

Aperio Capital Management, LLC

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This brochure provides information about the qualifications and business practices of Aperio Capital Management, LLC (“**Aperio**”). If you have any questions about the contents of this brochure, please contact Aperio’s Chief Compliance Officer, James DeLuca, at (201) 239-9300 or by email at jdeluca@aperiollc.com.

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“**SEC**”) or by any state securities authority.

Additional information about Aperio is also available on the SEC's website at www.adviserinfo.sec.gov.

Any reference to Aperio Capital Management, LLC as a “registered investment adviser” or being “registered” does not imply a certain level of skill or training.

Item 2: Material Changes

The Chief Compliance Officer for Aperio Capital Management, LLC has changed from Richard Steinberg to James DeLuca.

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Item 4: Advisory Business

Aperio Capital Management, LLC ("**Aperio**") is a New Jersey limited liability company that was formed in April 2012. Aperio is primarily owned by Richard Steinberg and Ronald Weibye (together, the "**Managing Members**"). Aperio acts as investment manager to private funds (the "**Funds**") and a pooled investment vehicle that is controlled by an unaffiliated entity (the "**Account**"). The Funds consist of Aperio RMBS Credit Opportunity Fund, LLC, a Delaware limited liability company (the "**Onshore Fund**"), and Aperio RMBS Credit Opportunity Offshore Fund Ltd., a Cayman Islands exempted company that invests all of its assets through the Onshore Fund (the "**Offshore Fund**"). Unless clearly suggested otherwise, the Funds and the Account are collectively referred to herein as the "**Clients**."

Aperio provides discretionary investment management services to its Clients pursuant to investment guidelines, restrictions and parameters within the relevant governing documents, offering documents and/or investment management agreements.

Aperio does not participate in wrap fee programs.

As of December 31, 2014, Aperio has approximately US\$49.4 million in regulatory assets under management, all of which are managed on a discretionary basis. Aperio does not manage any assets on a non-discretionary basis.

Item 5: Fees and Compensation

Aperio's fees and compensation are described in the advisory contracts it enters into with its Clients.

Management Fees

Aperio receives a management fee from the Onshore Fund equal to 0.5% per quarter of the aggregate value of each capital account (including, when applicable, special situation capital accounts that relate to certain illiquid investments designated by Aperio as special situation investments ("**Special Situation Capital Accounts**"). The management fee is payable quarterly in advance. Once paid, the management fee is non-refundable.

Aperio receives a management fee from the Account equal to 1.5% of the month-end value of each capital account after deduction of applicable costs and expenses (but without the accrual of any performance fee). The management fee accrues monthly and is payable quarterly in advance. The management fee is pro rated for partial periods.

Performance Compensation

Additionally, at the end of each fiscal year (or upon any withdrawal or redemption by a Fund investor), 79 Hudson Street Partners, LLC, an affiliate of Aperio ("**79 Hudson**"), receives a performance-based allocation from the Onshore Fund equal to 20% of the net capital appreciation allocated to each capital account of the Onshore Fund (excluding Special Situation Capital Accounts), subject to a high water mark.

Additionally, at the end of each fiscal year (beginning on June 30, 2015) (or upon any withdrawal by an Account investor), Aperio will receive an annual performance-based fee from the Account equal to 20% of the net profits of each capital account of the Account

(other than capital accounts relating to certain illiquid investments), subject to a high water mark.

Expenses

The Funds will bear all expenses incurred in connection with their investment and trading activities, including, but not limited to, all data and analytic expense (i.e., cash flow generation tools, loan databases, risk management systems, trade and order management systems, financial news and communication instruments and pricing and valuation services), research expense, insurance expenses (if any), brokerage (if any), custody costs and expenses, and direct operating expenses, including legal, accounting, administrative expenses, audit and tax preparation expenses, printing and mailing costs, government fees, costs and expenses related to the periodic filings of Form PF and other regulatory filings by Aperio (if required) and any other operating expenses. The Funds will be responsible for the taxes, if any, imposed on them (as opposed to those imposed on investors in respect of their investments in the Funds). In addition, a Fund may be required to pay certain extraordinary charges incidental to its trading or the cost of any litigation or investigation in which the Fund may become engaged. In addition, Aperio may, in its discretion, impose certain administrative fees to cover the legal, accounting, administrative, brokerage and any other costs and expenses associated with investor withdrawals which will be payable by the withdrawing investor.

The Account will bear the costs incurred in connection with the preparation and execution of certain material contracts, the preparation of its offering memorandum, and legal and printing costs. In addition, the Account will bear the cost of all brokerage (if any) payable on the purchase or sale of investments held for its account, interest on borrowings and fees in respect thereof, fees payable in the Cayman Islands on filings with the Registrar of Exempted Limited Partnerships, the annual registration fee payable in the Cayman Islands, the fees and expenses of its administrator, custodian, auditors and legal advisers, the cost of printing and distributing annual and semi-annual reports and statements and all other operating and administrative expenses.

For more information about the brokerage expenses that may be borne by Clients, see Item 12 “Brokerage Practices” below.

Aperio may also allocate a portion of certain Clients’ capital to money market funds or exchange-traded funds. In addition to the fees and expenses discussed above, Clients will indirectly incur similar fees and expenses if Aperio invests its capital in such money market funds or exchange-traded funds, as they in turn pay similar fees and expenses to their investment managers and other service providers.

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

Aperio and 79 Hudson receive annual performance-based compensation from the Account and the Onshore Fund, respectively, which, in each case, is based on a percentage of the capital appreciation of the relevant Client’s assets.

The terms of the performance-based compensation may differ among the Clients. This may result in a conflict of interest when allocating opportunities among Clients, as Aperio may have an incentive to favor Clients that have higher performance-based compensation. To avoid such a conflict of interest, Aperio will generally follow documented procedures for allocating opportunities among Clients, which will not take into account the performance-based compensation to which such accounts are subject (see Item 12 “Brokerage Practices” below).

As management fees and performance-based compensation will be based directly on Clients' net asset values, Aperio may have a conflict of interest in valuing the assets held in Client accounts. Aperio will follow documented valuation policies and consult with each Client's third-party administrator, as applicable, in order to mitigate this risk.

Item 7: Types of Clients

Aperio provides investment advice to the Clients. Investors in the Funds are generally institutional investors and high net worth individuals that qualify as "accredited investors" (as defined in Rule 501 under the Securities Act of 1933, as amended). Investors in the Account are institutional investors. The minimum initial investment for the Onshore Fund and the Account is generally \$1 million and the minimum initial investment for the Offshore Fund is generally \$100,000.

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

Generally, the investment objective of the Client accounts is to maximize total returns while assuming what Aperio believes are appropriate levels of risk. The Client accounts seek to achieve this objective primarily by opportunistically deploying their capital to invest in publicly-traded and/or privately placed residential mortgage-backed securities ("**RMBS**"), secured by liens on residential real properties with a particular focus on the U.S. mortgage market. However, the Client accounts may invest, at any time or from time to time, in mortgage-backed securities collateralized by commercial real estate, asset-backed securities collateralized by credit card receivables, student loans and various other forms of consumer and commercial debt and related derivatives.

Investment Strategy

The Client accounts will employ a variety of investment techniques and strategies that will generally focus on fixed-income investments and which are designed to extract value opportunistically from the market. In addition, the Client accounts may make direct investments in financial instruments such as interest rate swaps and may enter into various hedging and leverage transactions.

Aperio will utilize a variety of proprietary investment strategies, sometimes with high degrees of explicit and/or implied leverage, without any limitation (in the case of the Funds). The Clients may secure any such indebtedness with a pledge of all or any part of their assets. However, there can be no assurances that Aperio will, in fact, be successful in securing any leverage for the Client accounts. The investment strategies utilized by Aperio may be directional in nature and risks may be concentrated. Aperio may elect to use an array of hedging strategies, and different hedges may be overlaid on the Client accounts at the discretion of Aperio. The Clients do not have any geographic limitations or diversification, concentration, or borrowing limits.

Investments are expected to range from unrated securities to AAA securities and derivatives, but all will likely have some credit, prepayment and/or duration component.

The Client accounts will focus on investments in private-label RMBS, which will generally be secured by first or second liens on single-family (one-to-four-unit) dwellings located in the United States issued by private issuers without the benefit of any guaranty from the Government National Mortgage Association (commonly known as GNMA or Ginnie Mae), the Federal Home Loan Mortgage Corporation (commonly known as FHLMC or Freddie Mac), or the Federal National Mortgage Association (commonly known as FNMA or Fannie Mae). Private label RMBS are generally collateralized by fixed rate mortgages, adjustable rate

mortgages (“**ARM’s**”) and hybrid ARM’s and are segmented by credit tiers including Prime, Alt-A and Subprime. The more common types of RMBS products include Alt-A mortgages, Pay Option ARMS, Subprime Home Equity Loans, ARM RMBSs, and Hybrid ARM RMBS. However, the Clients reserve the right to deviate from or change such investment focus of the Clients in the sole discretion of Aperio at any time or from time to time.

Risk Factors

An investment in a Client account is speculative and involves a high degree of risk. The Clients have substantial limitations on investors’ ability to redeem or transfer their interests or shares, and no secondary market for their interests or shares exists or is expected to develop. The Clients utilize investment techniques, including short selling, the use of leverage and trading in mortgage-backed securities, which involve significant risks. All of these risks, and other important risks, are described in detail in the Clients’ respective confidential private offering memoranda. Prospective investors are strongly urged to review the applicable confidential private offering memorandum.

Although the Funds and the Account generally pursue the same investment strategies, Aperio has agreed to certain investment restrictions and guidelines with respect to the Account that are not applicable to the Funds.

Item 9: Disciplinary Information

Aperio has not been subject to any disciplinary action, whether criminal, civil or administrative (including regulatory) in any jurisdiction. Likewise, no persons involved in the management of Aperio have been subject to such action.

Item 10: Other Financial Industry Activities and Affiliations

Management of Multiple Accounts

The management of multiple investment vehicles may result in conflicts of interests when Aperio or its related persons allocate their time and investment opportunities among Clients. In addition, the compensation earned by Aperio and 79 Hudson from each Client may differ from one another.

The Managing Members (and/or other related persons) may have a greater portion of their personal assets invested in certain Client accounts. As a result, Aperio may have a conflict of interest in allocating investment opportunities among the Clients.

In light of the foregoing, Aperio has documented procedures for allocating opportunities among Clients in a fair and equitable manner (see *Item 6 above*).

Aperio may effect transactions among Client accounts whereby one Client account will purchase securities from or sell securities to another Client account (including accounts in which Aperio or its related persons may have a significant interest). This may result in a conflict of interest because a potential transaction may result in benefits to one Client account that may be greater than the benefits to the other Client account. In order to mitigate such conflicts, Aperio effects such transactions only when it believes that such transactions are in the best interests of each Client involved and only when it obtains all requisite approvals. Such transactions will be effected at the current market price or, in the case of a rebalancing transaction, as of the close of the market on the day of the trade. In addition, no brokerage commission, transfer fee or other additional compensation will be paid to Aperio or its affiliates in connection with any such transaction.

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

Code of Ethics

Aperio has adopted a Code of Ethics (the “**Code of Ethics**”), which is designed to ensure that it conducts its business in accordance with all applicable laws and regulations and in an ethical and professional manner. The Code of Ethics applies to all Aperio employees. In addition, Aperio recognizes that it has a fiduciary duty to its Clients, and that all of its employees will need to conduct their business on Aperio’s behalf in a manner that enables Aperio to fulfill this fiduciary duty. In this regard, Aperio has developed policies and procedures in the Code of Ethics that are premised on fundamental principles of openness, integrity, honesty and trust. Employees are provided with a copy of the Code of Ethics and are required to sign and acknowledge that they will comply with its provisions on an annual basis. Aperio will provide a copy of the Code of Ethics to any Client or prospective Client upon request.

Personal Trading

Under the Code of Ethics, employees are prohibited from trading any non-agency RMBS. In addition, Aperio maintains a Restricted List. Employees are required to obtain the prior written approval of Aperio’s Chief Compliance Officer prior to (i) executing any trades in securities of issuers on such list, (ii) participating in initial public offerings and (iii) limited/private offerings.

Participation and Interest in Client Transactions

Aperio makes available to qualified prospective investors the opportunity to invest in the Client accounts. The Managing Members have significant personal investments in the Fund. In addition, Aperio and its affiliates receive performance-based fees and allocations from the Clients.

Subject to applicable law, Aperio may effect transactions between Client accounts whereby one Client account will purchase securities from or sell securities to another account (see *Item 10 above*).

Item 12: Brokerage Practices

Brokerage

Client portfolio securities are acquired either directly from issuers or other principals, or purchased through brokers on the open market or from an underwriter or market maker for the securities. Notwithstanding the foregoing, Aperio anticipates that Clients may pay commissions to certain brokers for introductions of transactions.

When using brokers, Aperio has a duty to seek best execution. This means that in selecting broker-dealers to execute transactions, Aperio must attempt to ensure that the total cost or proceeds of any transaction is the most favorable under the circumstances. However, Aperio does not need to necessarily solicit competitive bids on each transaction and may not have an obligation to seek the lowest possible cost. In determining best execution, Aperio may take into account the full range and quality of a broker’s services, including special execution capabilities, willingness to execute related or unrelated difficult transactions in the future, order of call, online access to computerized data regarding Client accounts, performance measurement data, consultations, economic and market information,

portfolio strategy advice, industry and company comments, technical data, recommendations, general reports, efficiency of execution and error resolution, custody, record keeping and similar services.

Aperio is authorized to pay higher prices for the purchase of securities from, or accept lower prices for, the sale of securities to brokerage firms that provide it with such investment and research information or to pay higher commissions to such firms if Aperio determines such prices or commissions are reasonable in relation to the overall services provided. Research may include, among other things, proprietary research from brokers, which may be written or oral. Research products may include, among other things, databases and quotation services. Research services may include, among other things, research concerning market, economic and financial data, a particular aspect of economics or on the economy in general, statistical information, pricing data and availability of securities, financial publications, electronic market quotations, performance measurement services, analyses concerning specific securities, companies, industries or sectors, market, economic and financial studies and forecasts, appraisal services, and invitations to attend conferences or meetings with management or industry consultants (but not airfare or accommodations). Research provided by brokers may be used to service all Clients.

Aperio executes securities transactions on behalf of Clients with broker-dealers that provide Aperio with access to proprietary research reports. To Aperio's knowledge, these services are generally made available to all institutional investors doing business with such broker-dealers. These bundled services are made available to Aperio on an unsolicited basis and without regard to the rates of commissions charged or paid by Clients or the volume of business that Aperio directs to such broker-dealers.

On no less than a semi-annual basis, Aperio reviews its relationships with broker-dealers and the effectiveness of its efforts to obtain best execution.

Aperio does not enter into soft dollar arrangements.

Allocation

Aperio may buy or sell securities for one Client account at the same time that Aperio buys or sells the same security for one or more other Client accounts. This will typically happen when more than one Client account is capable of purchasing or selling a particular security based on investment objectives, available cash and other factors. This may create a conflict of interest if one account may benefit from making the trade before or after the other account. It is Aperio's policy to trade the portfolios of all Clients on a *pari passu* basis based on relative capital. However, allocations may be made on a basis other than *pro rata* for a number of reasons, including, but not limited to, a Client's investment guidelines and restrictions, available cash, liquidity requirements, tax or legal reasons, or during "ramp-up" periods. Aperio is not obligated to purchase or sell for each Client every security which Aperio may purchase or sell for other Clients if such a transaction or investment appears unsuitable, impractical or undesirable for a Client; *provided* that Aperio, to the extent within its control, may not favor itself in any way to a Client's detriment and will act in a manner that over the long term is fair and equitable to all of its Clients.

Aggregation

Aperio will generally execute Client transactions on an aggregated or batch basis when it believes that aggregation will benefit the relevant Clients.

Item 13: Review of Accounts

The Managing Members review Client accounts continually for overall adherence with their investment strategies and investment guidelines.

Aperio may, in its discretion, provide Fund investors with monthly performance estimates and quarterly reports. Each Fund investor will receive: (i) annual financial statements of the relevant Fund audited by an independent certified public accounting firm, (ii) copies of such investor's Schedule K-1 (if applicable), and (iii) such other reports as determined by Aperio (or in the case of the Offshore Fund, its board of directors). Investors in the Account will have made available to them quarterly unaudited performance reports and annual audited year-end financial statements.

In addition, the Funds may from time to time enter into letter agreements or arrangements with certain investors that provide such investors with additional and/or different rights (including, without limitation, access to information) than those provided to investors generally.

Item 14: Client Referrals and Other Compensation

Other than the products and services that Aperio receives from broker-dealers, Aperio does not receive any economic benefits from third parties in connection with the provision of investment advice to Clients. Additionally, Aperio does not directly or indirectly compensate any person for investor referrals.

Item 15: Custody

For purposes of Rule 206(4)-2 under the Advisers Act (the "**Custody Rule**"), Aperio is deemed to have custody over the Funds' assets. In accordance with the Custody Rule, a qualified custodian will not be required to deliver quarterly account statements to the Funds or their respective investors as long as Aperio delivers annual audited financial statements to investors within 120 days after the end of each Fund's fiscal year.

Item 16: Investment Discretion

Aperio has discretionary authority to manage securities accounts on behalf of the Clients. Investors generally do not have the ability to place any limits on Aperio's authority beyond the limitations set forth in the governing documents and/or offering documents of the applicable Client.

Item 17: Voting Client Securities

Aperio has established proxy voting policies and procedures (a "**Proxy Voting Policy**") designed to ensure that proxies are voted in the best interest of the Clients.

The Proxy Voting Policy requires Aperio, when voting proxies, to follow procedures designed to identify and address material conflicts that may arise between its interests and those of its Clients. Accordingly, prior to voting any proxy, the CCO will determine whether a material conflict of interest exists and will either resolve the conflict or refer proxy vote to an outside service provider for its independent consideration.

In the absence of a material conflict, Aperio will seek to act solely in the best interests of its Clients. Aperio determines whether and how to vote proxies on a case-by-case basis. In making such determination, Aperio: (i) will attempt to consider all aspects of the vote that

could affect the value of the issuer or that of the relevant Client, (ii) will vote in a manner that it believes is consistent with the relevant Client's stated objectives, (iii) will generally vote in accordance with the recommendation of the issuing company's management on routine and administrative matters, unless Aperio has a particular reason to vote to the contrary, and (iv) may not vote at all to the extent the outcome of the vote or action does not have a material impact on the issuer or value of its securities.

Upon the request by a Client, Aperio will disclose to such Client how it voted securities owned by such Client. Clients may also contact Aperio via e-mail or telephone to request a copy of its Proxy Voting Policy.

Item 18: Financial Information

Not applicable.

Item 19: Regulations for State-Registered Advisers

Not applicable.