



SHENKMAN CAPITAL MANAGEMENT, INC.

Form ADV, Part 2A Disclosure Brochure

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This Brochure provides information about the qualifications and business practices of SHENKMAN CAPITAL MANAGEMENT, INC., an investment adviser registered with the United States Securities and Exchange Commission (the “SEC”). If you have any questions about the contents of this brochure, please contact us at (212) 867-9090 and/or legal@shenkmancapital.com. This information has not been approved or verified by the SEC or by any state securities authority.

Additional information about SHENKMAN CAPITAL MANAGEMENT, INC. is also available on the SEC’s website at www.adviserinfo.sec.gov. Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

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ITEM 2: MATERIAL CHANGES

The following summarizes only material changes to this Disclosure Brochure since the last annual update of this Disclosure Brochure, which was filed with the Securities and Exchange Commission on September 26, 2014.

ITEM	DESCRIPTION OF MATERIAL CHANGE
Item 4: Advisory Business	Included additional information regarding our services
Item 5: Fees and Compensation	Included additional information regarding performance-based fees
Item 7: Types of Clients	Revised minimum account opening thresholds for existing investment strategies and added minimum account opening thresholds for new investment strategies
Item 8: Methods of Analysis, Investment Strategies and Risk of Loss	Updated disclosures for existing investment strategies, added new investment strategies and updated material risk disclosures
Item 10: Other Financial Industry Activities and Affiliations	Added a new investment adviser affiliate
Item 7: Voting Client Securities	Enhanced disclosures regarding proxy voting policies and procedures

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ITEM 4: ADVISORY BUSINESS

A. BACKGROUND

SHENKMAN CAPITAL MANAGEMENT, INC. (referred to herein as “Shenkman,” “we,” “us” and “our”) is a global investment advisory firm founded by Mark R. Shenkman in 1985. Mark R. Shenkman, as trustee of the Mark R. Shenkman Revocable Trust, is the principal owner of Shenkman.

B. OUR SERVICES

Since its inception in 1985, Shenkman’s business has been dedicated to researching and investing across the entire capital structure of highly leveraged companies (e.g., high yield companies). Our strategy is based upon rigorous, bottom-up, proprietary credit analysis. We seek to invest in higher quality debt of lower rated companies with strong and/or improving financial characteristics, while seeking to avoid those with a greater probability of default. Our investment philosophy is predicated on the following four core principles:

- Preserving Capital
- Allowing the Compounding of Interest Income to Drive Risk-Adjusted Returns
- Minimizing Defaults
- Utilizing Proprietary Credit Analytics

Our decision-making process is based on a structured and disciplined bottom-up investment process. Our Credit Analysts use proprietary tools and models that incorporate both quantitative and qualitative factors to determine the creditworthiness of potential investments. The analytical process includes a thorough review of issuers using public information, financial statements and one-on-one meetings with senior management. We also focus on relative value within the capital structure, covenants, management track record, and a comparative industry analysis. We do not rely on published ratings. Instead, we utilize our internally developed and proprietary credit score system, which we believe is more reflective of an issuer’s credit worthiness than published ratings.

All of our investment strategies are managed according to the same investment philosophy and disciplined investment process. These investment strategies include: U.S., European and Global high yield bonds, short duration high yield bonds, leveraged loan, U.S. and Global convertible securities, credit opportunity, energy opportunity, multi-strategy, and structured credit. All of our investment strategies are available through a separate account platform and are supported by our credit research platform. Certain of these investment strategies are also available through commingled investment vehicles, including mutual funds, private funds, and UCITS funds.

C. TAILORED ADVICE AND CLIENT RESTRICTIONS

We manage client assets on a discretionary basis and seek to tailor our investment services to meet our clients’ objectives. Our clients may impose restrictions or limitations on the types of investments we make for their accounts, which include limitations by asset class, credit rating, industry/sector and other restrictions. Shenkman (or an affiliate) also serves as general partner or investment manager to pooled investment vehicles for high net worth and other institutional investors (each, a “Sponsored Fund” and, collectively, the “Sponsored Funds”). These funds have investment guidelines that are not subject to the specific requirements of their underlying investors. The offering documents for our Sponsored Funds contain more detailed information about the funds, including descriptions of their investment restrictions.

D. WRAP FEE PROGRAMS

Shenkman does not sponsor any wrap fee programs, although we provide portfolio management services to client accounts that participate in third-party wrap fee programs (“Wrap Fee Accounts”). Subject to differences in investment objectives and guidelines, we manage Wrap Fee Accounts substantially the same as we manage other client accounts within the same strategy. For instance, due to regulatory restrictions, most Wrap Fee Accounts are not eligible to purchase certain Rule 144A securities that most of our other separately managed accounts are eligible to buy. The value of Wrap Fee Accounts is also below our stated account size minimums; consequently, the weighting of investments in Wrap Fee Accounts may differ from the weighting of investments in our other separately managed accounts. We receive a portion of the wrap program sponsor’s wrap fee for our services.

E. ASSETS UNDER MANAGEMENT

As of July 31, 2015, Shenkman managed over \$30 billion of client assets all on a discretionary basis.

ITEM 5. FEES AND COMPENSATION

A. HOW WE ARE COMPENSATED

Asset-Based Fees. Shenkman charges each client account an asset-based management fee based on the value of the client's assets under management. Our standard management fees generally range from 0.350% to 0.800% of assets under management. We also negotiate fee arrangements with certain separately managed account clients and investors in Sponsored Funds based on their facts and circumstances, including the amount of assets to be placed under management, related accounts under management, portfolio style, account composition, reporting requirements, and other factors. We may also aggregate related client accounts when calculating management fees. We also receive an asset-based management fee for the services we provide to each Sponsored Fund, which are described in the offering materials for each of those funds.

Performance-Based Fees. We receive performance-based compensation from certain Sponsored Funds and private funds that are structured as "collateralized loan obligations" ("CLOs"). The fees applicable to the Sponsored Funds and CLOs are set forth and described in the offering materials for each of those funds.

In addition, from time-to-time and consistent with applicable laws and regulations, including Rule 205-3 under the Investment Advisers Act of 1940 (the "Advisers Act"), we receive performance-based fees in addition to (or in lieu of) asset-based management fees from our separate account clients. Please see "Item 6: Performance-Based Fees and Side-by-Side Management" below for more information regarding performance-based fees.

Pricing of Portfolio Securities. We are responsible for calculating our asset-based and performance-based fees for certain client accounts and Sponsored Funds. A potential conflict of interest may arise in these circumstances because we receive an asset-based advisory fee and/or performance-based compensation based on our determination of the value of the assets we manage. In these circumstances, we price the assets in good faith in accordance with our internal pricing policy.

Under this pricing policy, we price bonds and convertible securities at the "mid" between the bid and ask prices. For bonds, we use a proprietary tool that automatically collects pricing from market makers, brokers, relevant indexes and FINRA TRACE. A final price for each bond is determined based upon pre-defined hierarchy rules. For convertible bonds, we generally use prices provided by a broker that it has predetermined for each convertible security. Bank loans are priced at the bid price we receive from a third-party pricing service. Any proposed modifications to month-end pricing must be reviewed by our Compliance Department.

Investments in Affiliated Funds. In accordance with each client's stated investment guidelines, we may invest a portion of separate account client assets in our Sponsored Funds or in mutual funds for which we act as investment adviser or sub-adviser (each, a "Mutual Fund"). The management fee payable on assets invested in a Sponsored Fund is paid at the separate account level only, while the management fee payable on assets invested in a Mutual Fund is paid at the Mutual Fund level only. When separate account client assets are invested in a Sponsored Fund, Shenkman usually pays the client's pro rata share of the Sponsored Fund's operating expenses. All other investors in the Sponsored Funds bear their pro rata portion of the fund's operating expenses. All investors in a Mutual Fund, including clients whose separate account assets are invested in a Mutual Fund, bear their pro rata portion of that fund's operating expenses.

B. BILLING AND DEDUCTION OF FEES

Asset-based management fees are generally charged in arrears on a monthly or quarterly basis based on the total market value of the assets in the client account (including net unrealized appreciation or depreciation of investments and cash, cash equivalents and accrued interest) on the last day of the month or quarter (as applicable). Performance-based fees are typically payable annually in arrears based upon the amount by which the client's investment returns for the year exceed a high water mark and/or a specified rate of return. The specific manner in which we charge our fees for separate account clients is set out in a written agreement with each client. The specific manner in which fees are charged to investors in our Sponsored Funds are described in the offering materials for each of those funds.

We do not deduct advisory fees from client accounts (except in limited situations when specifically instructed by a client). We typically send an invoice to clients or their custodians on a quarterly, monthly or annual basis (as applicable). In certain cases, a client will send payment to us based upon its custodian's calculation of the fee amount due. We direct the custodians of our Sponsored Funds to deduct our asset-based fees and any performance fees.

C. OTHER FEES AND EXPENSES

In addition to paying asset-based management fees and performance-based compensation, clients are responsible for and do incur other fees and expenses related to the transactions we execute for their accounts. These fees and expenses may include brokerage fees, commissions and related transaction costs; custodial charges; interest expenses; taxes, duties and other governmental charges; transfer and registration fees or similar expenses; other portfolio expenses; sales and use taxes; and other costs, expenses and fees (including third-party settlement related fees that may be charged in connection with certain types of investments made for client accounts). Please also refer to “Item 12: Brokerage Practices” below for a discussion of our brokerage practices.

D. ADVANCE FEES

All asset-based fees are generally paid in arrears on a monthly or quarterly basis. Performance-based compensation is typically paid annually in arrears. Upon the specific request of a client, however, we may receive our fees up to six months in advance (i.e., prepaid fees). Prepaid fees would be refunded to the client, on a pro rata basis, if we did not provide services for the entire period for which the prepaid fee corresponded.

E. SALES BASED COMPENSATION

Neither Shenkman nor any of its team members accepts additional compensation for the sale of securities or other investment products.

ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

As discussed in Item 5: Fees and Compensation above and consistent with Rule 205-3 under the Advisers Act, we may receive performance-based fees or a combination of performance-based and asset-based fees from separate account clients, CLOs and Sponsored Funds. The investment returns on which performance-based compensation is calculated includes unrealized appreciation and depreciation of investments that may not ultimately be realized. Certain client accounts, Sponsored Funds and CLOs may have higher asset-based fees or more favorable performance-based compensation arrangements than other accounts, Sponsored Fund and CLOs. Performance-based compensation may also create an incentive for us to make investments that are riskier or more speculative than would be the case in the absence of such compensation. Consequently, to the extent we manage accounts that are charged performance-based compensation and accounts that are charged only an asset-based fee (i.e., a non-performance-based fee), a potential conflict of interest exists because we may have greater incentive to favor performance-based fee accounts when allocating investment opportunities as well as in the amount of time and resources we devote to those accounts.

We have adopted and implemented policies and procedures intended to address these potential conflicts of interest, including trade allocation and aggregation policies. Our allocation policy seeks to ensure that investment opportunities are allocated among client accounts fairly over time, and our order aggregation policy requires that clients participate in aggregated orders on an average price basis. Our Chief Compliance Officer also oversees a periodic review of the holdings of each account to assure that all securities in the account comply with the investment and risk parameters of such account. Please see “Item 16: Investment Discretion” and “Item 12: Brokerage Practices” below for more information on our allocation and aggregation policies and procedures.

Additionally, our Compliance Manual contains a Code of Ethics that sets out general standards of conduct and ethics that all of our team members must adhere to. Shenkman’s Legal and Compliance Department conducts annual compliance “teach-ins,” which all team members are required to attend. The Code of Ethics is reviewed at these teach-ins, and team members are reminded of their duty to treat all of our clients fairly at all times. All of our team members are also required to read the Code of Ethics each year and sign an Acknowledgement of Compliance.

ITEM 7: TYPES OF CLIENTS

We provide portfolio management services to a wide variety of institutional investors, including:

- corporations
- corporate ERISA plans
- public pension plans
- Taft-Hartley plans
- religious and charitable organizations
- endowments and foundations
- insurance companies
- mutual funds
- pooled investment vehicles, including Sponsored Funds, CLOs and UCITS funds
- government entities and government-sponsored entities
- family offices and high net worth individuals
- wrap fee programs

We require minimum amounts to establish separate accounts as follows:

<u>INVESTMENT STRATEGY</u>	<u>ACCOUNT MINIMUM</u>
U.S. High Yield Bond	\$50 million
European High Yield Bond	€25 million
Global High Yield Bond	\$50 million/€25 million
Leveraged Loan	\$50 million
U.S. Convertible Securities	\$25 million
Global Convertible Securities	\$25 million/€15 million
Short Duration High Yield Bond	\$50 million
Opportunistic	\$25 million
Multi-Strategy	\$100 million
Structured Credit	\$25 million

The minimum investment for our Sponsored Funds and for the Wrap Fee Accounts we manage is \$1,000,000. Investors in our Sponsored Funds must be “accredited investors” and in most cases must also be “qualified purchasers.”

Shenkman, in its sole discretion, may waive any of these minimum investment requirements.

ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

A. METHODS OF ANALYSIS AND INVESTMENT STRATEGIES

Methods of Analysis

Our investment management services are focused on the leveraged finance market. In addition to the four core principles we discuss under Item 4: Advisory Business (i.e., preserving capital, allowing the compounding of interest income to drive risk-adjusted returns, minimizing defaults, and utilizing proprietary credit analytics), our investment philosophy is based on the following six pillars:

- I. Bottom-up, Fundamental Credit Analysis
- II. Broad Diversification
- III. Direct Communication with Issuer’s Management
- IV. Credit Committee; Disciplined Approach
- V. Monitor All Credits on a Systematic Basis
- VI. Comprehensive Reporting and Risk Control Systems

We consistently apply a risk-averse philosophy based on bottom-up fundamental credit analysis across all market environments. Our investment philosophy centers on the basic tenet that comprehensive, fundamental credit research is the key to realizing above-average returns over a full market cycle. We believe this core principle is essential to properly manage the inherently higher credit risk associated with below investment-grade assets. Our analytical process requires a thorough examination of each issuer using public information and discussions with its management and third parties, which may include industry contacts, suppliers and competitors. This process includes the implementation of proprietary tools to analyze historical and projected operating performance and trends, including liquidity, cash flow and a working capital analysis, as well as a stress test of the issuer's income statement.

We provide advice and management with respect to all segments of the capital structure of leveraged companies. Our services relate to registered securities and securities not registered under the U.S. Securities Act of 1933 (including, but not limited to, securities issued pursuant to Rule 144A and Regulation S promulgated under that Act). Depending on the investment strategy employed, we may invest in investment grade and below-investment grade fixed-income and equity securities, including notes, bonds (cash pay, zero coupon and toggle), convertible securities (bonds and preferred stock), yankee bonds, bonds with attached warrants, non-convertible preferred stock and other equity securities, U.S. Treasury and agency issues, and leveraged loans made to corporate borrowers, including term loans, bridge loans, delayed draw term loans, revolving loans and letter of credit facilities. We also provide advice and management with respect to: (i) defaulted and distressed bonds and other securities and obligations; (ii) defaulted and distressed leveraged loans; and (iii) equity and debt securities issued by CLOs.

From time to time, we may also invest in derivative or synthetic securities that derive their value from an underlying security or instrument, and may engage in "Total Rate of Return" swap transactions on behalf of our client accounts based on leveraged loans. We may also provide advice and management with respect to equity securities issued by highly leveraged companies and investment grade companies, as well as put and call options. We may employ straddles, spreads and other combinations of put and call options and may use options or other derivatives, instruments and techniques for hedging purposes or to implement a strategy where we do not believe an investment in the underlying instrument is feasible or in the best interests of our clients. We may also engage in foreign exchange currency transactions to hedge the underlying portfolio against a specified currency.

Investing in securities involves the risk of loss, including loss of principal, which clients should be prepared to bear.

Investment Strategies

All of our investment strategies are managed according to the same investment philosophy and disciplined investment process. Our current investment strategies, which are described in more detail below, include: (i) U.S. High Yield Bond; (ii) European High Yield Bond; (iii) Global High Yield Bond; (iv) Short Duration High Yield Bond; (v) Leveraged Loan; (vi) U.S. Convertible Securities; (vii) Global Convertible Securities; (viii) Credit Opportunity; (ix) Energy Opportunity; (x) Multi-Strategy; and (xi) Structured Credit. All of our clients may invest in one or more of these investment strategies. In addition to these investment strategies, we also provide our clients with customized solutions designed to meet their specific investment objectives.

➤ *U.S. High Yield Bond Strategy*

The investment objective of our U.S. high yield bond strategy is to maximize risk-adjusted returns (i.e., current income and capital preservation) by primarily investing in U.S. dollar-denominated debt securities of highly leveraged companies. These companies typically have a credit rating equal to or lower than BB+ (Standard & Poor's) or Ba1 (Moody's) or are not rated but have non-investment grade credit characteristics. We primarily invest in U.S.-dollar denominated debt securities of U.S. and non-U.S. corporate issuers, including senior secured, senior unsecured, senior subordinated, subordinated, cash pay, pay-in-kind, zero coupon and toggle bonds.

➤ *European High Yield Bond Strategy*

The investment objective of our European high yield bond strategy is to maximize risk-adjusted returns by primarily investing in debt securities of European and other non-U.S. corporate issuers that have a below-investment grade rating or credit profile. We primarily invest in senior secured, senior unsecured, senior subordinated, subordinated, cash pay, pay-in-kind, zero coupon and toggle bonds denominated in Euros or other non-U.S. dollar currencies.

➤ ***Global High Yield Bond Strategy***

The investment objective of our global high yield bond strategy is to maximize risk-adjusted returns by primarily investing in debt securities of U.S., European and other non-U.S. corporate issuers that have a below-investment grade rating or credit profile. This strategy combines and applies the strategies and proprietary analytical tools of our U.S. and European high yield bond strategies in one diversified portfolio. We primarily invest in senior secured, senior unsecured, senior subordinated, subordinated, cash pay, pay-in-kind, zero coupon and toggle bonds denominated in U.S. dollars, Euros and other currencies.

➤ ***Short Duration High Yield Bond Strategy***

The investment objective of our short duration high yield bond strategy is to generate current income by primarily investing in a portfolio of short duration debt securities of highly leveraged companies. In general, the majority of the portfolio consists of securities with a remaining maturity of five years or less while the overall portfolio typically has an average duration of three years or less. We primarily invest in debt securities of U.S. and non-U.S. corporate issuers, including senior secured, senior unsecured, senior subordinated, subordinated, cash pay, pay-in-kind, zero coupon and toggle bonds. These securities may be denominated in U.S. dollars, Euros and other currencies.

➤ ***Leveraged Loan Strategy***

The investment objective of our leveraged loan strategy is to maximize risk-adjusted returns by primarily investing in institutional tranches of secured and unsecured loans of highly leveraged issuers. We primarily invest in first lien term loans, second lien term loans, bridge loans, letters of credit, synthetic letters of credit, delayed draw term loans and revolving loans. These loans may be denominated in U.S. dollars, Euros and other currencies.

➤ ***U.S. Convertible Securities Strategies – Core and Investment Grade***

The investment objective of both our core and investment grade convertible securities strategies is to maximize risk-adjusted returns by primarily investing in U.S. dollar denominated convertible securities issued by highly leveraged companies. Our investment grade convertible strategy seeks to maintain an overall minimum weighted average of BBB-/Baa3 or above. For both strategies, we primarily invest in convertible debt and convertible preferred securities denominated in U.S. dollars. For certain accounts, we also may purchase convertible securities while simultaneously short selling the issuer's underlying stocks in an attempt to both maximize returns and reduce risk.

➤ ***Global Convertible Securities Strategy***

The investment objective of our global convertible securities strategy is to maximize total returns (i.e., current income and capital appreciation) on a risk-adjusted basis by primarily investing in convertible securities issued by U.S., European and other non-U.S. corporate issuers that have a below-investment grade rating or credit profile. We primarily invest in convertible debt and convertible preferred securities denominated in U.S. dollars, Euro and other currencies. For certain accounts, we may also purchase convertible securities while simultaneously short selling the issuer's underlying stocks in an attempt to both maximize returns and reduce risk.

➤ ***Credit Opportunity Strategy***

The investment objective of our credit opportunity strategy is to maximize total returns by actively investing and trading long and short positions in securities and other obligations issued by highly leveraged companies. We primarily invest in securities denominated in U.S. dollars, Euro and other currencies, including: (i) performing and non-performing floating rate loans and participations, including secured and unsecured loans, first lien term loans, second lien term loans, bridge loans, letters of credit, synthetic letters of credit, delayed draw term loans and revolvers; (ii) notes and bonds, including, senior secured, senior unsecured, senior subordinated, subordinated, cash pay, pay-in-kind, zero coupon and toggle; (iii) convertible securities, including convertible preferred securities and convertible debt; (iv) equity securities, including common stock, preferred stock, stock units, warrants and options on equity securities; (v) trade claims, receivables, trust certificates and asset backed securities; (vi) mezzanine financing and other privately-placed investments; and (vii) derivative transactions and credit-linked securities, including total return swaps, credit default swaps, and credit-linked notes.

➤ **Energy Opportunity Strategy**

The investment objective of our energy opportunity strategy is to generate high current income and provide the opportunity for capital appreciation by primarily investing in U.S. dollar-denominated fixed income securities and syndicated bank loans of Oil & Gas companies. Under this strategy, we invest primarily in securities of U.S. and non-U.S. exploration and production companies and energy service companies (e.g., contract drillers, supply vessels, land service providers and geophysical/seismic data providers), including senior secured, senior unsecured, senior subordinated, subordinated, cash pay and zero coupon, convertible bonds and secured and unsecured loans, first lien term loans, second lien term loans, bridge loans, delayed draw term loans, revolving loans and letter of credit facilities.

➤ **Multi-Strategy**

The investment objective of our multi-strategy is to maximize total returns by investing primarily in securities and debt obligations of highly leveraged companies. This strategy combines and applies the strategies and proprietary analytical tools of our high yield bond, leveraged loan, convertible securities and credit opportunity strategies in one diversified portfolio. Investments are allocated among these four strategies based upon changing market conditions and our view of relative value opportunities. At the request of a client, we may also allocate capital among two or more of our strategies and invest capital on an indirect basis through two or more of our Sponsored Funds based upon changing market conditions and Shenkman's view of relative value opportunities.

➤ **Structured Credit Strategy**

The investment objective of our structured credit strategy is to maximize risk-adjusted returns by primarily investing in the U.S. dollar-denominated debt and equity securities issued by CLOs. Our approach to this strategy includes an analysis of: (i) the skill and reputation of CLO managers; (ii) the structural features of an individual CLO transaction; and (iii) the characteristics of the underlying collateral owned by the CLO. The analysis of the underlying collateral incorporates the single-name credit and industry views of Shenkman's fundamental credit analysts.

B. MATERIAL RISKS OF INVESTMENT STRATEGIES

Clients should understand that all investment strategies and the investments made pursuant to them involve the risk of loss, including the potential loss of the entire investment. The investment performance and success of any investment strategy or particular investment can never be predicted or guaranteed, and the value of a client's investments will fluctuate due to market conditions and other factors. The following is a list of the material risks Shenkman believes are associated with its investment strategies; it does not purport to be a complete enumeration or explanation of all such risks.

Nature of Investments. Shenkman has broad discretion in making investments for our clients. These investments primarily consist of loans, debt obligations and convertible securities issued by non-investment grade (i.e., "high yield") companies and debt and equity securities issued by CLOs. Each of these investments may have significant risks as a result of business, financial, market or legal uncertainties. Client accounts may also hold long and short positions in equity securities issued by high yield companies. There can be no assurance that we will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on investments. Prices may be volatile, and a variety of other factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the value of client investments. No guarantee or representation is made that our investment objectives will be achieved.

High Yield Debt Securities and High Yield Bank Loans. Shenkman primarily invests client assets in debt securities and bank loans that are rated below investment-grade by one or more nationally recognized statistical rating organizations or are unrated but considered to be of comparable credit quality to obligations rated below investment-grade ("High Yield Securities"). High Yield Securities have greater credit and liquidity risk than more highly rated debt obligations and are generally unsecured and may be subordinate to other obligations of the issuer. The lower rating of High Yield Securities reflects a greater possibility that adverse changes in the financial condition of the issuer or in general economic conditions (including, for example, a substantial period of rising interest rates or declining earnings) or both may impair the ability of the issuer to make payments of principal and interest.

Many issuers of High Yield Securities are highly leveraged, and their relatively high debt-to-equity ratios create increased risks that their operations might not generate sufficient cash flow to service their debt obligations. Overall declines in the below investment-grade bond and other markets may adversely affect such issuers by inhibiting their ability to refinance their debt at

maturity. Further, bankruptcy and similar laws applicable to issuers of the High Yield Securities may limit the amount of any recovery in respect of the High Yield Securities if the issuer is insolvent, and may also adversely affect the timing of any such recovery to which our clients' may be entitled. High Yield Securities have historically experienced greater default rates than has been the case for investment-grade securities.

Convertible Securities. Shenkman invests client assets in convertible securities, which are bonds, debentures, notes, preferred stock or other securities that may be converted or exchanged into the common stock of the same or a different issuer. The value of a convertible security is a function of its "investment value" (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its "conversion value" (the security's worth, at market value, if converted into the underlying common stock). The investment value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of an issuer and other factors may also have an effect on the convertible security's investment value. The conversion value of a convertible security is determined by the market price of the underlying common stock. If the conversion value is low relative to the investment value, the price of the convertible security is governed principally by its investment value. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the market value of the convertible security will be increasingly influenced by its conversion value. A convertible security generally will sell at a premium over its conversion value measured by the extent to which investors place value on the rights to acquire the underlying common stock while holding a fixed-income security. Generally, the amount of the premium decreases as the convertible security approaches maturity. A convertible security may also be subject to redemption at the option of the issuer at a pre-established price. If a convertible security held in a client account is called for redemption, Shenkman will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party, which could have an adverse impact on Shenkman's ability to achieve its investment objective.

Distressed Situations. Shenkman may invest client assets in "distressed situations" (i.e., private claims and obligations of entities experiencing significant financial difficulties, such as loan participations and assignments, trade claims and similar instruments), which may expose clients to significant risks, including: (i) difficulty in obtaining information as to an issuer's true condition; (ii) regulatory risk, including laws relating to fraudulent conveyances, voidable preferences, lender liability and bankruptcy; (iii) market risk; (iv) litigation risk; (v) liquidity risk; and (vi) collection risk. To the extent that we hold different tiers of an issuer's capital structure for different clients, we may have divergent and competing interests for each of those clients. We seek to resolve these situations in good-faith and in accordance with our fiduciary duties.

Equity Securities. Shenkman may purchase equity securities or sell them short. Equity securities fluctuate in value in response to many factors, including the activities and financial condition of individual companies, the business market in which individual companies compete, industry market conditions and general economic environments.

Private Loans and Unlisted Securities. Shenkman may invest client assets in private loans of U.S. and non-U.S. companies, as well as unlisted securities of U.S. and non-U.S. issuers. Because of the absence of any trading market for these investments, it may take longer to liquidate these positions than would be the case for publicly traded securities or it may not be possible to liquidate these positions. Although these securities may be resold in privately negotiated transactions, the prices realized on these sales could be less than those originally paid. Further, companies whose securities are not publicly traded may not be subject to public disclosure and other investor protections applicable to publicly traded securities.

Liquidity Risk. Shenkman invests client assets in loans and other securities or financial instruments that are thinly traded or for which no market exists. The financial markets have experienced and may, in the future, experience substantial fluctuations in prices for High Yield Securities and limited liquidity for such instruments. During periods of limited liquidity and higher price volatility, Shenkman's ability to acquire or dispose of investments at a price and time that we deem advantageous may be severely impaired, and may also inhibit us from taking advantage of market opportunities. Some High Yield Securities may also have a limited trading market (or none) under any market conditions. Illiquid debt obligations may trade at a discount from comparable, more liquid investments. The impact of low liquidity on the global credit markets may adversely affect our portfolio management flexibility and ultimately, our ability to achieve our clients' performance objectives.

Interest Rate Risk. When interest rates decline, the value of fixed-rate bonds or notes can be expected to rise. Conversely, when interest rates rise, the value of fixed-rate bonds or notes can be expected to decline. A sudden and significant increase in market interest rates may cause a decline in the value of client accounts. Other economic factors (such as large downward movement in stock prices, a disparity in supply and demand of certain securities or market conditions that reduce liquidity) can also adversely impact the markets for loans and other debt obligations. Rating downgrades of securities or their issuers also typically reduce the value of such holdings.

Non-U.S. Issuers. Shenkman invests client assets in loans and other securities or financial instruments of companies domiciled or operating outside of the United States. Investing in loans and other securities or financial instruments of non-U.S. companies involves certain considerations comprising both risks and opportunities not typically associated with investing in securities of U.S. companies, including: political and economic considerations, such as greater risks of expropriation and nationalization, confiscatory taxation, restrictions on repatriating funds, general social, political and economic instability and adverse diplomatic developments; the possibility of imposition of withholding or other taxes on the payment of dividends, interest, capital gains or other income; 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 and costs associated with currency conversion; high transaction costs; and certain government policies that may restrict our investment opportunities. In addition, accounting and financial reporting standards that prevail in non-U.S. countries generally are not equivalent to United States standards and, consequently, less information may be available to investors in companies located outside the United States than is available to investors in companies located in the United States. Generally, there is also less regulation of the financial markets than there is in the United States. These risks may be even greater for investments in developing or emerging market countries.

Currency Risk. Client accounts and Sponsored Funds may hold investments denominated in currencies other than the base currency of the client account or Sponsored Fund. Currency exchange rates can be extremely volatile and if a currency hedge is not entered into, an investment may lose value due to fluctuations in the rate of exchange entirely apart from the quality or performance of the investment itself. A currency hedge may be entered into in an effort to protect against fluctuations in exchange rates. It is not possible, however, to hedge fully or perfectly against currency fluctuations affecting the value of an investment denominated in any particular currency and the investment may still lose value.

Small and Medium Capitalization Companies. Shenkman may invest client assets in the securities of companies with small- to medium-sized market capitalizations. While we believe these investments often provide significant potential for appreciation, those securities, particularly small-capitalization securities, involve higher risks in some respects than do investments in larger companies, including more volatility than large-capitalization securities and a higher risk of bankruptcy or insolvency. In addition, due to thin trading in the securities of some small-capitalization companies, an investment in those companies may be illiquid.

Collateral Loan Obligations. Shenkman may invest client assets in CLOs, which are subject to credit, liquidity and interest rate risks. CLO collateral generally consists of High Yield Securities. Consequently, an investment in CLOs is also subject to the risks of those underlying investments, which may be magnified as a result of a CLO typically being issued in a highly leveraged transaction. CLOs generally are limited recourse obligations payable solely from the related CLO collateral or its proceeds. If distributions on the underlying CLO collateral are insufficient to make payments on the CLO securities, no other assets will be available to pay the deficiency, and after the underlying assets have been sold, the CLO's obligation to pay any deficiency will be extinguished.

Additionally, there may not be a secondary market for the securities issued by CLOs, and none may develop. Consequently, the securities issued by CLOs may not be readily marketable. To the extent that any secondary market does exist for the securities, the price at which they may be sold could be at a discount (which may be substantial) from the principal amount of the investment and significant delays could occur in the actual sale of those securities. In addition, securities issued by CLOs are usually subject to certain transfer restrictions that may further limit their liquidity, and various regulatory requirements may restrict a potential investor's ability to purchase those securities or make such an investment unattractive to them. An investment in securities issued by CLOs is designed for long-term investors so investors must be prepared to bear the risk of holding them until their stated maturity.

Short Selling. Investments for certain client accounts may include short positions. A short sale involves the sale of a security that is not owned. To make delivery to the buyer, the security must be borrowed with an obligation to deliver the security to the lender of the security and to pay any dividend or interest payable on the security until it is returned to that lender. A short sale creates the risk of a theoretically unlimited loss because the price of the underlying security could theoretically increase without limit, which would then increase the cost to the client of buying the security to cover the short position. Additionally, if we do not have the ability to borrow securities sold short, we could be "bought in" (i.e., forced to repurchase the securities in the open market to return to the lender). There can also be no assurance that the securities necessary to cover a short position will be available for purchase at or near the prices quoted in the market. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. In addition, the occurrence of a "short-squeeze" (the inability to maintain a "borrow" on securities) could force us to cover a short position and realize an investment loss.

Leverage/Margin Borrowing. If authorized by a client, Shenkman may create leverage on behalf of a client account through the use of margin transactions, explicit borrowings, short sale positions and derivative instruments. While the use of leverage can substantially improve the return on invested capital, it may also increase the adverse impact to which the portfolio of a client may be subject. Accordingly, any event that adversely affects the value of an investment, either directly or indirectly, would be magnified to the extent that leverage is employed. The cumulative effect of the use of leverage, directly or indirectly, in a market that moves adversely to the investments of the entity employing leverage would result in a loss to the client account that would be greater than if leverage were not employed.

Additionally, in an unsettled credit environment, Shenkman may find it difficult or impossible to obtain leverage with respect to a particular client account (it should be noted, however, that we do not employ margin accounts unless authorized by clients). In such event, Shenkman could find it difficult to implement its strategy. In addition, any leverage obtained, if terminated on short notice by the lender, could result in Shenkman being forced to unwind positions quickly and at prices below what Shenkman deems to be fair value for the positions. In addition, if securities pledged to a broker to secure a margin account decline in value, or should the broker increase its margin maintenance requirements (i.e., reduce the percentage of a position that can be financed), then the applicable client account could be subject to a “margin call,” pursuant to which Shenkman (in behalf of the client account) must either deposit additional funds with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value.

Energy Sector Concentration Risk. Investments in our energy opportunity strategy are highly concentrated in the energy sector. Consequently, there is a risk that investments will be subject to more rapid change in value than would be the case for other strategies that maintain a wide diversification among securities or industry sectors. The value of a portfolio invested pursuant to this strategy is also vulnerable to factors affecting the energy and natural resources industries, such as increasing regulation of the energy and natural resources sectors by both the U.S. and other governmental entities, developments in the energy and natural resources sectors and conservation incentives. Increased energy and natural resources regulations may, among other things, increase compliance costs and affect business opportunities for the companies in which we invest. Consequently, the investment objective of the energy opportunity strategy may be difficult to achieve.

Swap Agreements. If authorized by a client, Shenkman may engage in swap transactions on behalf of clients. Most swap agreements entered into on behalf of a client account would calculate the obligations of the parties to the agreement on a “net” basis. Consequently, the client’s obligations (or rights) under a swap agreement will generally be equal only to the net amount to be paid or received under the agreement based on the relative values of the positions held by each party to the agreement (the “net amount”). Whether Shenkman’s use of swap agreements is successful in furthering its investment objective will depend on our ability to correctly predict whether certain types of investments are likely to produce greater returns than other investments. The client will bear the risk of loss of the amount expected to be received under a swap agreement in the event of the default or bankruptcy of a swap counterparty.

Arbitrage Transactions. Shenkman may implement arbitrage strategies for certain client accounts that attempt to take advantage of perceived price discrepancies of identical or similar financial instruments, on different markets or in different forms. If the requisite elements of an arbitrage strategy are not properly analyzed, or unexpected events or price movements intervene, losses can occur. Moreover, arbitrage strategies often depend upon identifying favorable “spreads,” which can also be identified, reduced or eliminated by other market participants.

Portfolio Turnover. Shenkman’s investment strategies may involve frequent trading, which may result in higher investment costs and charges to client accounts and ordinary income or short term capital gain treatment as opposed to long term capital gain treatment for U.S. federal income tax purposes.

ITEM 9: DISCIPLINARY INFORMATION

There are no disciplinary events to disclose.

ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

A. INVESTMENT ADVISER AFFILIATES

- Shenkman is the parent company of Shenkman Capital Management Ltd (“Shenkman UK”), a private limited company incorporated in England and Wales that is authorized and regulated by the U.K. Financial Conduct Authority (“FCA”). Shenkman UK provides trade execution, research and other services to Shenkman within the scope of its FCA permissions.
- Shenkman is the parent company of two Delaware limited liability companies (Shenkman Capital Management, L.L.C. and Shenkman Investments, LLC), each of which serves as the general partner and investment adviser to certain Sponsored Funds.

B. BUSINESS RELATIONSHIPS WITH CERTAIN RELATED PERSONS

- Shenkman serves as investment adviser or sub-adviser to Mutual Funds
- Shenkman is the investment manager of certain Sponsored Funds for which a related person may act as general partner or in a similar capacity
- Shenkman is the collateral manager to CLOs
- Shenkman is the investment manager and promoter of UCITS funds

Related persons of Shenkman may have a substantial interest in a Mutual Fund, Sponsored Fund, CLO or UCITS fund. Conflicts of interest may arise as to the allocation of investment opportunities among Mutual Funds, Sponsored Funds, CLOs, UCITS funds and our other clients. We maintain policies and procedures designed to ensure that all of our clients are treated fairly over time and that no client account receives preferential treatment in the allocation of investment opportunities. See “Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading” and “Item 16: Investment Discretion” below for additional information.

ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

A. CODE OF ETHICS AND PERSONAL TRADING

As part of an overall internal compliance program, Shenkman has adopted a Code of Ethics and Policies Governing Personal Securities Transactions (the “Code of Ethics”) that imposes standards of business conduct, including standards and procedures for the detection and prevention of inappropriate personal securities transactions by our team members, and addresses other situations involving potential conflicts of interest. The Code of Ethics is intended to ensure that the personal securities transactions of persons subject to it are conducted in accordance with the following principles: (i) the duty at all times to place the interests of clients first; (ii) the requirement that all personal securities transactions be conducted consistent with the Code of Ethics and in such a manner as to avoid any actual or potential conflict of interest or any abuse of an individual’s responsibility and position of trust; (iii) the fundamental standard that our team members not take inappropriate advantage of their positions; and (iv) the duty at all times to comply with applicable state and federal securities laws. We permit our team members to engage in personal securities trading but do not allow them to purchase high yield or “cross over” (i.e., rated investment grade by one rating agency and below investment grade by another rating agency) fixed income securities. Our Code of Ethics requires team members to obtain pre-approval for permissible personal securities transactions, although this requirement does not apply to transactions involving municipal bonds, mutual funds for which Shenkman does not serve as investment adviser or sub-adviser, closed-end funds, exchange traded funds, or exchange traded notes. Once granted, approvals are generally valid until the close of business on the next business day after approval is granted. The Code of Ethics also includes blackout periods, a prohibition on insider trading and (with certain limited exceptions) requires reporting of personal securities accounts, transactions and/or holdings to our Chief Compliance Officer.

Existing and prospective clients may obtain a copy of our Code of Ethics by sending a written request via e-mail to legal@shenkmancapital.com or by calling (212) 867-9090.

B. PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS

As discussed above in Item 5: Fees and Compensation and Item 10: Other Financial Industry Activities and Affiliations, Shenkman (or a related person) acts as general partner or investment adviser to Sponsored Funds for which we receive asset-based management fees and/or performance-based compensation. We may also invest client assets in one or more of these Sponsored Funds or Mutual Funds, which creates a potential conflict of interest because we may have an incentive to recommend securities transactions to clients based on our own financial interests, rather than solely the interests of our clients. We seek to address this conflict of interest by waiving the asset-based management fees and any performance-based compensation payable at the Sponsored Fund level for assets invested in a Sponsored Fund (or an appropriate rebate is provided to the client) and by not charging a management fee at the account level on assets invested in a Mutual Fund. Additionally, in an effort to ensure that the decision to invest client assets into a Sponsored Fund or Mutual Fund is made on an independent basis, we only invest client assets in a Sponsored Fund or Mutual Fund to the extent the client grants us specific authority to do so. Moreover, each of those clients is provided with a copy of the relevant offering materials and must complete and execute the subscription document for each fund before we invest the clients' assets in that fund.

C. INVESTING IN THE SAME SECURITIES AS CLIENTS

Shenkman and its team members may invest in the same securities (or related securities, e.g., warrants, options or futures) that we recommend to clients. This presents a conflict where, because of the information we have, Shenkman and its team members are in a position to trade in a manner that could adversely affect clients (e.g., place our own trades before or after client trades are executed in order to benefit from any price movements due to the clients' trades). In addition to affecting our objectivity, clients may also be harmed by adversely affecting the price at which the clients' trades are executed. In an effort to minimize this conflict, as set forth above, we generally prohibit our team members from personally trading in high yield (and "crossover") bonds and convertible securities and require our team members to pre-clear their permissible personal securities transactions with our Compliance Department. Personal trading requests are denied if they could be reasonably expected to have any adverse economic impact on a client. In addition, our Code of Ethics prohibits us and our team members from trading in any securities on our Restricted List (i.e., a list of issuers concerning which we may be in possession of material non-public information). Our team members also provide brokerage statements that contain details of each personal securities transaction in which they engage and an annual certification of such transactions.

D. OTHER ACTIVITIES

It should be noted that Shenkman's services to its clients are not exclusive. Our team members and affiliates may effect transactions for their own accounts and for the accounts of other clients that may differ or be opposite from the advice given, or the time or nature of action taken, with respect to a particular client account. Also, it may not always be possible for the same investment positions to be taken or liquidated at the same time or at the same price. Shenkman also acts as investment adviser to companies that have, or may in the future have, non-investment grade rated (i.e., high yield) securities outstanding. We may purchase these securities for other client accounts. However, we are not obligated to purchase or sell or recommend for purchase or sale for client accounts any security or other asset that we and our team members and affiliates may purchase or sell for their own accounts or for the account of any other client.

Additionally, our team members and affiliates may take positions in securities for their own accounts or the accounts of certain clients that they conclude are inappropriate for some or all of our clients. For instance, our team members and affiliates may take short positions in the equity securities of certain issuers for their own account or for the account of any other client at the same time the securities and/or leveraged loans of such issuers are acquired or held long in other client accounts. Conversely, our team members and affiliates may take long positions in the equity securities of certain issuers for their own account or for the account of any other client at the same time the securities and/or leveraged loans of such issuers are held short in or have been sold out of client accounts. Moreover, we are not precluded from investing in securities of a company held in some of our client accounts in which other clients have senior or subordinated rights relative to the other, or vice versa. As a result of the foregoing, Shenkman and our team members and affiliates may have conflicts of interests in allocating investments among client accounts. We seek to address this conflict by allocating investment opportunities among client accounts in a manner that we determine is fair and equitable under the circumstances and in accordance with our policies and procedures regarding trade allocations. Please see "Item 16: Investment Discretion" below for further information on Shenkman's allocation policy and procedures.

In certain circumstances, we may also possess certain confidential or material, non-public information that, if disclosed, might be material to a decision to buy, sell or hold a security. In these instances, we are prohibited from communicating such information to our clients or using it for a client's benefit and add the issuer's name to our Restricted List. We and our team members are prohibited from purchasing securities on the Restricted List, whether for discretionary client accounts or personal trading accounts. In these circumstances, we have no responsibility or liability to the client for not disclosing such information to the client (or the fact that we possess such information), or not using such information for the client's benefit, as a result of following our policies and procedures or applicable law.

ITEM 12: BROKERAGE PRACTICES

A. FACTORS FOR SELECTING BROKER-DEALERS FOR CLIENT TRANSACTIONS

1. Broker Selection; Research and Soft Dollars

The advisory contract between each client and Shenkman typically gives us broad authority to select brokers. We maintain an "Approved Broker List" and, as a general matter, only trade with brokers on our Approved Broker List. We consider a variety of factors in determining whether to include a particular broker on this list, including: (i) whether the broker has a dedicated high yield bond, convertible or leveraged loan desk (as applicable); (ii) the financial stability and reputation of the broker; (iii) overall pricing levels and, if applicable, the broker's commission rates; (iv) any research (including economic forecasts, investment strategy advice, fundamental and technical advice on individual securities, valuation advice and market analysis), custodial or other services provided by a broker that could be expected to enhance our general portfolio management capabilities; and (v) the broker's ability to handle difficult trades and block orders. Prior to being added to our Approved Broker List, a member of our Legal Department reviews the broker's FOCUS Report and disciplinary history. The Approved Brokers List is reviewed annually by both our Compliance and Trading Departments.

Our policies and procedures regarding brokerage allocation and execution are reasonably designed to achieve best execution under the circumstances (i.e., we seek to execute securities transactions in such a manner that the client's total cost in each transaction is the most favorable under the circumstances). In seeking best execution, we typically consider the full range of the broker's services, including, but not limited to, the efficiency of execution, ability to handle large and/or complex orders, competitive rates, price, capital commitment to a particular issue, research capabilities, generation of investment ideas, market knowledge, settlement capabilities, confidentiality, financial responsibility and responsiveness. Nonetheless, acquiring certain issues of high yield securities and leveraged loans may require that we use the particular broker (sometimes only one) that is willing to commit capital to a given issue. In selecting brokers to execute transactions and determining the reasonableness of their compensation, we are not required to solicit competitive bids and do not have an obligation to seek the lowest available commission cost or price.

We do not participate in any "soft dollar" arrangements. Nevertheless, we may receive, without cost and unrelated to the execution of securities transactions, a broad range of research services from brokers, including information on the economy, industries, securities and individual companies, statistical information, market data, pricing and appraisal services, credit analysis, risk measurement analysis, performance analysis and other information that may affect the economy and/or security prices. Subject to our best execution policy described above, we may from time-to-time allocate securities transactions to these brokerage firms. The research, information and services furnished by these brokers is useful in varying degrees and may be used in servicing all of our client accounts. Some of these services may be used by Shenkman in connection with accounts that paid no commissions to the broker providing such services. No formula has been established for the allocation of business to such brokers. We may also pay brokers and their affiliates for certain specialized data and services, such as benchmark information, that are also unrelated to the execution of securities transactions.

2. Brokerage for Client Referrals

From time-to-time, we may have formal or informal arrangements in place with brokers and/or affiliates of brokers who may market our products or otherwise make our products available to their respective clients. In certain circumstances, we may compensate these brokers or their affiliates in connection with these arrangements. We may also execute securities transactions through brokers who, or who have affiliates who, market our products or otherwise make our products available to clients. This practice creates a potential conflict of interest because we may have an incentive to

select or recommend a broker based on our interest in receiving client referrals. In selecting or recommending broker, Shenkman does not consider whether we receive client referrals from that broker or any of its affiliates. Moreover, the allocation of transactions to brokers who (or that have affiliates who) market our products or otherwise make our products available to their clients is subject at all times to our obligation to obtain best execution under the circumstances.

3. Directed Brokerage

In certain instances, clients may instruct Shenkman to participate in directed brokerage arrangements for their accounts. A client who directs us to use a particular broker to effect transactions should consider whether that direction could result in certain costs or disadvantages to it. Such costs may include higher brokerage commissions (because Shenkman may not be able to aggregate orders to reduce transaction costs), less favorable execution of transactions, and the potential for exclusion from the client's portfolio of certain non-U.S. securities and/or small capitalization or illiquid securities due to the inability of the particular broker to provide adequate price and execution for all types of securities transactions. By permitting clients to direct us to execute their trades through a specified broker, we may not make any attempt to negotiate prices or commissions on behalf of the client and, as a result, in some transactions the client may pay materially disparate spreads or commissions than those clients who do not direct the execution of their trades. Clients that direct Shenkman to execute their trades through a specified broker may also lose the ability to negotiate volume discounts on aggregated orders that may otherwise be available to our other clients.

B. ORDER AGGREGATION

We maintain a general practice of aggregating client trade orders for execution in order to achieve more favorable execution prices for clients by buying or selling securities in greater quantity. Initial allocations are typically made prior to an order being placed, although they are subject to adjustment depending upon the actual amount purchased or sold (e.g., partially-filled orders), and taking into account round lot sizes and, if a sale transaction, remaining position size by account. Aggregated orders are typically allocated among client accounts based upon an average price, with all other transaction costs, if any, shared among the client accounts on an equitable basis. Once an order is executed, investment opportunities are allocated among client accounts with similar investment objectives fairly over time. Please see "Item 16: Investment Discretion" below for further information on Shenkman's allocation policy and procedures.

ITEM 13: REVIEW OF ACCOUNTS

A. REGULAR REVIEW

Portfolio Managers communicate throughout the day with members of our trading and research team to review the status of portfolio investments and to provide instructions and guidance concerning pending transactions for designated client accounts. A review of each client account is conducted by a designated Portfolio Manager daily and, on a periodic basis, by the Chief Investment Officer (Mark R. Shenkman) or a Senior Portfolio Manager. Additionally, our Chief Compliance Officer oversees the review of client accounts for compliance with each client's investment guidelines and restrictions. Compliance reviews are performed on a daily basis.

B. AD HOC REVIEW

Changes in our outlook for the economy, the market, an individual security or investment guideline may trigger a review of a client's account in addition to the regular account reviews discussed above.

C. CLIENT REPORTING

Each client receives (or has the opportunity to receive) the following regular written reports: (i) a monthly Market Perspective Letter that discusses the markets and industry trends; (ii) duplicate confirmations of all purchases and sales for its account; and (iii) monthly statements of securities held in the account, specifically setting forth the type of security, accrued income, book yield, current market yield and market value of the portfolio (including unrealized gains and losses, if any). Clients typically obtain their monthly account statements through a secure, password protected portal on our website. Daily portfolio reporting may also be made available through this portal.

Investors in our Sponsored Funds generally receive quarterly unaudited account statements and annual audited financial statements within 120 days after the fund's fiscal year-end and, if applicable, tax information. Investors in our UCITS funds receive a monthly "fund fact sheet" that discusses the fund's monthly performance returns and also includes statistical information regarding the fund's portfolio of investments.

We also offer regular conference calls, in-person meetings and monthly account update letters to our clients and consider ad hoc and customized reporting requests.

ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

A. ECONOMIC BENEFITS FROM THIRD PARTIES

From time-to-time, brokers may provide our team members with non-monetary items, such as promotional items (e.g., coffee mugs, calendars, or gift baskets), meals, tickets to sporting and other entertainment events and access to certain industry related conferences. We generally do not consider these items to be compensation; rather, it is our experience that they are provided to establish better working relationships. Nonetheless, receipt of these items does have the potential to create a conflict of interest. In an effort to mitigate this potential, we maintain a policy that all team members are only permitted to attend a business entertainment event hosted by a broker if the broker also attends the event. Team members are required to disclose all business entertainment events to our Compliance Department. We maintain a list of these activities, which is periodically reviewed by our Chief Compliance Officer. The receipt of all other items must fall within "normal business practice" and must not be excessive in value. This means that team members are generally prohibited from accepting any item from a broker that is greater than \$100 in value.

B. THIRD-PARTY REFERRALS

We have referral arrangements in place with unaffiliated third parties pursuant to which we compensate them for referring new clients to us. The compensation typically includes a percentage of the asset-based management fee paid to us by the referred client. Clients do not bear the cost of any referral fees, nor is the management fee higher than the management fee charged to other clients as result of the referral arrangement. Potential clients are typically required to acknowledge in writing that they have been informed of the referral arrangement, including the type and amount of compensation.

ITEM 15: CUSTODY

We do not maintain custody of separate account client assets. We may, however, be deemed to have custody of client assets for purposes of the Advisers Act if we deduct our advisory fees directly from a client's account. As previously disclosed in Item 5: Fees and Compensation above, in limited circumstances, a client may direct us to deduct advisory fees from its account. Because the clients' custodians would not calculate or review the amount of the fee deducted, these clients are urged to carefully review their custodial statements and compare them to any account statement that we may send.

We may also be deemed to have custody of the assets of our Sponsored Funds. The financial statements of these funds are audited at least annually by an independent public accountant that is registered with, and subject to inspection by, the Public Company Accounting Oversight Board. We distribute these audited financial statements (prepared in accordance with generally accepted accounting principles) to the investors in the Sponsored Funds within 120 days of the fund's fiscal year end.

ITEM 16: INVESTMENT DISCRETION

We manage all of our clients' assets on a discretionary basis. Prior to managing those assets, we enter into a written agreement that sets forth the scope of our discretion. Unless otherwise instructed or directed by a client, we have the authority to determine: (i) the securities to be purchased and sold for the client account (subject to restrictions on its activities as set forth in the applicable investment management agreement and any written investment guidelines); and (ii) the amount of securities to be purchased or sold for the client account. Because of the differences in client investment objectives and strategies, risk tolerances, tax status and other criteria, there may be differences among clients in invested positions and securities held. Additionally, when we act on behalf of a Mutual Fund or other a pooled investment vehicle, or

in our capacity as general partner or investment adviser to a Sponsored Fund or UCITS fund, our authority to select the identity and amount of securities to be bought or sold is limited by that fund's offering documents. We do not leverage or margin the client account unless authorized to do so by the client.

We may also exercise our discretion to execute cross trades (i.e., the simultaneous purchase and sale of a security from one client account to another) between different client accounts (including Mutual Funds and Sponsored Funds). Cross trades may be executed for different client accounts on the same or a different day on which we trade in the same security for other client accounts. We usually execute cross trades directly among eligible client accounts but in certain cases may use a broker to effect the trade. "Direct" cross trades benefit clients on both sides of the trade by eliminating the need to pay a spread, mark-up or commission to a broker. In these instances, the purchase price generally reflects the mean of the bid and ask prices as quoted to us by a third-party broker. If a broker is needed for the trade, the security is sold to a broker selected by Shenkman and then sold by that broker to the other client account(s) at the mean of the bid and ask prices plus a fee not greater than one quarter of a point (i.e., \$0.25 per \$100 principal amount). These "broker" cross trades may still benefit clients on both sides of the trade because the "selling client" sells the security for more than the bid price (i.e., the price it would have received in the open market) and the "buying client" purchases the security at less than the ask price (i.e., the price it would have paid in the open market). In each instance, we act in good faith and seek to ensure that the cross trades are fair and in the best interests of all participating client accounts. We do not receive any fees in connection with cross trades, and always seek best execution for each participating client. If a Mutual Fund participates in the cross trade, it must be executed in accordance with the requirements of Rule 17a-7 under the Investment Company Act of 1940. If a UCITS fund participates in the cross trade, it must be executed in accordance with that fund's policy and procedures. Additionally, to the extent Shenkman executes cross trades on behalf of clients that are subject to the Employee Retirement Income Security Act of 1974 such transactions must be conducted in accordance with the applicable requirements of that law.

In exercising our investment discretion over client assets, we allocate investment opportunities among client accounts with similar investment objectives fairly over time. Our allocation of a potential purchase or sale of an investment among client accounts takes into account a variety of factors, including: (i) the client's investment objectives and restrictions; (ii) specific instructions from the client; (iii) the timing of cash flows and account liquidity; (iv) the effect of the purchase or sale on the diversification of the client's portfolio; (v) the investment's "Quadrant" (based upon our proprietary Quadrant Analysis) and how the Quadrant weightings will change versus our targeted weighting for that Quadrant at that time; (vi) the investment's credit score (based upon our proprietary C.Scope® credit scoring system); (vii) any contractual, legal or regulatory restrictions upon investment policies; and (viii) the price, liquidity and amount of the relevant investment available for purchase or for sale. We are not obligated to place any particular order or enter into any particular transaction for any client, even if the order or transaction is of a character that might be suitable for the client. There can be no assurance that a particular investment opportunity that comes to our attention will be allocated to any particular client account. Securities acquired by Shenkman for its clients through the new issue market and secondary offerings are allocated pursuant to the procedures set forth in our allocation policy. The policy generally provides that allocations of new issues are determined after considering the factors described above with respect to general allocations of securities. In all cases, we seek to resolve any conflicts of interest in good faith and in accordance with our fiduciary duties. Additionally, if a trade error or breach of investment guidelines or restrictions occurs, we seek to ensure that all affected clients are treated fairly. In accordance with our error policy and procedures, we review the relevant facts and circumstances to determine an appropriate course of action. We have discretion to resolve each error in any appropriate manner that is consistent with the obligation to treat all clients fairly. We are responsible for our own errors, but not the errors of other persons, including third party brokers and custodians. If a trade error results in a gain to a client account, the error will be corrected and the gain will remain in the appropriate client account.

From time-to-time, circumstances may arise when we need to reallocate a security to another client account after its initial allocation but before the settlement date. For instance, an order that did not satisfy the client's investment guidelines but was not blocked by our trade order management system or a trade that was inadvertently allocated to the wrong account may need to be reallocated to another client account. A member of our Compliance Department must review each request to reallocate a security to determine if a reallocation is warranted under the circumstances. To the extent it is determined that a security should be reallocated, it is typically reallocated at the original transaction price even if it is reallocated on a date that is after the original trade date. The original transaction price may be higher or lower than the price at which we could purchase (or sell) that security on the reallocation date.

ITEM 17: VOTING CLIENT SECURITIES

A. SHENKMAN'S PROXY VOTING AUTHORITY

Our investment management agreements typically grant us authority to vote proxies on behalf of our separate account clients. The offering documents for our Sponsored Funds and Mutual Funds also typically grant us authority to vote their proxies.

In the case of equity investments, we maintain a Proxy Voting Policy and Procedures in accordance with Rule 206(4)-6 of the Advisers Act. To the extent we have been granted discretion to vote the proxies of our clients, we seek to vote them in their best interests and in accordance with our Proxy Voting Policy and Procedures. We are usually provided with proxy voting materials from the custodians for our client accounts and we vote all proxies after carefully considering all proxy solicitation materials and other information and facts we deem relevant. If we determine that our Proxy Voting Policy does not adequately address a material conflict of interest, we provide the affected client with copies of all proxy solicitation materials we receive and notify the client of the actual or potential conflict of interest and of our intended response to the proxy request. We then request that the client consent to our intended response to the proxy request. If we receive the client's consent, we respond to the proxy request accordingly. If the client does not consent to our intended response, we respond to the proxy request as directed by the client.

In the case of debt securities, we also take action that we deem appropriate and in the best interests of our clients with respect to other corporate actions, except to the extent otherwise required by the agreement with a client. These actions may include, for example, responding to exchanges, tender offers or consents, bankruptcy claims and class action claims. From time to time, we may also submit proof of claims in connection with class action lawsuits; however, we generally do not instruct or give advice to clients on whether or not to participate as a member of any class action lawsuit.

Each client may obtain a copy of our Proxy Voting Policy and Procedures and a record of how we voted its proxies by contacting us via email at legal@shenkmancapital.com or by calling (212) 867-9090.

B. CLIENT PROXY VOTING AUTHORITY

If a client does not give us authority to vote its proxies, we consult with that client to determine the appropriate course of action to be taken in accordance with the client's preference and instructions.

ITEM 18: FINANCIAL INFORMATION

Shenkman has never filed for bankruptcy and we have no financial commitments that are likely to impair our ability to meet our contractual commitments to our clients.

NOTICE OF PRIVACY POLICY

As a valued client of SHENKMAN CAPITAL MANAGEMENT, INC. and as required by federal law and regulations, we are providing this notice to you so that you know what kind of information we collect about you and the circumstances in which that information may be disclosed to third parties. We are committed to handling information regarding our clients, investors, and former clients and investors in a responsible manner. Accordingly, we do not disclose non-public personal information about our clients, investors, and former clients and investors to third parties other than as described below.

We collect information about you (such as your name, address, social security number or tax identification number, assets, investment experience, transaction history, wire transfer instructions and income or revenue) from our discussions with you, from documents that you may deliver to us and in the course of providing services to you. We may use this information to provide services to you, to open an account for you, to process a transaction for your account, to respond to court orders or legal and regulatory investigations or otherwise in furtherance of our business. In order to best serve you and effect transactions for your account, we may provide your personal information to our affiliates and to firms that assist us in serving you and have a need for such information, such as a broker or fund administrator. We may also disclose such information to service providers and financial institutions with which we have joint marketing arrangements (i.e., a formal agreement between nonaffiliated financial companies that together market financial products or services to you, such as placement agents). We require each third party service provider and financial institution with which we have joint marketing arrangements to protect the confidentiality of your information and to use the information only for the purposes for which we disclose the information to them. We do not otherwise provide information about you to outside firms, organizations or individuals except to our attorneys, accountants and auditors and as permitted by law. These sharing practices are consistent with Federal privacy and related laws, and in general, our use of your personal information for these purposes under such laws may not be limited. We note that the federal privacy laws only give you the right to limit the certain types of information sharing that we generally do not engage in (e.g., sharing with our affiliates certain information relating to your transaction history or creditworthiness for their use in marketing to you, or sharing any personal information with non-affiliates for them to market to you).

Our team members are also required to protect the confidentiality of your non-public personal information and to comply with our established policies. They may access your personal information only when there is an appropriate reason to do so, such as to administer our services. We maintain physical, electronic and procedural safeguards that comply with federal standards to guard your personal information.

This privacy notice relates to the policy and practices of SHENKMAN CAPITAL MANAGEMENT, INC., Shenkman Capital Management, Ltd, Shenkman Capital Management, L.L.C., Shenkman Investments, LLC and each of the private investment funds advised by them, including (without limitation) Primus High Yield Bond Fund, L.P., Primus High Yield Bond Fund Ltd., Gamma Convertible Fund, L.P., Credos Floating Rate Fund, L.P., Credos Floating Rate Fund, Ltd., Fenwick Recovery Fund, L.P., Fenwick Recovery Fund, Inc., Brevis High Income Fund, L.P., Four Points Multi-Strategy Fund, L.P., Four Points Multi-Strategy Fund, Inc., Shenkman Finsbury High Income Fund, Shenkman Finsbury Short Duration High Income Fund, Shenkman Finsbury Global Convertible Fund, Flag Point Convertible Fund, L.P., Shenkman Energy Opportunity Fund, L.P., Shenkman Energy Opportunity Fund Ltd., Westbrook CLO, Ltd., Slater Mill Loan Fund, L.P., Brookside Mill CLO Ltd, Sudbury Mill CLO Ltd, Washington Mill CLO Ltd., Adams Mill CLO Ltd., Jackson Mill CLO Ltd., and Jefferson Mill CLO Ltd.

If you have any questions about this Privacy Notice, please call us at (212) 867-9090 or e-mail us at legal@shenkmancapital.com.