (ii) no extraordinary brokerage commissions or fees (i.e., except for customary transfer fees or commissions) or other remuneration shall be paid in connection with any such transaction.

The Adviser and its members, principals, employees or affiliates may beneficially own, or be deemed to beneficially own, a significant interest in a Fund or an account managed by the Adviser or its affiliates. Accounts managed by the Adviser or its affiliates may from time to time engage in cross-trades where the same security is simultaneously bought and sold or covered and shorted by client accounts managed by the Adviser (or its affiliates) or other inter-fund transactions (including rebalancing fund assets as a result of subscriptions/contributions or redemptions/withdrawals from funds or accounts). Cross trades will be effected either by trading the security in the open market or by a direct transfer between the accounts of the Adviser's clients. In either case, cross trades will be effected at market value. Because such transactions

could be viewed as transactions between the Adviser (and/or its members, principals, employees or affiliates) and the relevant account, to the extent required by law, the Adviser will adopt certain additional procedures to be followed to address any conflict of interest with respect to these transactions. In connection with an investment in a Fund, such procedures would provide for an independent advisory board to review information with respect to each transaction and, based upon such information, will approve or deny the transaction on behalf of the applicable client accounts prior to its execution.

Review of Accounts

Portfolio holdings of client accounts are generally monitored on a continuous basis by J. Kevin Kenny Jr., Mete Tuncel, and Jason Kirschner in light of a client's investment objective, trading activity, significant corporate developments and other activities which may dictate a change in portfolio positions.

Each account will receive at least quarterly reports listing the market value of their investment. Financial statements will be sent annually to the Funds' investors.

Client Referrals and Other Compensation

The Adviser has entered into a placement agreement with Barclays Wealth ("BW") for the CBE Fund. The CBE Fund will pay BW, with respect to each investor introduced by BW that invests in the CBE Fund, a portion of the Fixed Fee received by the Adviser attributable to the respective investors in an amount equal to 0.75% of the net asset value of the investment in the CBE Fund by each such investor for so long as the investor remains invested in the CBE Fund.

The Adviser has also engaged an affiliate of Carlyle, TCG Securities, to serve as a non-exclusive placement agent for the Funds. In connection with its services as placement agent, TCG Securities will receive compensation from the Adviser.

Custody

All client assets are held in custody by unaffiliated broker/dealers or banks; however the Adviser may be deemed to have custody of client accounts since its affiliate serves as the General Partner of the Funds. Investors in the Funds will not receive statements from the custodian. Instead the Funds are subject to an annual audit and the audited financial statements are distributed to each limited partner. The audited financial statements will be prepared in accordance with generally accepted accounting principles and distributed within 120 days of the Funds' fiscal year end. In addition, the Adviser may access certain managed accounts through its ability to debit advisory fees. Account custodians send statements directly to the managed account owners on at least a quarterly basis. Clients should carefully review these statements, and should compare these statements to any account information provided by the Adviser.

Investment Discretion

The Adviser typically manages client accounts on a discretionary basis, subject to the restrictions (if any) that have been provided by clients. For accounts handled on a discretionary basis, the Adviser typically has the authority to determine the securities to be bought and sold without obtaining client consent to specific transactions. The Adviser is also authorized to determine the broker or dealer to be used for each securities transaction for its clients.

Voting Client Securities

The Adviser has adopted Proxy Voting Policies and Procedures (the “Procedures”) that are designed to ensure that in cases where the Adviser votes proxies with respect to client securities, such proxies are voted in the best interests of its clients. The Procedures also require that the Adviser identify and address conflicts of interest between the Adviser and its clients. If a material conflict of interest exists, the Adviser will determine whether voting in accordance with the guidelines set forth in the Procedures is in the best interests of the client or take some other appropriate action. In voting proxies, the Adviser generally votes in favor of routine corporate housekeeping proposals, including election of directors (where no corporate governance issues are implicated), selection of auditors, and increases in or reclassification of common stock. Generally, the Adviser will vote against proposals that make it more difficult to replace members of a board of directors, including proposals to stagger the board, cause management to be overrepresented on the board, introduce cumulative voting, introduce unequal voting rights, and create supermajority voting. For all other proposals, the Adviser will determine whether a proposal is in the best interests of its clients and may take into account the following factors, among others: (i) whether the proposal was recommended by management and Adviser’s opinion of management; (ii) whether the proposal acts to entrench existing management; and (iii) whether the proposal fairly compensates management for past and future performance.

Clients may obtain a copy of the Adviser’s Procedures and information about how the Adviser voted a client’s proxies by contacting Michelle Dea by email at md@emsov.com or by telephone at 212-813-4600.

Financial Information

The Adviser has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.