

Part 2A of Form ADV: Firm Brochure

PRISMA CAPITAL PARTNERS LP

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This brochure provides information about the qualifications and business practices of Prisma Capital Partners LP which conducts business under the name KKR Prisma (“**KKR Prisma**”). If you have any questions about the contents of this brochure, please contact us at (212) 590-0800 and/or KKRPrismaInvestorRelations@KKR.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “**SEC**”) or by any state securities authority. KKR Prisma is registered as an investment adviser with the SEC. This registration does not, however, imply a certain level of skill or training of any KKR Prisma personnel.

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

Item 2: Material Changes

KKR Prisma's most recent update to Part 2A was made in March 2015. KKR Prisma also updated Part 2B in March 2015. KKR Prisma is now updating Part 2A to reflect the following material changes:

- Item 8 – Updated method of analysis section for co-investments to reflect composition of Investment Committee
- Item 9 – Updated to discuss disciplinary information regarding our advisory affiliate
- Item 11 – Updated information and disclosure with respect to conflicts of interest regarding the use of Sub-Advisors for KKR Prisma's Hedged Equity Strategy and their relationship with KKR Prisma FOF Vehicles or Accounts

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Item 4: Advisory Business

Prisma Capital Partners LP which now conducts business under the name KKR Prisma (“**KKR Prisma**”) is a Delaware limited partnership founded in 2003. KKR Prisma became an affiliate of Kohlberg Kravis Roberts & Co. L.P. (collectively with its subsidiaries, “**KKR**”) in October 2012 when KKR acquired 100% of the direct and indirect interests of KKR Prisma. As of December 31, 2014, KKR Prisma has \$10.4¹ billion in assets under management, approximately \$9.4 billion of which is managed on a discretionary basis and approximately \$1.0 billion of which is managed on a non-discretionary basis. KKR Prisma primarily advises clients with respect to diversified portfolios made up of private investment partnerships or similar vehicles managed by unaffiliated third-parties that pursue a variety of investment strategies, including convertible arbitrage, credit/distressed, dedicated short bias, emerging markets, equity market neutral, event, fixed-income arbitrage, global macro, long/short equity, managed futures, niche strategies, and multi-strategy. These portfolios are commonly referred to as funds of funds. These funds of funds may be organized as pooled investment vehicles and single-owner investment vehicles (“**KKR Prisma FoF Vehicles**”) or separately managed accounts (“**KKR Prisma FoF Accounts**”).

KKR Prisma also provides advisory services with respect to fund of funds portfolios on a non-discretionary basis (“**Crossover Services**”) to an unaffiliated third party investment adviser and other unaffiliated third party clients. Such Crossover Services are generally provided as a supplemental service to certain discretionary client accounts.

KKR Prisma also advises clients with respect to direct investments in securities and other financial instruments through certain strategies, including hedged equities and co-investments in public and private market transactions including, but not limited to, mezzanine debt, structured and illiquid credit, private debt and public debt, and pre-IPO equity. These direct investment portfolios may be organized as pooled investment vehicles or single-owned investment vehicles (“**KKR Prisma Direct Funds**”) or separately managed accounts (“**KKR Prisma Direct Accounts**”).

KKR Prisma FoF Vehicles together with KKR Prisma Direct Funds are hereinafter referred to as (“**KKR Prisma Funds**”). KKR Prisma FoF Accounts together with KKR Prisma Direct Accounts are hereinafter referred to as (“**KKR Prisma Accounts**”) and KKR Prisma Funds together with KKR Prisma Accounts are hereinafter referred to as (“**KKR Prisma Funds and Accounts**”).

As described above, KKR Prisma is affiliated with KKR and its subsidiaries which operate under the name “**KKR**”. KKR advises private equity funds and other investment vehicles (“**KKR Funds**”) that invest capital for long-term appreciation, primarily either through controlling ownership of companies or minority positions. KKR also provides investment services to institutional investors or investment vehicles (such as a real estate investment trust), to which KKR may provide services directly through a contractual relationship such as an investment management agreement; these investors, are referred to throughout this brochure as “**Other Clients**.” Such funds also invest in publicly traded equity and debt securities and other marketable securities and instruments (collectively with any investments in derivative instruments, “**Marketable Securities**”). In addition, KKR manages growth capital investments and investments in real assets, such as infrastructure, energy and real estate. KKR may also manage vehicles that make real estate debt investments, including real estate investment trusts. Further, KKR sponsors and manages investment vehicles that facilitate co-investment along-side proprietary investments or in specific or multiple portfolio companies and other assets of private equity funds and other funds, investment vehicles and accounts managed by KKR, a customized platform that may invest in KKR funds and funds sponsored and managed by unaffiliated investment managers (“**third party funds**”) and related co-investments, and strategic partnership vehicles or other multi-strategy or multi-asset arrangements that

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

invest across multiple KKR funds and investment strategies. KKR's Global Institute ("**KGI**") periodically publishes thought leadership papers, highlighting views from KKR's portfolio companies and portfolio managers and political, economic and social trends. KKR's Global Macro and Asset Allocation Group and KGI periodically publish commentary on macro-economic trends and related topics and oversee a proprietary portfolio of investments in a variety of instruments and securities.

KKR Prisma is also affiliated with KKR Credit Advisors (US) LLC ("**KKR Credit Advisors (US)**"), a Delaware limited liability company founded in August 2004 and registered as an investment adviser with the Securities and Exchange Commission. KKR Credit Advisors (US) LLC together with its relying advisors which include KKR Credit Advisors (Ireland) registered as an investment adviser with the Central Bank of Ireland and KKR Credit Advisors (UK) LLP (fka Avoca Capital Management LLP) registered as an investment adviser with the Financial Conduct Authority are collectively referenced in this brochure as "**KKR Credit**". KKR Credit advises investment funds, collateralized loan obligation vehicles ("**CLOs**"), a specialty finance company, a closed-end management investment company registered under the U.S. Investment Company Act of 1940, as amended (the "**Investment Company Act**"), and provides sub-advisory services to a closed-end management investment company that has filed an election to be treated as a business development company under the Investment Company Act and other institutional investors that pursue primarily U.S. and European leveraged credit strategies, such as leveraged loan and high yield bond strategies, alternative credit strategies (including investments in mezzanine debt, structured and illiquid credit, long/short credit, and direct senior loan origination and related instruments), special situations, and other assets held by funds or other accounts managed by KKR Credit Advisors (US) or KKR, including private equity and real assets, such as infrastructure, energy and real estate.

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

Ownership/Structure

KKR Prisma is wholly-owned by KKR. KKR is a subsidiary of KKR Management Holdings L.P. ("**KKR Management Holdings**") and an indirect subsidiary of KKR & Co. L.P. (the "**Public Company**"), which was listed on the New York Stock Exchange on July 15, 2010. KKR Management LLC serves as the general partner of the Public Company and may be deemed to indirectly control the Public Company's business for regulatory purposes. KKR Management LLC does not hold any economic interests in the Public Company, although an affiliated entity, KKR Holdings L.P. ("**KKR Holdings**"), holds special voting units in the Public Company (as well as the economic interests described below). Public unit holders hold 100% of the limited partnership interests in the Public Company. As of December 31, 2014 the Public Company indirectly held approximately 53.5% of the general and limited partnership interests in KKR Management Holdings, KKR Fund Holdings L.P., and KKR International Holdings L.P. (collectively, the "**Group Partnerships**"), which hold the combined business of KKR and its affiliates. As of December 31, 2014, the remaining limited partnership interests in the Group Partnerships were held indirectly by KKR Holdings and KKR Associates Holdings L.P. KKR Holdings and KKR Associates Holdings L.P. are owned by certain KKR senior employees and non-employee operating consultants and their related persons.

Nature of KKR Prisma's Clients

KKR Prisma provides investment management and advisory services to affiliated general partners (“**KKR Prisma GPs**”) and KKR Prisma Funds and Accounts. These funds are typically U.S. limited partnerships and limited liability companies, non-U.S. limited companies and limited partnerships and other investment vehicles that are not registered or required to be registered under the Investment Company Act or the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), and are privately placed to qualified investors in the United States and elsewhere or are established as dedicated investment vehicles and/or strategic partnership arrangements for certain institutional clients. KKR Prisma may also provide investment advice directly to institutional clients through KKR Prisma Accounts, which are primarily structured as separately managed accounts. KKR Prisma investors may include some or all of the following, as applicable: high net worth individuals (including trusts, estates, 401(k) plans and IRAs of such individuals and their family members), governmental and corporate pension and profit sharing plans (including investors regulated under the U.S. Employee Retirement Income Security Act of 1976, as amended (“**ERISA**”)), corporations or business entities, endowments and foundations, non-US and state or municipal government entities.

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

KKR Prisma's Investment Mandates

The terms upon which KKR Prisma serves as investment manager of a KKR Prisma Fund or Account are determined at the time each KKR Prisma Fund or Account relationship is established and are generally set out in the governing documents entered into by KKR Prisma with respect to the relevant KKR Prisma Fund or Account, or disclosed in the offering documents for the relevant KKR Prisma Fund, as applicable. These terms, which vary among each KKR Prisma Fund and Account, may include, to the extent applicable to such KKR Prisma Fund's or Account's investment activities, restrictions on the types of third party funds and accounts to which KKR Prisma may allocate capital (“**Portfolio Funds**”) or securities and/or other instruments in which such KKR Prisma Fund or Account may invest based on various factors including, without limitation, the strategies employed by Portfolio Funds, geographies, concentration limits, leverage limits and/or other criteria, among others.

Item 5: Fees and Compensation

General

For discretionary services provided to KKR Prisma Funds, KKR Prisma and its affiliates generally may receive (a) a fee based on a percentage of assets under management, typically between 0.50% and 1.50% per annum, payable quarterly in advance or monthly in arrears; and (b) performance-based compensation equal to a percentage up to 20% of the realized and unrealized appreciation of assets or the realized and unrealized appreciation of assets in excess of a benchmark (e.g., the return on three-month U.S. Treasury Bills), generally payable annually. The asset-based fee is adjusted for additions made to a KKR Prisma Fund by an investor that occur during a calendar quarter; if an investor withdraws assets from the KKR Prisma Fund prior to quarter-end, KKR Prisma refunds any unearned management fee. Fees payable by the KKR Prisma Funds are generally deducted directly from the investors' accounts. Fees payable by a KKR Prisma Fund with respect to certain large or other strategic investors (and borne by such investors), as well as other terms related to redemption rights, transfers and reporting may be subject to negotiation

based upon various factors such as the size of the investment or regulatory status of a particular investor. Any such arrangements or terms may be set forth in a side letter or similar agreement with the specific investor. In addition, investments in KKR Prisma Funds by employees and other associated persons of KKR Prisma, KKR and their affiliates and proprietary investments by KKR Prisma, KKR and their affiliates, as discussed below in Item 6, are not subject to such fees. In certain circumstances, KKR Prisma's asset based fees may be subject to minimum annual amounts.

For Crossover Services, KKR Prisma and its affiliates may receive asset-based fees in addition to fees received for discretionary investment advisory services. These fees are negotiated on a case-by-case basis, and vary depending on the scope and terms of the overall client relationship. KKR Prisma generally does not presently expect to offer Crossover Services to clients that are not also discretionary clients.

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

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

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

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

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

Expenses

KKR Prisma Funds and Accounts, to the extent applicable to their activities, will bear various expenses including but not limited to audit fees, administrative fees, custodial fees, brokerage commissions, expenses relating to short sales, clearing and settlements charges, fees and expenses relating to software tools, programs or other technology, research and market data, legal fees, Director/Trustee fees, tax preparation fees, fees associated with financial statement preparation, and insurance premiums. KKR Prisma Funds and Accounts may also be subject to additional expenses as are more fully described in the offering materials, disclosure documents, investment management agreements and/or governing documents of such KKR Prisma Funds or Accounts. KKR Prisma FoF Vehicles and Accounts may also,

through their investments in Portfolio Funds, including Co-Investment vehicles discussed below in Item 8, bear a share of comparable expenses, management fees, incentive fees and other investment related and operational expenses incurred by such Portfolio Funds. Expenses related to initial and ongoing due diligence of managers of Portfolio Funds (“**Portfolio Managers**”) or investment monitoring (including travel and lodging) are currently borne by KKR Prisma and are not allocated to KKR Prisma FoF Vehicles and Accounts.

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

In certain cases, KKR Prisma may negotiate management and incentive fee discounts or rebates for a specific dollar amount invested by KKR Prisma FoF Vehicles and Accounts in Portfolio Funds managed by a particular Portfolio Manager. The discounts or rebates will typically be applied to KKR Prisma FoF Vehicles and Accounts investing in such Portfolio Funds on a first come, first allocated basis in accordance with KKR Prisma’s allocation practices.

Each KKR Prisma Direct Fund and Account which participates in joint Co-Investment transactions sponsored by KKR or KKR Credit will bear its proportional share of costs related to sourcing and diligence for such co-investments. The largest category of sourcing and diligence expenses are those expenses incurred with respect to the pursuit of particular investments that are never actually consummated. Examples of such “broken deal” expenses include fees and expenses of any legal, financial, accounting, consulting or other advisors or lenders, investment banks and other financing sources in connection with arranging financing for transactions that are not consummated, any travel and accommodation expenses, and any deposits or down payments that are forfeited in connection with, or amounts paid as a penalty for, unconsummated transactions. Other sourcing and diligence expenses include certain organizational expenses (for example, those related to the establishment of a multi-investment platform for a strategy), legal, accounting and other professional fees and expenses, travel costs, fees and expenses of consultants (including Senior Advisors and Industry Advisors, KKR Capstone and RPM and other Technical Consultants, each as defined below) and costs and expenses of research and technology (including costs of specialty data subscription and license-based services and risk analysis software). These expenses will be allocated among KKR Accounts (as defined below), including applicable KKR Prisma Direct Funds and Accounts that participate in the relevant investment strategy, by KKR or KKR Credit, as applicable, in a fair and equitable manner over time. Sourcing and diligence expenses may be paid to KKR affiliates, including Affiliated Brokers.

Senior Advisors and Industry Advisors

Senior advisors (“**Senior Advisors**”) and industry advisors (“**Industry Advisors**”) are typically senior business leaders who provide advisory and consulting services to KKR, KKR Prisma, KKR Fund Portfolio companies, and KKR Prisma Funds and Accounts. Senior Advisors and industry Experts are consultants rather than employees of KKR. Certain Senior Advisors have historically provided services to KKR Prisma in connection with KKR Prisma Funds and Accounts. In this capacity, those Senior Advisors are compensated for their services directly by KKR Prisma. Senior Advisors and Industry Advisors also provide services to KKR Funds and KKR Fund portfolio companies. Certain KKR Prisma Direct Funds and Accounts may invest in KKR Funds and co-invest alongside KKR Funds in portfolio companies (including either through a separate co-investment vehicle or through a new class, series or tranche of a KKR Fund). In such cases, the relevant KKR Prisma Direct Funds and Accounts will bear a portion of the compensation paid to Senior Advisors and Industry Advisors, as applicable, for services provided to such KKR Funds and portfolio companies. The terms of engagement, including the financial package, for Senior Advisors and Industry Advisors are generally agreed (“**Senior Advisor Agreement**”) between the Senior Advisor or Industry Advisor and KKR (or one of its affiliates) at the time of engagement. Each Senior Advisor Agreement is negotiated individually, depends upon anticipated advisory services, and may differ as between different individuals. Senior Advisor Agreements may be updated from time to time, taking into account considerations such as, but not limited to, performance or current market practices for similar consulting services. Senior Advisors and Industry Advisors typically receive a financial package comprised of one or more of the following: (i) an annual fee, (ii) a discretionary performance-related bonus, (iii) a portion of the carried interest received by a general partner(s) of a KKR Fund or Other Client that are part of KKR’s “carry pool,” (iv) grants of equity in one or more of the parent entities of KKR (including equity awards from the Public Company) and (v) an opportunity to invest in KKR Funds or specific transactions on a no-fee/no-carry basis. Senior Advisors and Industry Advisors are also entitled to reimbursement for expenses incurred while providing services to KKR, KKR Funds, Other Clients and KKR Fund portfolio companies. Senior Advisors and Industry Advisors also receive consulting related compensation in the form of fixed and incentive compensation.

Additional information regarding the compensation received by Senior Advisors and Industry Advisors for services provided to KKR Funds and portfolio companies in which KKR Prisma Funds and Accounts may co-invest is available upon request.

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

KKR Capstone and RPM/Other Technical Consultants

Each of KKR Capstone Americas LLC (collectively with its related parties, “**KKR Capstone**”), which provides consulting services to KKR, KKR Funds, Other Clients and certain KKR Fund portfolio companies, holding companies and other entities in or through which the KKR Funds and Other Clients invest, and RPM Energy Management LLC (collectively with its related parties, “**RPM**”), which provides operating and consulting services to KKR, KKR Funds, Other Clients and certain KKR Fund portfolio companies and/or assets in the oil and gas industry, is owned by its senior management and neither is a subsidiary nor an affiliate of KKR. KKR Capstone uses the name “KKR” under license from KKR. Each of KKR Capstone and RPM has an exclusive relationship with KKR, and both receive services and support from KKR and its affiliates, which may be provided on favorable or below market rates, and are allowed to participate in insurance policies and employee benefit plans of KKR and its affiliates without passing through the full cost of coverage. In addition, executives and employees of KKR Capstone and

RPM may serve as interim executives of KKR Fund portfolio companies, and may receive additional compensation from KKR Funds or other KKR affiliates, such as equity grants, profits interests, or a portion of carried interest.

Both KKR Capstone and RPM provide consulting services to KKR portfolio companies that KKR's investment professionals could not otherwise provide. Other companies provide similar services as KKR Capstone, RPM and Technical Partners (defined below), but they are less customized to KKR's business and are not exclusive to KKR Fund portfolio companies. In addition, KKR Capstone and RPM are often involved in due diligence in connection with KKR investment sourcing. Generally, KKR Capstone and RPM have master consulting agreements in place with KKR for due diligence work and other projects contracted by KKR on behalf of KKR Funds and Other Clients and they may enter into engagement letters with KKR Fund portfolio companies, holding companies and other entities for consulting services provided to such entities. Under those agreements and engagement letters, KKR Capstone and RPM are generally entitled to fees and expense reimbursement. While such fees and reimbursable expenses and other compensation paid to KKR Capstone and RPM are believed by KKR to be reasonable and generally at market rates for the relevant activities, such compensation is not negotiated at arm's length and from time to time may be in excess of fees, reimbursable expenses or other compensation that may be charged by comparable third parties. KKR may in the future engage technical consultants ("**Technical Consultants**") in addition to KKR Capstone and RPM, including, but not limited to, for operational consulting, energy industry consulting and operating services and property management services or debt servicing with respect to the real estate sector, on terms substantially similar to those described with respect to KKR Capstone and RPM. Fees and compensation received by KKR Capstone and RPM (and other Technical Consultants) will not be shared with KKR Funds or Other Clients or offset against management fees payable by KKR Funds or Other Clients.

KKR Capstone and RPM do not presently provide services directly to KKR Prisma. However, certain KKR Prisma Funds and Accounts invest in KKR Funds and co-invest alongside KKR Funds in public and private market transactions (including either through a separate co-investment vehicle or through a new class, series or tranche of a KKR Fund) in a specific investment. In such cases, KKR Prisma Funds and Accounts will bear a portion of the fees and compensation paid to KKR Capstone and RPM (and other technical consultants), as applicable, for services provided to such KKR Funds and other investments.

Additional information regarding the activities of KKR Capstone and RPM is available upon request.

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

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

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

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

processes to address this potential conflict of interest. Such processes are designed to treat all clients fairly and equitably over time, and to prevent this potential conflict from influencing the allocation of investment opportunities among clients. See Items 10 and 11 for further information.

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

Item 7: Types of Clients

As noted in Item 4 above, KKR Prisma provides investment management and advisory services to KKR Prisma Funds which are generally organized as private pooled investment vehicles or single-owner investment vehicles, and to separately managed KKR Prisma Accounts established for institutional investors. With limited exception, KKR Prisma Funds and Accounts are generally only available to institutional investors and certain high net worth investors that are “accredited investors” and “qualified purchasers” or non – “U.S. persons” or in the case of Employees, “knowledgeable employees”, within the meaning of the Securities Act and the Investment Company Act, as applicable. KKR Prisma Funds and Accounts generally have a specified minimum investment amount as set forth in the offering materials, disclosure documents, and/or governing documents. These minimum amounts are subject to discretion, on the part of KKR Prisma, the Board of Directors of applicable KKR Prisma Funds or the relevant KKR Prisma GP of applicable KKR Prisma Funds, to permit investment of a smaller amount generally with respect to any investor.

A broad range of U.S. and non-U.S institutional investors, including, among others, governmental and corporate pension and profit sharing plans, endowments and foundations, insurance companies, financial institutions, sovereign wealth funds, private wealth and other third party distribution platforms and certain high net worth individuals (including trusts, estates, 401(k) plans and IRAs of such individuals or their family members) and family offices, may be invested in KKR Prisma Funds and Accounts. Investors in KKR Prisma Accounts must maintain a minimum account size as mutually agreed between the client and KKR Prisma.

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

Investment Strategies

KKR Prisma FoF Vehicles and Accounts pursue four core investment strategies as follows:

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

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

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

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

KKR Prisma's Direct Funds and Accounts currently pursue two primary strategies: (i) hedged equity, and (ii) Co-Investments (defined below) in public and private market transactions.

The hedged equity strategy primarily invests in certain of the highest conviction long equity positions of a sub-set of investment managers (each a "**Sub-Advisor**") on KKR Prisma's hedge fund of funds platform. The portfolio is comprised mainly of equity investments (including, but not limited to, common and preferred stock) and equity-linked financial instruments primarily of mid and large cap companies that are based or headquartered or whose securities are traded on securities exchanges (or trading systems) primarily located in the Americas, Europe and Asia (collectively, "**Securities**"). The strategy is primarily pursued through managed account arrangements established with Sub-Advisors employing equity-oriented strategies. In addition, KKR Prisma invests in certain of the highest conviction long equity positions of other equity-oriented investment managers based on publicly-available Form 13Fs filed by such investment managers (each, a "**13F Manager**") with the SEC. The highest conviction positions of a Sub-Advisor or other investment manager are generally determined based on relative position sizing and weighting within such Sub-Advisor's or other hedge fund manager's portfolio. KKR Prisma also manages the strategy's hedge overlay primarily through the use of, without limitation, ETFs, swaps, futures, equities, currency forwards and options (collectively with Securities, "**Financial Instruments**").

KKR Prisma's Co-Investment strategy focuses on Co-Investments sourced or sponsored by (i) Portfolio Managers of Portfolio Funds in which Prisma FoF Vehicles and Accounts invest and other investment managers which are not on KKR Prisma's FoF platform but with which KKR Prisma has a business relationship, or (ii) individual portfolio managers and portfolio management teams of affiliates of KKR Prisma (including KKR and KKR Credit). Such Co-Investment transactions generally consist of investments acquired directly (including either through a separate co-investment vehicle or through a new class, series or tranche of a Portfolio Fund) in a specific investment (each such investment, a "**Co-Investment**") on behalf of a Prisma Fund or Account (including through a KKR Prisma Direct Fund or Account). The Portfolio Manager or relevant KKR portfolio management team, as applicable, of a potential Co-Investment typically will provide KKR Prisma with detailed information regarding such potential Co-Investment. KKR Prisma Funds and Accounts which participate in the relevant co-investment strategy may invest in applicable Co-Investments alongside Portfolio Managers or KKR portfolio management teams. KKR Credit and KKR primarily invest in public and private market transactions including, but not limited to, mezzanine debt, structured and illiquid credit, private debt and public debt, and pre-IPO equity.

Methods of Analysis

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

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

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

Direct Investing - Hedged Equity. KKR Prisma seeks to conduct reasonable and appropriate analysis and due diligence of its investments based on the applicable facts and circumstances. KKR Prisma's hedged equity strategy invests primarily in securities that are among the highest conviction long equity positions of the Sub-Advisors or 13F Managers, based on, among other factors, the Sub-Advisors' or 13F Managers' views that such equity positions are undervalued on a fundamental basis. The strategy will also take short positions in securities and other equity-linked instruments that KKR Prisma believes serve as effective hedges to manage risk exposure, with the intention that long positions will outperform their respective hedges. In constructing the hedge overlay, KKR Prisma employs a top down macro analysis and technical factors specific to sectors and asset classes in which the Sub-Advisors invest, relative to certain global and US-focused benchmarks. KKR Prisma evaluates and adjusts sector, country, currency and market exposure on an ongoing basis. Risk management for the hedged equity strategy involves hedging of portfolio risk exposure through hedge instruments, and appropriate sizing and hedging of positions based on their relative risk/reward, liquidity and technical attributes. KKR Prisma generally seeks to hedge the overall portfolio with an actively traded set of hedge instruments designed to reduce undesired exposures at the aggregate level.

Direct Investing - Co-Investments. As described above, certain KKR Prisma Funds and Accounts (including certain KKR Prisma Direct Funds and Accounts) may participate in Co-Investments sourced or sponsored by Portfolio Managers and/or other KKR portfolio management teams. In formulating its investment determination for such Co-Investments, KKR Prisma reviews and relies on the investment analysis and research conducted by the relevant Portfolio Manager or KKR portfolio management team. KKR Prisma performs a thorough review and analysis of the information that it obtains from these parties in connection with a potential Co-Investment in order to determine whether the relevant KKR Prisma Funds and Accounts should participate in such transaction. KKR Prisma may conduct additional investment due diligence as it determines necessary to make such determination. In assessing Co-Investments, KKR Prisma employs both "top-down" and "bottom-up" analyses. KKR Prisma's top down analysis involves a macro analysis of relative asset valuations, long-term industry trends, business cycles, interest rate expectations, credit fundamentals and technical factors to target specific industry sectors and asset classes in which to invest. [Investment decisions solely with respect to Co-Investments may be made by a separate investment committee comprised of representatives from the KKR Prisma Investment Committee and representatives of certain affiliates of KKR Prisma.](#)

Asset Allocation

Fund of Fund Investing. KKR Prisma implements its investment advice by allocating capital among approved Portfolio Funds and Portfolio Managers in a manner designed to meet the risk and return objectives of the relevant KKR Prisma FoF Vehicle or Account.

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

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

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

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

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

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

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

Unless the investment guidelines of a KKR Prisma FoF Vehicle or Account provide otherwise, KKR Prisma generally does not utilize leverage in connection with allocating the assets of KKR Prisma FoF

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

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

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

Direct Investing. In connection with KKR Prisma’s hedged equity strategy, allocations among Sub-Advisors and other investment managers are generally based on the KKR Prisma’s ongoing analysis of prevailing market conditions and evaluation of Sub-Advisors and other investment managers and the relative attractiveness of investment opportunities. In connection with KKR Prisma’s Co-Investment strategy, potential Co-Investment transaction opportunities brought to KKR Prisma by Portfolio Managers or KKR portfolio managers are reviewed by KKR Prisma for suitability for relevant KKR Prisma Funds and Accounts based on such Fund’s and Accounts investment guidelines, risk parameters, legal and regulatory constraints and other relevant factors.

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

Material Risks of Significant Investment Strategies

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

investment strategy and structure, as applicable, and should be read in conjunction with the discussion of risks below.

KKR Prisma FoF Vehicles and Accounts; General Risks

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

Market Risks. The success of KKR Prisma Funds and Accounts' investment programs depend to a great extent on KKR Prisma's and the Portfolio Manager's abilities to assess correctly the future course of price movements of equities and equity-linked instruments. There can be no assurance that KKR Prisma, and Portfolio Managers will accurately predict these movements. Any failure to accurately predict market movements may adversely affect KKR Prisma's and Portfolio Manager's abilities to execute trade orders at desired prices.

Dependence on the Portfolio Managers. KKR Prisma invests assets of the KKR Prisma FoF Vehicles and Accounts through Portfolio Managers. The success of the KKR Prisma FoF Vehicles and Accounts depend upon the ability of KKR Prisma and the Portfolio Managers to develop and implement investment strategies that achieve the KKR Prisma FoF Vehicles' and Accounts' investment objectives. For example, a Portfolio Manager's inability to effectively hedge an investment strategy that it utilizes may cause the assets of a KKR Prisma FoF Vehicle or Account invested with such Portfolio Manager to significantly decline in value and could result in losses to the KKR Prisma FoF Vehicle or Account. Subjective decisions made by KKR Prisma and/or the Portfolio Managers may cause a KKR Prisma FoF Vehicle or Account to incur losses or to miss profit opportunities on which it may otherwise have capitalized. KKR Prisma relies on Portfolio Fund valuations provided by its Portfolio Managers in valuing interests in KKR Prisma FoF Vehicles and Accounts. Operational failures or misconduct within such Portfolio Managers may result in these valuations being inaccurate which in turn may adversely impact KKR Prisma FoF Vehicles and Accounts and their underlying investors.

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

Without limiting the above, it should be noted that from time to time KKR and its affiliates may be subject to contractual "stand-still" obligations and/or confidentiality obligations that alone or in light of applicable law and/or internal policies and procedures adopted by KKR and its affiliates may restrict Prisma's ability to make an investment in or withdraw from a particular Portfolio Fund (including a Co-Investment) on behalf of a KKR Prisma FoF Vehicle or Account. Given KKR's size and global footprint

there can be no guarantee that the foregoing restrictions would not impair significantly KKR Prisma's ability to transact on behalf of a KKR Prisma FoF Vehicle or Account.

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

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

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

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

Legal, tax and regulatory developments may adversely affect KKR Prisma FoF and Accounts and their underlying Portfolio Funds. Securities and futures markets are subject to comprehensive statutes, regulations and margin requirements enforced by the U.S. Securities and Exchange Commission (the "SEC") the U.S. Commodity Futures Trading Commission (the "CFTC"), other U.S. and non-U.S. regulators and self-regulatory organizations and exchanges authorized to take extraordinary actions in the event of market emergencies. The regulation of derivative transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by government and judicial actions. The regulatory environment for private funds is evolving, and changes in the regulation of private funds

and their investment activities may adversely affect the ability of a KKR Prisma FoF Vehicle or Account or a Portfolio Fund to pursue its investment strategy, its ability to obtain leverage and financing, if applicable, and the value of its investments. There has been an increase in governmental, as well as self-regulatory, scrutiny of the alternative investment industry in general in the U.S. and other countries. It is impossible to predict what, if any, changes in regulations may occur, but any regulations that restrict, for example, the ability of a Portfolio Fund to trade in securities or the ability of a Portfolio Fund to employ, or brokers and other counterparties to extend, credit in its trading (as well as other regulatory changes that result) could have a material adverse impact on the portfolio of a Portfolio Fund and, therefore, any KKR Prisma FoF Vehicle or Account holding such Portfolio Fund.

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

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

As a result, the Directive could have an adverse effect on KKR Prisma FoF Vehicles, the underlying Portfolio Managers and/or the Portfolio Funds by, among other things, increasing the regulatory burden and costs of doing business in EU member states, imposing extensive disclosure obligations on a Portfolio Fund located in EU member states, significantly restricting marketing activities within the EU, potentially requiring a Portfolio Manager to change its compensation structures for key personnel, thereby affecting a Portfolio Manager’s ability to recruit and retain these personnel, and as applicable disadvantaging the Portfolio Fund as a bidder for and potential owner of private companies located in EU

member states when compared to non-AIF/AIFM competitors which may not be subject to the requirements of the Directive, thereby potentially restricting a Portfolio Fund's ability to make investments in such companies. The Directive could also limit a Portfolio Manager's operating flexibility and a Portfolio Fund's investment opportunities, as well as expose KKR Prisma, a KKR Prisma FoF Vehicle, the underlying Portfolio Manager and/or the Portfolio Fund to conflicting regulatory requirements in the United States and the EU. It should be noted that the final scope and requirements of the Directive remain uncertain, and are subject to change as a result of enactment both of EU secondary legislation and national implementing legislation in EU member states.

Risks Relating to Portfolio Managers

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

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

Misconduct or Bad Judgment of Portfolio Managers. While KKR Prisma attempts to mitigate risks associated with investing with a Portfolio Manager, including by conducting due diligence on, and ongoing monitoring of, the Portfolio Manager and adjusting allocations to the Portfolio Manager (or withdrawing such allocations), it is difficult, if not impossible, for KKR Prisma to protect a KKR Prisma FoF Vehicle or Account from the risk of Portfolio Manager fraud, misrepresentation, operational failures,

material strategy alteration or poor judgment. Although Portfolio Managers are required to adhere to the offering materials and governing documents for the relevant Portfolio Funds, KKR Prisma cannot control the investments made by a Portfolio Manager. Further, when a KKR Prisma FoF Vehicle or Account invests in a Portfolio Fund, it does not have custody of the assets of the Portfolio Fund. Therefore, there is always the risk that the personnel associated with such Portfolio Fund could abscond with the Portfolio Fund's assets resulting in losses to the KKR Prisma FoF Vehicle or Account. Where any Portfolio Fund constitutes a Co-Investment sponsored by KKR or its affiliates, KKR Prisma will face a conflict of interest in respect of any actions to be taken on behalf of any KKR Prisma FoF Vehicle or Account investing in such Co-Investment in the event of any misconduct or bad judgment of KKR or any other relevant Portfolio Manager (See also Item 11 for further discussion of the relationship of KKR Prisma and KKR and its affiliates).

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

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

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

Portfolio Fund Investment Strategy; General Risks

General. Portfolio Managers may pursue a variety of investment strategies, each of which carries inherent risks. Such risks include concentration risks, volatility risks, risks associated with investing in non-US securities and emerging markets, and other risks associated with specific strategies that Portfolio Managers may undertake, for example, risks associated with trading in equity securities, high yield securities, fixed income securities, derivatives, and distressed securities, as well as risks associated with

short selling and the use of leverage. Additionally, from time to time, a significant portion of a Portfolio Fund's portfolio may be invested in illiquid securities and instruments (including any Co-Investment, which is generally expected to be illiquid).

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

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

Highly Volatile Markets; FX Risk. The prices of commodities contracts and all derivative instruments, including futures and options, can be highly volatile (see "*Commodities and Derivate Investments*" below). In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies, financial instruments, futures and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. A Portfolio Fund also is subject to the risk of the failure of any exchanges on which its positions trade or of their clearinghouses. A Portfolio Fund may make certain speculative investments in currencies which its Portfolio Manager believes to be undervalued; however, there are no assurances that the currencies purchased will in fact be undervalued. In addition, a Portfolio Fund may be required to hold such currencies for a substantial period of time before realizing their anticipated value. During this period, a portion of such Portfolio Fund's assets will be committed to the currencies purchased, thus possibly preventing such Portfolio Fund from investing in other opportunities.

High-Yield Securities. Portfolio Funds may invest in high-yield securities (commonly known as "junk bonds"). Such securities are generally not exchange traded and, as a result, these instruments trade in a smaller secondary market than exchange-traded bonds. In addition, Portfolio Funds may invest in bonds

of issuers that do not have publicly traded equity securities, making it more difficult to hedge the risks associated with such investments. High-yield securities that are below investment grade or unrated face ongoing uncertainties and exposure to adverse business, financial or economic conditions that could lead to the issuer's inability to meet timely interest and principal payments. The market values of certain of these lower-rated and unrated debt securities tend to reflect individual corporate developments to a greater extent than do higher-rated securities, which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than higher-rated securities. Companies that issue such securities are often highly leveraged and may not have available to them more traditional methods of financing. It is possible that a major economic recession could severely disrupt the market for such securities and may have an adverse impact on the value of such securities. In addition, it is possible that any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default of such securities.

Short Selling. Portfolio Managers may engage in short selling. Short selling involves selling securities that are not owned and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from declines in the price of securities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost of buying those securities to cover the short position. There can be no assurance that the security necessary to cover a short position will be available for purchase. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

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

Commodities and Derivative Investments. The prices of commodities contracts and derivative instruments, including futures and options and other derivatives that may be invested in by Portfolio Funds, are highly volatile. Payments made pursuant to swap agreements may also be highly volatile. Price movements of commodities, futures, forwards and options contracts and payments pursuant to swap agreements are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The value of futures, options and swap agreements also depends upon the price of the commodities underlying them. In addition, Portfolio Fund assets are also subject to the risk of the failure of any of the exchanges on which Portfolio Fund commodity or derivative positions trade or of their clearinghouses or counterparties.

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

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

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

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

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

Restricted and Illiquid Investments. Portfolio Funds may invest in restricted securities and other investments that are illiquid. Restricted securities are securities that may not be sold to the public without an effective registration statement under the Securities Act, or, if they are unregistered, may be sold only in a privately negotiated transaction or pursuant to an exemption from registration. These may include restricted securities that can be offered and sold only to “qualified institutional buyers” under Rule 144A under the Securities Act. There may be no limit to the percentage of a Portfolio Fund’s net assets that may be invested in illiquid securities.

Positions in restricted or non-publicly traded securities, securities listed on non-U.S. exchanges and certain futures contracts may be illiquid because certain exchanges limit fluctuations in certain securities and futures contract prices during a single day by regulations referred to as “daily price fluctuation limits” or “daily limits.” Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a particular security or futures contract has increased or decreased by an amount equal to the daily limit, positions in that security or contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. Such positions may also be illiquid because a Portfolio Manager is an “insider” of the relevant issuer, including, for example, by

holding a board seat of or material shareholdings in an issuer of publicly traded securities, and subject to related blackout periods in which the Portfolio Manager may not effect trades in the relevant securities or because the Portfolio Manager has entered into contractual “lock-up” periods with respect to such positions (see also “Possession of Material Non-Public Information; Other Investment Restrictions” above).

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

Preferred Stock. Portfolio Funds may invest in preferred stock. Dividends on preferred stock may be cumulative, meaning that, in the event the issuer fails to make one or more dividend payments on the preferred stock, no dividends may be paid on the issuer’s common stock until all unpaid preferred stock dividends have been paid. Preferred stock may also be subject to optional or mandatory redemption provisions.

Exchange Traded Funds. Portfolio Funds may invest in exchange traded funds (“ETFs”), which are publicly traded unit investment trusts, open-end funds or depository receipts that seek to track the performance and dividend yield of specific indices or companies in related industries. These indices may be either broad-based, sector or international. However, ETF shareholders are generally subject to the same risk as holders of the underlying securities they are designed to track. ETFs are also subject to certain additional risks, including, without limitation, the risk that their prices may not correlate perfectly with changes in the prices of the underlying securities they are designed to track, and the risk of trading in an ETF halting due to market conditions or other reasons, based on the policies of the exchange upon which the ETF trades. In addition, Portfolio Funds may bear, along with other shareholders of an ETF, their pro rata portion of the ETF’s expenses, including management fees.

Investments in Initial Public Offerings. Portfolio Funds may invest in initial public offerings. Investments in initial public offerings (or in the relevant securities shortly after their initial public offering) may involve higher risks than investments acquired in secondary public offerings or purchases on a secondary market due to a variety of factors, including, without limitation, the limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the issuer and limited operating history of the issuer. In addition, some issuers of securities involved in initial public offerings are involved in relatively new industries or lines of business, which may not be widely understood by investors. Some of these companies may be undercapitalized or regarded as developmental stage companies, without revenues or operating income, or the near-term prospect of achieving them. These factors may contribute to substantial price volatility for such securities.

Counterparty Default. The stability and liquidity of repurchase agreements, swap transactions, forward transactions and other over-the-counter derivative transactions participated in by Portfolio Funds depend in large part on the creditworthiness of the parties to the transactions. It is expected that each Portfolio Fund will monitor on an ongoing basis the creditworthiness of firms with which it will enter into such arrangements. If there is a default by the counterparty to such a transaction, a Portfolio Fund will under most normal circumstances have contractual remedies pursuant to the agreements related to the

transaction. However, exercising such contractual rights may involve delays or costs which could result in the net asset value of a Portfolio Fund being less than if such Portfolio Fund had not entered into the transaction. Furthermore, there is a risk that any of such counterparties could become insolvent and/or the subject of insolvency proceedings.

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

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

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

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

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

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

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

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

Risks Related to Natural and Other Catastrophic Disasters. Certain of the Portfolio Funds’ investments, including, without limitation, investments in the natural resources sector, may be subject to relatively infrequent but potentially severe risk of loss resulting from the occurrence of one or more catastrophic events or natural disasters, such as floods, forest fires, earthquakes, hurricanes, tsunamis, volcanic eruption or nuclear meltdowns. If any such event or disaster should occur, a Portfolio Fund’s investments may be directly impacted by such loss, or operations at one or more of the issuers in which a Portfolio Fund invests may halt, either completely or for extended periods of time, as such disasters may destroy or impair the ability of such issuers to make use of their facilities or obtain the supplies necessary to operate. In addition, in the event of a widespread disaster, insurers of issuers in which a Portfolio Fund invests may become insolvent and unable to pay claims, or the issuers in which a Portfolio Fund invests may incur losses in excess of insured limits.

Risks Associated with Certain Fund of Fund Investment Strategies

Credit-Distressed

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

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

In liquidation (both in and out of bankruptcy) and other forms of corporate reorganization, there exists the risk that the reorganization either will be unsuccessful (due to, for example, failure to obtain requisite approvals), will be delayed (for example, until various liabilities, actual or contingent, have been satisfied) or will result in a distribution of cash or a new security the value of which will be less than the purchase price to the Portfolio Fund of the security in respect to which such distribution was made.

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

Event Driven

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

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

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

Equity Market Neutral

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

incur losses. Even if a Portfolio Fund's relative value investment strategy is successful, it may result in high portfolio turnover and, consequently, high transaction costs.

Fixed-Income Arbitrage

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

Global Macro

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

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

Long/Short Equity

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

Managed Futures

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

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

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

Risks Associated with Direct Investment Strategies

Hedge Equity Strategy

Investment and Trading Risks. All investments in securities risk the loss of capital. KKR Prisma believes that the investment program and research techniques for the KKR Prisma Direct Funds and Accounts that employ the hedged equity (“**Hedged Equity**”) strategy moderate this risk through a careful selection of securities and other financial instruments. No guarantee or representation is made that the Hedged Equity program will be successful. The Hedged Equity investment program may utilize such investment techniques as leverage, margin transactions, short sales, swaps, options on securities and forward contracts, which practices may, in certain circumstances, increase the adverse impact to which investors may be subject. The market prices of securities in which the Hedged Equity strategy invests are also subject to abrupt and erratic market movements and changes in liquidity and above-average price volatility, and the spread between the bid and asked prices of such securities may be greater than those prevailing in other securities markets.

Equity Financial Instruments. The Hedged Equity strategy is generally expected to invest in equities and equity-linked Financial Instruments. The value of these Financial Instruments generally will vary with the performance of the issuer and movements in the equity markets. As a result, the strategy may suffer losses if it invests in equity instruments of issuers whose performance diverges from KKR Prisma's or the Sub-Advisors' expectations or if equity markets generally move in a single direction and KKR Prisma has not hedged against such a general move. The strategy also may be exposed to risks that issuers will not fulfill contractual obligations such as, in the case of convertible Financial Instruments or private placements, delivering marketable common stock upon conversions of convertible Financial Instruments and registering restricted Financial Instruments for public resale.

Long/Short Investment Strategies. The identification of investment opportunities in the implementation of the strategy's long/short investment program is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. In the event that the perceived opportunities underlying the positions were to fail to converge toward, or were to diverge further from, values expected by the KKR Prisma or the applicable Sub-Advisor, losses may be incurred. In the event of market disruptions, significant losses can be incurred which may force KKR Prisma to close out one or more positions. Furthermore, the valuation models used to determine whether a position presents an attractive opportunity consistent with the KKR Prisma's and the Sub-Advisors' long/short strategies may become outdated and inaccurate as market conditions change.

Exposure to, and Possession of, Material Non-Public Information; Other Trading Restrictions. From time to time, KKR Prisma or a Sub-Advisor may receive material non-public information with respect to an issuer of publicly-traded securities. In such circumstances, KKR Prisma or applicable Sub-Advisor may be prohibited, by law, policy or contract, for a period of time from (i) unwinding a position in such issuer; (ii) establishing an initial position or taking any greater position in such issuer; and (iii) pursuing other investment opportunities related to such issuer. To the extent KKR Prisma or a Sub-Advisor becomes privy to material non-public information, it will be restricted in its ability to trade the relevant Financial Instrument on behalf of itself, its affiliates and their respective clients. Additionally, in certain instances, KKR Prisma or a Sub-Advisor might become restricted in its ability to trade Financial Instruments on behalf of itself, its affiliates and their respective clients, even though KKR Prisma or a Sub-Advisor may not be privy to any material non-public information; such restrictions could be derived from applicable law and/or internal policies and procedures adopted by KKR to mitigate potential conflicts. In such instances, KKR Prisma's or the Sub-Advisor's ability to trade in the Financial Instruments may be significantly restricted, which may adversely impact the strategy, including by preventing the execution of an otherwise advisable transaction (including, closing or winding-down a position).

Hedging Transactions. KKR Prisma Direct Funds and Accounts participating in the Hedged Equity strategy may (but are under no obligation to) enter into swaps, forward contracts and other arrangements to seek to preserve a return on a particular investment or to seek to protect against currency exchange rate fluctuations or other risks associated with the investment. Such hedging transactions have special risks associated with them, including the possible default by the counterparty to the transaction and the illiquidity of the acquired instruments. In addition, there can be no assurance that such strategies will be effective or have a beneficial impact on net cash flows and net income. Hedging strategies involve risk and may not be successful in reducing the strategy's exposure, or the indirect exposure of any class of interests, to currency fluctuations or other perceived risks and therefore may have an adverse impact on the net asset value of the strategy would have otherwise achieved if these transactions were not entered into.

The variable degree of correlation between price movements of hedging instruments and price movements in the position being hedged creates the possibility that losses on the hedge may be greater

than gains in the value of the strategy's position. In addition, certain instruments and markets may not be liquid in all circumstances. As a result, certain transactions may not be able to close out without incurring losses substantially greater than the initial deposit. Although the use of hedging strategies should tend to minimize the risk of loss due to a decline in the market value of the position, at the same time they tend to limit any potential gain that might result from an increase in the value of such position. The ability of the strategy to successfully utilize any hedging strategies will depend on the KKR Prisma's ability to predict relevant market correlations, which cannot be assured. Any losses due to the use of hedging strategies will reduce the value of Interests.

Exchange Traded Funds. KKR Prisma Direct Funds and Accounts employing the Hedged Equity strategy may invest in exchange traded funds ("**ETFs**"), which are shares of publicly-traded unit investment trusts, open-end funds, or depository receipts that seek to track the performance and dividend yield of specific indices or companies in related industries. These indices may be either broad-based, sector-based, or international. However, ETF shareholders are generally subject to the same risk as holders of the underlying securities they are designed to track. ETFs are also subject to certain additional risks, including, without limitation, the risk that their prices may not correlate perfectly with changes in the prices of the underlying securities they are designed to track, and the risk of trading in an ETF halting due to market conditions or other reasons, based on the policies of the exchange upon which the ETF trades. In addition, the strategy will bear, along with other shareholders of an ETF, its *pro rata* portion of the ETF's expenses, including management fees and operating expenses. Investors in the strategy may also indirectly bear similar expenses of an ETF, which can have an adverse effect on the return on capital of their investment in the strategy.

Call Options. KKR Prisma Direct Funds and Accounts employing the Hedge Equity strategy may incur risks associated with the sale and purchase of call options. The seller (writer) of a call option which is covered (i.e., the writer holds the underlying Financial Instrument) assumes the risk of a decline in the market price of the underlying Financial Instrument below the purchase price of the underlying Financial Instrument less the premium received, and gives up the opportunity for gain on the underlying Financial Instrument above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying Financial Instrument above the exercise price of the option. The Financial Instruments necessary to satisfy the exercise of an uncovered call option may be unavailable for purchase, except at much higher prices, thereby reducing or eliminating the value of the premium. Purchasing Financial Instruments to cover the exercise of an uncovered call option can cause the price of the Financial Instruments to increase, thereby exacerbating the loss. The buyer of a call option assumes the risk of losing its entire premium investment in the call option.

Put Options. KKR Prisma Direct Funds and Accounts employing the Hedged Equity strategy may incur risks associated with the sale and purchase of put options. The seller (writer) of a put option which is covered (i.e., the writer has a short position in the underlying Financial Instrument) assumes the risk of an increase in the market price of the underlying Financial Instrument above the sales price (in establishing the short position) of the underlying Financial Instrument plus the premium received, and gives up the opportunity for gain on the underlying Financial Instrument if the market price falls below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying Financial Instrument below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option.

Trading in Currencies. A principal risk in trading currencies is the rapid fluctuation in the market prices of currency contracts. Prices of currency contracts traded pursuant to the Hedged Equity strategy are affected generally by relative interest rates, which in turn are influenced by a wide variety of complex and difficult to predict factors such as money supply and demand, balance of payments, inflation levels, fiscal

policy, and political and economic events. In addition, governments from time to time intervene, directly and by regulation, in these markets, with the specific effect, or intention, of influencing prices which may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations.

Stock Index Futures. The price of stock index futures contracts may not correlate perfectly with the movement in the underlying stock index because of certain market distortions. First, all participants in the futures market are subject to margin deposit and maintenance requirements. Rather than meeting additional margin deposit requirements, market participants may close futures contracts through offsetting transactions that would distort the normal relationship between the index and futures markets. Secondly, from the point of view of speculators, the deposit requirements in the futures market are less onerous than margin requirements in the securities market. Therefore, increased participation by speculators in the futures market also may cause price distortions. Successful use of stock index futures contracts in connection with the Hedged Equity strategy also is subject to KKR Prisma's and the Sub-Advisors' abilities to correctly predict movements in the direction of the market.

Stock Index Options. KKR Prisma Direct Funds and Accounts employing the Hedged Equity strategy may purchase and sell call and put options on stock indices listed on securities exchanges or traded in the over-the-counter market. A stock index fluctuates with changes in the market values of the stocks included in the index. Because the value of an index option depends upon movements in the level of the index rather than the price of a particular stock, whether the strategy will realize gains or losses from the purchase or writing of options on indices depends upon movements in the level of stock prices in the stock market generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of particular stocks. Accordingly, successful use by the strategy of options on stock indices will be subject to KKR Prisma's and the Sub-Advisors' abilities to correctly predict movements in the direction of the stock market generally or of particular industries or market segments. This requires different skills and techniques than predicting changes in the price of individual stocks.

Global Investments; Emerging, Developing and Under-Developed Markets. Global investments involve special risks not usually associated with investing in Financial Instruments of U.S. companies or the U.S. federal, state or local government. Because investments in Financial Instruments issued by non-U.S. issuers may involve non-U.S. dollar currencies and the KKR Prisma Direct Funds and Accounts employing the Hedged Equity strategy may be affected favorably or unfavorably by changes in currency rates (including as a result of the devaluation of a non-U.S. currency) and in exchange control regulations and may incur transaction costs in connection with conversions between various currencies. In addition, because non-U.S. entities are not subject to uniform accounting, auditing, and financial reporting standards, practices and requirements comparable with those applicable to U.S. companies, there may be different types of, and lower quality, information available about a non-U.S. company than a U.S. company. There is also less regulation, generally, of the securities markets in non-U.S. countries than there is in the United States. Some non-U.S. securities markets have a higher potential for price volatility and relative illiquidity compared to the U.S. securities and capital markets.

KKR Prisma Direct Funds and Accounts employing the Hedged Equity strategy may invest a portion of their assets in Financial Instruments of issuers domiciled or operating in emerging, developing and under-developed markets. Investing in these markets may involve heightened risks (some of which could be significant) and special considerations not typically associated with investing in other more established economies or securities markets. Such risks may include, but are not limited to: (i) increased risk of nationalization or expropriation of assets or confiscatory taxation; (ii) greater social, economic and political uncertainty including war; (iii) higher dependence on exports and the corresponding importance of international trade; (iv) greater volatility, less liquidity and smaller capitalization of securities markets; (v) greater volatility in currency exchange rates; (vi) greater risk of inflation; (vii) greater controls on

foreign investment and limitations on repatriation of invested capital and on the ability to exchange local currencies for U.S. dollars; (viii) increased likelihood of governmental involvement in and control over the economies; (ix) governmental decisions to cease support of economic reform programs or to impose centrally planned economies; (x) differences in auditing and financial reporting standards which may result in the unavailability of material information about issuers; (xi) less extensive regulation of the securities markets; (xii) less established tax laws and procedures; (xiii) longer settlement periods for securities transactions and less reliable clearance and custody arrangements; (xiv) less developed corporate laws regarding fiduciary duties of officers and directors and the protection of investors; and (xv) certain considerations regarding the maintenance of Financial Instruments and cash with non-U.S. brokers and securities depositories.

Short Sales. Short selling involves selling tradable instruments of any kind which are not owned by the short seller, and borrowing them for delivery to the purchaser, with an obligation to replace the borrowed Financial Instruments at a later date. Short selling allows the seller to profit from a decline in market price to the extent such decline exceeds the transaction costs and the costs of borrowing the Financial Instruments. The extent to which the KKR Prisma Direct Funds and Accounts employing the Hedged Equity strategy engage in short sales will depend upon KKR Prisma's and the Sub-Advisors' investment strategies and opportunities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying Financial Instrument could theoretically increase without limit, thus increasing the cost to the strategy of buying those Financial Instruments to cover the short position. There can be no assurance that the strategy will be able to maintain the ability to borrow Financial Instruments sold short. In such cases, the strategy can be "bought in" (i.e., forced to repurchase Financial Instruments in the open market to return to the lender). There also can be no assurance that the Financial Instruments necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing Financial Instruments to close out a short position can itself cause the price of the Financial Instruments to rise further, thereby exacerbating the loss.

Swap Transactions. KKR Prisma Direct Funds and Accounts employing the Hedged Equity strategy may engage in swap transactions. Currency swaps involve the exchange of cash flows on a notional amount of two or more currencies based on their relative future values. An equity swap is an agreement to exchange streams of payments computed by reference to a notional amount based on the performance of a basket of stocks or a single stock. In connection with the Hedged Equity strategy, it generally intends to enter into swaps on a net basis; i.e., the two payment streams are netted out in a cash settlement on the payment date or dates specified in the agreement, and pays or receives only the net amount of the two payments. The strategy may employ swaps for speculative purposes, such as to obtain the price performance of a security without purchasing it in cases where the security is illiquid, unavailable for direct investment or available only on less attractive terms.

Hedged Equity Strategy Risks Relating to Use of Sub-Advisors

Past Performance by Sub-Advisors is Not Indicative of Future Performance. Market conditions and trading approaches are continually changing, and a particular Sub-Advisor's past successful performance may be largely irrelevant to such Sub-Advisor's prospects for future profitability. Past performance is not indicative of future performance.

Limited Pool of Sub-Advisors. KKR Prisma is limited to allocating assets of the Hedged Equity strategy to Sub-Advisors focused on equity-oriented strategies that are on the KKR Prisma's hedge funds of funds platform. KKR Prisma may not invest the assets invested in the Hedged Equity strategy with investment managers that are not on such platform even when the KKR Prisma believes that investing with such investment managers may lead to better investment returns. The Hedged Equity strategy could be adversely affected by such limitation.

Limited Information Regarding Sub-Advisors. Although KKR Prisma is expected to receive information from each prospective Sub-Advisor regarding such Sub-Advisor's historical performance, if any, and investment strategy, in most cases KKR Prisma will have little or no means of independently verifying the accuracy or integrity of information supplied to it by such Sub-Advisors. In general, KKR Prisma may not have access to detailed information regarding the underlying portfolios or accounts managed by all Sub-Advisors or 13F Managers. The absence of such detailed information could result in significant losses.

Risks Faced by Sub-Advisors. Sub-Advisors are subject to various risks, including, but not limited to, operational risks such as the ability to provide an adequate operating environment including, but not limited to, back office functions, trade processing, accounting, administration, risk management, valuation services and reporting. Sub-Advisors may also face competition from other investment funds which may be more established and have larger capital bases and larger numbers of qualified management and technical personnel. Additionally, certain Sub-Advisors may pursue over time different investment strategies which may limit KKR Prisma's ability to assess a Sub-Advisor's ability to achieve its long-term investment objective. Furthermore, a Sub-Advisor may face additional risks as its assets under management increase over time. In such instances, a Sub-Advisor may not be able to handle properly its increased capital base.

Misconduct or Bad Judgment of Sub-Advisors. While KKR Prisma attempts to mitigate risks associated with investing with a Sub-Advisor by conducting ongoing due diligence on such Sub-Advisor, it is difficult, if not impossible, for KKR Prisma to protect the Master Fund from the risk of fraud, misrepresentation, material strategy alteration, errors, poor judgment or failure to comply with its own compliance policies and procedures.

Newly-Formed Sub-Advisors. From time to time, the Master Fund may invest with newly or recently formed Sub-Advisors. To the extent such a Sub-Advisor is in an early stage of formation or operation, there may be a number of operational and other issues that make these types of investments highly speculative. Newly-formed investment managers may face competition from other investment managers, which may be more established, have a larger number of qualified personnel and benefit from a larger capital base. There is no guarantee that such investment management firms will be able to overcome these obstacles and generate any profits.

Proprietary Investment Strategies. A Sub-Advisor may use proprietary investment strategies that are based on considerations and factors that are not fully disclosed to KKR Prisma. These strategies may involve risks under some market conditions that are not anticipated by the Sub-Advisor and/or KKR Prisma. The Sub-Advisors generally use investment strategies that differ from those typically employed by traditional managers of portfolios of stocks and bonds. The strategies employed by the Sub-Advisors may involve significantly more risk and higher transaction costs than more traditional investment methods. Moreover, it is possible that the performance of the Sub-Advisors may be closely correlated in some market conditions, resulting (if those returns are negative) in significant losses. In addition, because only certain positions of the Sub-Advisors and 13F Managers will be traded pursuant to the Hedged Equity strategy, the strategy will hold such positions outside of the context of the other positions in the Sub-Advisors' and 13F Managers' portfolios. The strategy may accordingly not benefit from the other positions of the Sub-Advisors' and 13F Managers' portfolio or strategy meant to complement such positions.

Item 9: Disciplinary Information

On June 29, 2015, without admitting or denying the SEC's findings, our advisory affiliate, Kohlberg Kravis Roberts & Co. L.P. (the "advisory affiliate"), consented to the entry of an order to cease and desist from committing or causing any violations and future violations of sections 206(2) and 206(4) of the Advisers Act and Rule 206(4)-7 thereunder. According to the SEC order, during the period from 2006 to 2011 our advisory affiliate did not expressly disclose in its flagship private equity fund limited partnership agreements that it did not allocate broken deal expenses to its co-investors (including co-investment vehicles established for executives, certain consultants and others) and this lack of disclosure resulted in a misallocation of expenses to our advisory affiliate's flagship private equity funds for that period. The order also finds that our advisory affiliate did not adopt and implement a written compliance policy or procedure governing its fund expense allocation practices until 2011. Our advisory affiliate agreed in the settlement to pay disgorgement of \$14,165,968, prejudgment interest of \$4,511,441 and a civil monetary penalty of \$10,000,000.

Item 10: Other Financial Industry Activities and Affiliations

Affiliated Broker-Dealers

KKR Prisma is an affiliate of KKR Capital Markets LLC and MCS Capital Markets LLC, each of which is a U.S. registered broker-dealer. KKR Prisma is also affiliated with KKR Capital Markets Limited, located in London, which is authorized by the U.K. Financial Conduct Authority to conduct broker-dealer activities in the United Kingdom, with KKR Capital Markets Japan Limited, which is a certified Type II Financial Instruments Business Operator (broker dealer) licensed by the Japanese Financial Services Agency, with KKR Capital Markets Asia Limited, which is licensed by the Hong Kong Securities and Futures Commission to conduct certain broker-dealer activities, with KKR India Financial Services Private Limited, which is licensed by the Reserve Bank of India as a non-deposit taking non-banking financial company that is authorized to undertake lending and financing activities and with KKR Capital Markets India Private Limited, which is licensed by the Securities and Exchange Board of India as a merchant bank that is authorized to execute capital market mandates, underwrite issues and offer investment advisory and other consultancy/advisory services. In addition, KKR Prisma is affiliated with KKR Australia Pty Limited, KKR Australia Investment Management Pty Limited, KKR MENA Limited,

KKR Singapore Pte. Ltd. and KKR Saudi Limited, which hold financial services licenses from the Australian Securities and Investment Commission, the Dubai Financial Services Authority, the Monetary Authority of Singapore and the Capital Market Authority in Saudi Arabia, as applicable, permitting them among other things to conduct capital raising and other broker-dealer activities (collectively, the “**Affiliated Brokers**”).

These Affiliated Brokers (including their respective related lending vehicles) may manage or otherwise participate in underwriting syndicates and/or selling groups with respect to issuers of portfolio investments of KKR Prisma Funds and Accounts or underlying Portfolio Funds or may otherwise be involved in the private placement of debt or equity securities or instruments issued by issuers in which KKR Prisma Funds or Accounts or Portfolio Managers invest, or otherwise in arranging or providing financing for such issuers. Affiliated broker-dealers may, as a consequence of such activities, hold positions in instruments and securities issued by the issuers of KKR Prisma’s Funds or Accounts or Portfolio Funds’ portfolio investments. Subject to applicable law, such broker-dealers may receive underwriting fees, placement commissions, financing fees, interest payments or other compensation with respect to such activities.

KKR may in the future develop new businesses such as providing investment banking, advisory and other services to corporations, financial sponsors, management or other persons. Such services may relate to transactions that could give rise to investment opportunities that are suitable for KKR Prisma Funds and Accounts. In such case, KKR’s client would typically require KKR to act exclusively on its behalf, thereby precluding the KKR Prisma Funds and Accounts from participating in such investment opportunities. KKR would not be obligated to decline any such engagements in order to make an investment opportunity available to the KKR Prisma Funds or Accounts.

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

Please see Item 11 for more information regarding Affiliated Brokers.

Other Investment Advisers

Kohlberg Kravis Roberts & Co. L.P. KKR Prisma is also affiliated with KKR, which is its parent company, and KKR’s other subsidiaries and affiliated entities that manage KKR’s private equity funds and other funds, investment vehicles and accounts (“**KKR Funds**”). KKR is separately registered under the Advisers Act as an investment adviser. KKR may make investments for its own account, including, for example, through proprietary co-investment vehicles or feeder funds established for KKR and its personnel and associated persons (which may include KKR Prisma investment professionals and other KKR Prisma personnel). See Item 11 for a discussion of the relationship of KKR Prisma, KKR Prisma Funds and Accounts and the KKR Funds.

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

KKR Alternative Investment Management. KKR is affiliated with KKR Alternative Investment Management (“KKR AIM”), which is regulated by the Central Bank of Ireland and is an authorized EU alternative investment manager. KKR may enter into delegation agreements with KKR AIM under which KKR will provide certain portfolio management services to KKR AIM in connection with funds managed by KKR AIM.

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

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

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

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

Pooled Investment Vehicles and Regulated Subsidiaries and Sponsors of Limited Partnerships. KKR Prisma, KKR, KKR Credit and certain of their respective affiliates serve as sponsors or syndicators of a number of limited partnerships including KKR Prisma Funds, KKR Funds, and KKR Credit Funds. KKR Prisma also primarily serves as investment adviser to KKR Prisma Funds that are pooled investment vehicles and corporate entities. In addition, its affiliates, KKR and KKR Credit serve as investment advisers of KKR Funds and KKR Credit Funds that are, for the most part, pooled investment vehicles. While KKR Prisma Funds are primarily unregulated, certain of such pooled vehicles may be registered with regulatory authorities in their home jurisdiction such as the Cayman Islands or in jurisdictions in which interests in such pooled investment vehicles are marketed. As discussed more fully above and in response to Item 11, KKR Prisma Funds, KKR Funds, KKR Credit Funds, and Other Clients (**“Affiliated Accounts”**) may engage in Co-Investments and other transactions alongside each other, which may give rise to conflicts of interest. KKR has adopted a conflicts process designed to address these conflicts as well as conflicts that may arise from KKR Prisma’s investment activities on behalf of KKR proprietary accounts and from KKR Prisma’s relationship with KKR and its affiliates.

Please refer to Item 11 for a discussion of the potential conflicts that may be raised by KKR Prisma’s relationship with these KKR Prisma affiliates and the policies and procedures KKR Prisma has adopted to address these potential conflicts.

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

Code of Ethics

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

The Code has been established by its parent, KKR, for all of its investment advisory subsidiaries, including KKR Prisma. The Code sets out standards of business and personal conduct for each employee (which for these purposes includes other persons as set out in the Code, including certain consultants, advisors, temporary employees and other persons designated by KKR’s Global Chief Compliance Officer) and addresses conflicts that may arise from personal trading by such persons and provides for disciplinary sanctions for Code violations. The Code is available upon written request of KKR Prisma Funds and Accounts and by current or prospective investors in KKR Prisma Funds and Accounts.

The policies and procedures set forth in the Code recognize that as an investment adviser, KKR Prisma is in a position of trust and confidence with respect to the KKR Prisma Funds and Accounts and has a duty to place the interests of the KKR Prisma Funds and Accounts before the interests of KKR Prisma and its employees which for these purposes include other persons as set out in the Code, including certain consultants, advisors, temporary employees and other persons designated by KKR’s Global Chief Compliance Officer. This duty includes an obligation to address or mitigate both conflicts of interest and the appearance of any conflicts of interest. The Code also recognizes that as an investment adviser registered under the Advisers Act, KKR Prisma has a further obligation to comply with the provisions of the Advisers Act as well as the other U.S. federal securities laws.

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

Under the Code and firm policy, employees are prohibited from trading in securities of any company while in possession of material, non-public information regarding the company. This prohibition applies to KKR-related securities and the securities of KKR affiliates, as well as other issuers. The Code also includes a personal securities investment and reporting policy. This policy, among other things, significantly restricts an employee’s ability to engage in personal securities transactions and requires employees to disclose all brokerage or securities accounts held in the employee’s name or over which the employee has any direct or indirect beneficial ownership, including accounts over which investment discretion is exercised either directly or indirectly. KKR Prisma employees are subject to specific restrictions relating to investments in private placements, specifically, hedge funds.

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

has adopted policies and procedures intended to mitigate any potential or actual conflicts of interest pertaining to this topic.

The Code restricts employees' ability to conduct activities outside the firm that may conflict with the interests of the KKR Prisma Funds or Accounts, requires preapproval for gifts and entertainment in excess of certain values that may be received and/or provided by employees and restricts employees' ability to make political donations.

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

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

Additionally, KKR has adopted inside information barrier policies and procedures to provide for the proper handling of confidential information (i.e., nonpublic information received or created by KKR in connection with its activities) to prevent violations of laws and regulations prohibiting the misuse of such information and to avoid situations that might create an appearance of such misuse. KKR's Compliance Group is responsible for establishing and administering the information barriers established by KKR.

Participation or Interest in Client Transactions

Principal and Cross Transactions

KKR Prisma typically does not engage in Principal Transactions. In addition, KKR Prisma typically does not engage in Cross Transactions, including rebalancing transactions, on behalf of KKR Prisma Funds or Accounts. However, if KKR Prisma determines that such a transaction is in the best interest of two KKR Prisma FoF Vehicles or Accounts, KKR Prisma may engage in a simultaneous transfer, subject to its best execution obligations and in a manner consistent with the Advisers Act and the rules promulgated thereunder. KKR Prisma may coordinate the redemption of interests in a Portfolio Fund or a special purpose company on behalf of one of more KKR Prisma FoF Vehicles and Accounts and the simultaneous subscription for interests in the same Portfolio Fund or special purpose company by another KKR Prisma FoF Vehicle and Account. These transactions are effected at the current net asset value of the Portfolio Fund and will be done in accordance with all relevant regulatory requirements. KKR Prisma does not consider such activity to constitute cross or principal transactions. However, KKR Prisma has elected to apply its policies regarding Cross Transactions and Principal Transactions to simultaneous transfers.

Allocation of Investments

KKR Prisma advises or manages multiple portfolios that may have substantially similar investment objectives. However, the opportunity to invest in Portfolio Funds may be available on a limited basis. KKR Prisma endeavors to allocate investment opportunities to KKR Prisma FoF Vehicles or Accounts over a period of time on a fair and equitable basis, taking into account such factors as their respective investment programs, available cash for investments, minimum investment size allowed by the Portfolio

Funds and existing investments of each KKR Prisma FoF Vehicles or Account for which participation in such investment opportunity is appropriate. KKR Prisma may give advice or take action with respect to one KKR Prisma FoF Vehicles or Account which may differ from the advice given or action taken with respect to another KKR Prisma FoF Vehicles or Account.

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

Hedged Equity Sub-Advisor Relationships with KKR Prisma FoF Vehicles or Accounts

Sub-Advisors are selected for participation in the Hedged Equity strategy based on KKR Prisma's assessment of the Sub-Advisor's skill and, KKR Prisma's selection of the Sub-Advisor to act as a Portfolio Manager for KKR Prisma FoF Vehicles or Accounts. In most or all cases, KKR Prisma will have allocated or recommended the allocation of KKR Prisma FoF Vehicle or Account assets to Sub-Advisors in their capacity as Portfolio Managers prior to or at the time that the Sub-Advisor is engaged to participate in the Hedged Equity strategy. Sub-Advisors may be motivated to participate in the Hedged Equity strategy and may accept certain compensation terms to act as a Sub-Advisor (which are expected to vary from those of other KKR Prisma FoF Vehicles or Accounts for which the Sub-Advisor acts as a Portfolio Manager) on the basis of their broader relationship with KKR Prisma. A material change to the assets allocated by KKR Prisma to a Sub-Advisor could result in the Sub-Advisor declining to participate in the Hedged Equity strategy and/or seeking to renegotiate the compensation terms of its engagement with respect to the Hedged Equity strategy.

Relationship with KKR and its Affiliates

KKR Prisma Direct Funds and Accounts as well as the Portfolio Funds in which KKR Prisma FoF Vehicles and Accounts invest may pursue a broad range of investment strategies and invest in a broad range of securities and instruments and other assets globally. KKR is a major participant in the global markets and may frequently, or from time to time, be actively engaged in transactions in the same securities and financial instruments in which KKR Prisma Direct Funds and Accounts and Portfolio Funds are invested or in other securities and financial instruments issued by the same issuers in which Portfolio Funds are invested.

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

be controlled by the Portfolio Managers of the Portfolio Funds and will be outside the control of KKR Prisma.

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

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

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

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

Affiliated Brokers (including their respective related lending vehicles) may, from time to time, manage or otherwise participate in underwriting syndicates and/or selling groups with respect to the securities and

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

Limitations on Information Sharing within KKR; Possession of Material Non-Public Information; Other Limitations on Leveraging Firm Wide Resources

KKR and KKR Prisma have adopted information-sharing policies and procedures which address both (i) the handling of confidential information and (ii) the information barrier that exists between the public and private sides of KKR. KKR Prisma and KKR Prisma Funds and Accounts are on the public side of KKR, along with KKR Credit. KKR's private equity, energy and infrastructure and real estate professionals and most Senior Advisors and Industry Advisors are on the private side of KKR, and KKR's broker-dealer professionals may be on the private or public side of KKR depending on their roles. KKR has compliance functions to administer KKR's information-sharing policies and procedures and monitor potential conflicts of interest. KKR's information-sharing policies and procedures referenced above, as well as certain legal, contractual and tax constraints, could limit the ability of a KKR Prisma Fund and Account to pursue its investment strategy. For example, from time to time, KKR's private equity or broker-dealer professionals may be in possession of material non-public information with respect to a KKR Prisma portfolio investment or potential portfolio investment and as a result such professionals will be restricted by KKR's information-sharing policies, or by law or contract, from sharing such information with the KKR Prisma professionals responsible for making investment decisions, even where the disclosure of such information would be in the best interests of the KKR Prisma Funds or Accounts or would otherwise influence the decisions taken by such investment professionals with respect to such investment or potential investment. Accordingly, as a result of such restrictions, the investment activities of KKR's other businesses may differ from, or be inconsistent with, the interests of and activities that are undertaken for the account of KKR Prisma Funds and Accounts and there can be no assurance that KKR Prisma Funds and Accounts will be able to fully leverage all of the available resources and industry expertise of KKR's other businesses. Additionally, there may be circumstances in which one or more individuals associated with KKR will be precluded from providing services to KKR Prisma because of certain confidential information available to those individuals or to other parts of KKR. Information may be shared or "wall crossed" between the public and private sides of KKR pursuant to KKR's information barrier procedures.

The nature of KKR's business and the business of its affiliates, including, without limitation, participation

by KKR personnel in creditors' committees, steering committees or boards of directors of issuers of portfolio investments and potential portfolio investments, results in it receiving material non-public information from time to time with respect to publicly held companies or otherwise becoming an "insider" with respect to such companies. With limited exceptions (as described above), KKR does not establish information barriers between its internal investment teams. Trading by KKR on the basis of such information, or improperly disclosing such information, may be restricted pursuant to applicable law and/or internal policies and procedures adopted by KKR to promote compliance with applicable law. Accordingly, the possession of "inside information" or "insider" status with respect to such an issuer by KKR or a KKR employee may, including where an appropriate information barrier does not exist between the relevant investment professionals or has been "crossed" by such professionals, significantly restrict KKR Prisma's ability to deal in the securities of that issuer on behalf of KKR Prisma Funds and Accounts, which may adversely impact on such KKR Prisma Funds and Accounts, including by preventing the execution of an otherwise advisable purchase or sale transaction in a particular security until such information ceases to be regarded as material non-public information, which could have an adverse effect on the overall performance of such investment. In addition, affiliates of KKR in possession of such information may be prevented from disclosing such information to KKR, even where the disclosure of such information would be in the interests of KKR Prisma and KKR Prisma Funds and Accounts.

Stakes and Seed Business; Investing in Affiliated Funds

As part of the Stakes and Seed Business, an affiliate of KKR will acquire a non-controlling interest in a third-party hedge fund (or other) manager ("**Stakes and Seed Managers**"). Funds or other vehicles sponsored or advised by such managers are referred to herein collectively as "**Stakes and Seed Funds**". For example, affiliates of KKR have acquired a 24.9% interest in each of Nephila Capital Ltd. and BlackGold Capital Management L.P. No Stakes or Seed Fund is an advisory client of KKR. KKR may, however, be deemed to have a financial interest in transactions between any Stakes and Seed Fund, on the one hand, and a KKR Fund or Other Client on the other. Such transactions (which do not involve securities or KKR advisory clients on both sides of the transaction) are neither principal transactions nor agency cross transactions. However, because of a KKR affiliate's financial interest in Stakes and Seed Managers, an affiliate of KKR will receive additional compensation related to such transactions. Generally such additional compensation will not be shared with KKR Prisma Funds or Accounts.

As described above, KKR, directly or indirectly, has ownership interests and revenue shares in, or other affiliations with, Stakes and Seed Managers which manage Stakes and Seed Funds primarily through the purchase of minority ownership interests in the management entities of, and/or the contribution of seed capital to such Stakes and Seed Managers, as applicable. KKR Prisma Funds and Accounts may invest in Stakes and Seed Funds. KKR Prisma Funds and Accounts may also, from time to time, participate in Co-Investment opportunities that are sourced and/or managed by a Stakes and Seed Manager. An investment in, or Co-Investment alongside, a Stakes and Seed Manager, which manages Stakes and Seed Funds, by a KKR Prisma Fund or Account may create conflicts of interest among KKR Prisma and the applicable KKR Prisma Fund or Account, on the one hand, and KKR or its affiliates, on the other hand. For example, KKR's direct or indirect financial interest in Stakes and Seed Managers may potentially incentivize KKR Prisma to allocate assets of KKR Prisma Funds and Accounts to Stakes and Seed Funds and Co-Investments managed by Stakes and Seed Managers. Due to the structure of KKR's ownership interest or revenue share arrangement with respect to Stakes and Seed Managers, an allocation to, or a Co-Investment alongside, a Stakes and Seed Managers would generally benefit KKR, while a withdrawal would generally be detrimental to KKR's ownership interest or revenue share arrangement. In addition, KKR Prisma, on behalf of KKR Prisma Funds and Accounts, may seek to negotiate preferential terms and

conditions in connection with an investment in a Stakes and Seed Fund, which terms and conditions, if granted, may negatively impact the Stakes and Seed Manager, and hence the value of KKR's investment in, or revenue share with respect to, such Stakes and Seed Managers. Further, information-sharing policies adopted by KKR in connection with Stakes and Seed Managers may prohibit the sharing of information between KKR and its affiliates, including KKR Prisma, even where the disclosure of information by KKR would be in the best interests of, or otherwise influence the decisions made by, KKR Prisma. Another example of a potential conflict arises if KKR elects to consent or withhold consent to certain actions taken by a Stakes and Seed Manager, even where such decision may adversely impact investors (potentially including KKR Prisma Funds and Accounts) in the applicable Stakes and Seed Funds.

In connection with the selection and evaluation of potential Stakes and Seed Managers, KKR may, but is not obligated to, draw upon resources from other groups within KKR, including KKR Prisma. The extent and terms of such interaction may be restricted by business, legal and regulatory considerations and the establishment of certain information barriers.

KKR Prisma employs certain measures to mitigate the conflicts of interest arising from investments by KKR Prisma Funds or Accounts in, or co-investments alongside, Stakes and Seed Funds. For example, all investment decisions with respect to KKR Prisma Funds or Accounts investing in Stake and Seed Funds are subject to the scrutiny and approval process of KKR Prisma's Investment Committee, while investments by KKR in Stakes and Seed Managers are separately approved by KKR's Balance Sheet Committee. There is no overlap in personnel between members of these two committees. In certain circumstances, including in connection with provisions of ERISA, where certain KKR Prisma Funds or Accounts considered to be Plan Assets or Benefit Plan Investors are invested in an investment fund that thereafter becomes a Stakes and Seed Fund, KKR may determine to waive or rebate its share of fees or other revenues relating to the investments of a KKR Prisma Fund or Account in a Stakes and Seed Fund. Generally, KKR Prisma Funds or Accounts will only make initial investments in Stakes and Seed Funds following a seasoning period (generally at least six months after KKR, directly or indirectly, acquires its interest in the applicable Stakes and Seed Managers).

KKR Prisma may invest assets of KKR Prisma Funds and Accounts in other KKR Prisma Funds (including KKR Prisma Direct Funds) or other KKR Funds or KKR Credit Funds. KKR Prisma may have an incentive to allocate assets of KKR Prisma Funds and Accounts to other KKR Prisma Funds, KKR Funds, or KKR Credit Funds since KKR Prisma or KKR or one of its affiliates, as applicable, has a direct or indirect financial interest in the success of such funds. All investment decisions and investment allocations are approved by KKR Prisma's Investment Committee. To avoid duplication of fees in connection with allocation of assets of KKR Prisma Funds and Accounts to other KKR Prisma Funds, KKR Funds, and KKR Credit Funds, KKR Prisma will waive fees on the portion of assets of KKR Prisma Funds and Accounts invested in other KKR Prisma Funds or KKR Funds or Other Clients will not be charged fees by such other KKR Prisma Funds or KKR Funds.

To the extent such conflicts arise, the representatives of each of KKR Prisma and KKR will endeavor to resolve these potential conflicts in a fair and equitable manner, subject to legal, regulatory, contractual or other applicable considerations. Investors should be aware that conflicts may not necessarily be resolved in favor of the KKR Prisma Funds' or Accounts' interests.

Allocations of investment opportunities to Stakes and Seed Managers as well as to affiliated entities managed by KKR or its affiliates, may periodically be reported to the KKR Global Conflicts Committee.

Other Conflicts of Interest

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

Side Letters and Other Arrangements

A KKR Prisma Fund, KKR Prisma and/or a KKR Prisma GP may enter into side letters or other similar agreements with particular investors in such KKR Prisma Fund without the approval or vote of any other investor, which would have the effect of establishing rights under, altering or supplementing the terms of such KKR Prisma Fund’s governing documents with respect to such investors in a manner more favorable to such investors than those applicable to other investors. Any rights established or any terms of the governing documents altered or supplemented, in side letters or other similar agreements with investors will govern solely with respect to such investors, notwithstanding any other provisions of the governing documents. Such rights or terms in any such side letters or other similar agreements may include, without limitation: (i) reporting obligations of the applicable KKR Prisma Fund or KKR Prisma GP; (ii) waiver of certain confidentiality obligations; (iii) consent of the applicable KKR Prisma Fund or KKR GP to certain transfers by such investors or (iv) rights or terms necessary in light of particular legal, tax, regulatory or public policy characteristics of an investor.

KKR Prisma and its affiliates may from time to time enter into agreements with investors who are limited partners in a KKR Prisma Fund, which agreements are entered into with such investors other than in their respective capacities as limited partners of such fund. Such agreements do not constitute side letters since they do not establish rights under or alter or supplement the terms of the KKR Prisma Fund’s governing documents and therefore will not be disclosed or offered to other limited partners. Such agreements may include, without limitation, strategic partnerships with investors, arrangements regarding investments with KKR Prisma or an affiliate in one or more investment strategies, which may include Co-Investments alongside the relevant KKR Prisma Fund or other KKR Funds, and similar arrangements established by KKR Prisma and its affiliates with investors other than in their respective capacities as limited partners of the relevant KKR Prisma Fund.

KKR Prisma may enter into strategic partnerships or other multi-strategy or multi-asset class arrangements with investors that commit capital to a range of KKR Prisma’s and KKR’s platform of products, investment ideas and asset classes (including the investment strategy of an existing KKR Prisma Fund). Such arrangements may include KKR Prisma granting certain preferential terms to such investors, including blended fee rates that are lower than those applicable to a KKR Prisma Fund when applied to the entire strategic partnership. Where such investors participate in a KKR Prisma Fund through dedicated investment vehicles or accounts as part of such arrangements, such vehicles and accounts may

be granted terms, including management fees or performance fees, that are more favorable than those applicable to other investors. Where management fees and performance fees are applicable at the level of such vehicles and accounts, such terms may include a waiver of management fees and performance fees on their investment in a KKR Prisma Fund. KKR Prisma may also establish other KKR Prisma Funds in the future that pursue similar investments and strategies to the relevant KKR Prisma Fund and may permit such other KKR Prisma Funds and any other investor to co-invest in investments made by the Fund. The terms applicable to such other KKR Prisma Funds and co-investors, including management fees or performance fees, may be more favorable than those applicable to the relevant KKR Prisma Fund (and may include no fees).

Item 12: Brokerage Practices

Selecting or Recommending Broker-Dealers

With respect to applicable KKR Prisma Funds and Accounts and to the extent required by applicable law, it is KKR Prisma's policy to seek to obtain best execution of trades (if any) in public equity and debt securities and other Marketable Securities traded on behalf of applicable KKR Prisma Funds and Accounts by a selected broker-dealer. In seeking best execution, the determinative factor is not always the lowest possible per security price or commission but whether, in KKR Prisma's view, the transaction represents the best overall qualitative and quantitative execution for the relevant KKR Prisma Funds and Accounts. KKR Prisma's process of determining best execution involves not only an assessment of brokerage commissions or bid/offer spreads, but also an evaluation of broker-dealer ancillary services. KKR Prisma may consider the full range of a broker-dealer's services in assessing best execution, including:

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

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

Sub-Advisors who execute transactions on behalf of KKR Prisma's hedged equity strategy are expected to obtain best execution, in accordance with their internal best execution policies and procedures.

As noted above in Item 10, the Affiliated Brokers do not execute trade transactions on behalf of KKR Prisma Funds or Accounts. In addition, such Affiliated Brokers do not maintain client accounts.

Research and Other Commission Sharing Arrangements

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

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

Item 13: Review of Accounts

KKR Prisma Funds and Accounts are reviewed and monitored with respect to historic and anticipated performance and market developments and compliance with the investment mandate of the relevant KKR Prisma Funds or Accounts on an ongoing basis, both informally and formally through scheduled periodic meetings of the relevant investment professionals and investment committees.

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

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

Direct Investing. With respect to KKR Prisma's Direct Funds and Accounts, the Investment Committee meetings occur on a recurring and ad-hoc basis. The direct investment products and portfolio are typically reviewed on a weekly basis by the relevant KKR Prisma portfolio managers, who are responsible for the day to day risk management and investment oversight of the applicable portfolio. On a quarterly basis, all direct investment products are formally reviewed by the appropriate Investment Committee with input from KKR Prisma's Risk Management team.

Nature of Reporting. The nature and frequency of regular reports to investors in KKR Prisma Funds and Account depends on the terms of the applicable governing documents. Investors in KKR Prisma Funds and Accounts typically are provided with a written monthly report from KKR Prisma reflecting the estimated performance of the portfolio and various portfolio statistics and a monthly statement from the applicable independent administrator showing the net asset value of their investment. KKR Prisma FoF Vehicles (excluding commingled FoF Vehicles) and Accounts generally receive monthly reports setting forth a variety of information including, but not limited to, the composition of the portfolio, the period and year-to-date income of each Portfolio Fund, and the performance attribution by investment strategy or Portfolio Fund.

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

All investments of KKR Prisma are overseen by established Investment Committees. The composition of any Investment Committee may change from time to time.

Item 14: Client Referrals and Other Compensation

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

Such arrangements generally provide for payments to the solicitor based upon a percentage of fees paid to KKR Prisma. Such fees are not paid by KKR Prisma Funds or Accounts. However, these arrangements

present potential conflicts of interest on the part of the solicitor to favor KKR Prisma Funds and Accounts over other investments with respect to which it receives less compensation.

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

Item 15: Custody

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

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

Item 16: Investment Discretion

KKR Prisma, as the sole investment manager of the KKR Prisma FoF Vehicles and Accounts determines the Portfolio Funds (including any Co-Investments) in which to invest or from which to withdraw capital and the allocation of assets to each Portfolio Fund in its sole discretion and in accordance with each KKR Prisma FoF Vehicle's or Account's stated investment objectives, limitations and restrictions and KKR Prisma's internal policies and procedures. To the extent KKR Prisma provides investment advisory or management services to KKR Prisma Funds or Accounts that are subject to ERISA ("**ERISA Clients**"), KKR Prisma will be acting as an ERISA fiduciary to such ERISA Clients. KKR Prisma's fiduciary relationships with ERISA Clients may cause conflicts of interest and independently may affect the actions KKR Prisma is permitted to take with respect to any other KKR Prisma Funds or Accounts in certain situations where an ERISA Client may be negatively affected.

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

For certain KKR Prisma Direct Funds employing the Hedged Equity strategy, KKR Prisma serves as discretionary investment manager but delegates investment authority with respect to portions of the portfolio to a number of Sub-Advisors pursuant to separate sub-investment management agreements. Subject to the terms of the applicable sub-investment management agreement (including the agreed investment parameters) and to the oversight of KKR Prisma, each Sub-Advisor exercises discretion with respect to the portion of the portfolio of such KKR Prisma Direct Funds allocated to it. KKR Prisma retains discretion in such KKR Prisma Direct Funds to manage the portion of such fund's portfolio not allocated to Sub-Advisors and to allocate and reallocate such fund's assets among Sub-Advisors.

For certain KKR Prisma Direct Funds employing a Co-Investment strategy, KKR Prisma, as the sole

investment manager of such KKR Prisma Direct Funds, determines the Co-Investment transactions in which to invest and the allocation of assets to each Co-Investment in its sole discretion and in accordance with each applicable KKR Prisma Direct Fund's stated investment objectives, limitations and restrictions and KKR Prisma's internal policies and procedures. For KKR Prisma Direct Accounts employing a Co-Investment strategy, KKR Prisma may negotiate the level of investment discretion with the client at the outset of the advisory relationship. For certain KKR Prisma Direct Accounts, KKR Prisma may have complete discretionary authority to select the identity and amount of Co-Investment transactions to be bought or sold. For other applicable KKR Prisma Direct Accounts, KKR Prisma's discretion may be limited such that it must be exercised within specific investment parameters and restrictions and, in some circumstances, the investor may have final approval over all or some investment decisions for its KKR Prisma Direct Account. In all cases, however, KKR Prisma exercises its discretion in a manner consistent with the stated investment objectives, limitations and restrictions for the particular KKR Prisma Direct Account and KKR Prisma's internal policies and procedures.

Item 17: Voting Client Securities

KKR Prisma has adopted a Proxy Voting Policy as required by Rule 206(4)-6 under the Advisers Act.

Fund of Fund Investing

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

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

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

Non-routine matters may include, but are not limited to, the approval or renewal of the investment management agreement, the termination or liquidation of the underlying Portfolio Fund, or an increase in fees and expenses. KKR Prisma will decide on non-routine matters on a case-by-case basis, taking into account its Proxy Policies, factors relevant to each proxy and regulatory obligations.

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

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

Direct Investments

In connection with KKR Prisma Direct Funds and Accounts for which KKR Prisma retains proxy voting obligations, KKR Prisma has adopted policies with respect to voting client securities, and has engaged an independent third party proxy voting specialist, Institutional Shareholder Services, Inc. (“ISS”), to assist KKR Prisma in certain proxy votes. The services provided by ISS include in-depth research, global issuer analysis, and voting recommendations as well as vote execution, reporting and recordkeeping with respect to both U.S. and non-U.S. securities. KKR Prisma, however, retains ultimate voting discretion with respect to client securities. It is the general policy of KKR Credit to vote client proxies in the interest of maximizing shareholder value. To that end, KKR Prisma will vote in a way that it believes is consistent with its obligations to the KKR Prisma Direct Fund or Account, and will cause the value of the relevant investment to increase the most or decrease the least. Positions traded by Sub-Advisors for the hedged equity strategy will be voted by KKR Prisma as recommended by the Sub-Advisor.

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

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

Item 18: Financial Information

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

Item 19: Requirements for State-Registered Advisers

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