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**March 29, 2019**

**This brochure provides information about the qualifications and business practices of Beach Point Capital Management LP. If you have any questions about the contents of this brochure, please contact us at (310) 996-9700 and/or [info@beachpointcapital.com](mailto:info@beachpointcapital.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.**

**Additional information about Beach Point Capital Management LP also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Registration with the SEC does not imply that Beach Point Capital Management LP has a certain level of skill or training.**



**Item 2: Material Changes**

Material changes since the last update on March 30, 2018, include additional disclosures regarding investment strategies and the risk of loss set forth in Item 8, and order aggregation and allocation set forth in Item 12. Prospective and current investors should review the entire brochure carefully.



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### Item 4: Advisory Business

Beach Point Capital Management LP ("Beach Point") commenced operations on January 1, 2009. Beach Point was founded by its Co-Chief Executive Officers / Co-Chief Investment Officers ("CIOs"), Carl Goldsmith and Scott Klein, through a management buyback of the alternative investment business of Post Advisory Group, LLC ("Post"). Mr. Goldsmith and Mr. Klein joined Post as its first and second investment hires in 1994 and 1997, respectively. Mr. Goldsmith and Mr. Klein built and ran Post's multi-billion dollar alternative fixed income business (opportunistic high yield, corporate loans and distressed debt) and served as the long-standing portfolio managers for such business. Beach Point is 100% owned by Mr. Goldsmith and Mr. Klein.

Beach Point serves as the investment adviser to various clients organized as privately offered limited partnerships, limited liability companies and other pooled investment vehicles (the "Funds") and clients that invest through separately managed accounts (the "Managed Accounts"). Beach Point generally has discretionary authority to manage the Funds and Managed Accounts, including the authority to determine which investments are bought and sold and the amounts of such investments that are appropriate for each client. Any limitation on Beach Point's authority is described in a client's governing documents (e.g., investment management agreement, private placement memorandum, articles of association, or partnership agreement).

At times, Managed Accounts and Funds are referred to in this brochure collectively as "accounts." In connection with Managed Accounts, clients establish such accounts with Beach Point by depositing funds or securities into accounts maintained by qualified independent custodians and granting Beach Point discretionary investment authority to invest such funds pursuant to each client's investment objectives, as stated in each client's investment management agreement and other account documentation with Beach Point, including any written instructions provided by the client to Beach Point. The Funds are managed in accordance with investment objectives and guidelines set forth in the governing documents for each Fund.

As of December 31, 2018, Beach Point manages \$11.9 billion in assets on a discretionary basis and \$0 in assets on a non-discretionary basis. The amount of assets under management reported in this brochure differs from the amount of regulatory assets under management reported in Part 1 of our Form ADV. Part 1 of Form ADV requires an adviser to report assets under management without deducting any outstanding indebtedness or other accrued but unpaid liabilities. Beach Point believes that reporting firm assets under management in our brochure without taking into account any outstanding indebtedness or liabilities may appear to overstate our assets under management. Therefore, in this brochure Beach Point has decided to take into account certain indebtedness and unpaid liabilities in calculating and reporting our firm assets under management. The result is that the amount of assets under management reported in this brochure is lower than the amount of regulatory assets under management reported in Part 1 of our Form ADV.

Beach Point specializes in distressed debt, high yield bonds, corporate loans, bank loans, and other credit-related market niches, but has discretion to invest in a wide range of investments on behalf of its clients, including, but not limited to: corporate debt securities; par, stressed and distressed investments; public and private equities; private placements/illiquid securities; direct loans; convertible bonds; municipal bonds, preferred stocks; warrants; private debt; mezzanine debt; commercial paper; municipal securities; United States and foreign government securities; options contracts; futures contracts; interests in partnerships investing in real estate; litigation and similar claims; derivatives; trade claims; lease interests; equipment trust certificates; swaps and futures contracts (including so-called "synthetic" options or similar derivative



instruments written by broker-dealers); interest rate hedges including swaps; secured and unsecured instruments; other collateralized instruments including collateralized loan obligations; equity-related securities; investments in debt and equity of partnerships, limited liability companies and other investment vehicles; interests in hedge funds; securitized products; real-estate related investments, including mortgage-backed securities and mortgages; mezzanine investments; foreign currency futures; single name or basket/index credit default swaps or other swaps (such as CDS, CDX, LCDX, etc.); index contracts (such as S&P 500, Russell 2000, etc.) and credit-linked securities (including credit-linked notes and deposits).

### **Funds**

Beach Point serves as discretionary investment adviser to the open-end Funds and closed-end Funds within the investment strategies described below in Item 8. Generally, open-end Funds offer interests or shares in such Funds on a continuous basis and such interests or shares can be periodically redeemed. Closed-end Funds do not continuously offer interests or shares and such interests or shares are not redeemable. In other words, an investment in a closed-end Fund is committed for the term of the fund.

In addition, Beach Point serves as the investment adviser to Funds which are not currently offered to new investors. Typically, these Funds are structured as a limited partnership or limited liability company managed by Beach Point with one or only a limited number of investors as the limited partner(s) or non-managing member(s) (the “Single Client Funds”).

### **Fund Structure**

Generally, the open-end Funds are organized into stand-alone or master-feeder structures. A master-feeder fund structure is commonly used to accumulate capital raised from both U.S. taxable, U.S. tax-exempt and non-U.S. investors into one central vehicle - the master fund - in order to enhance the critical mass of tradable assets, improve the economies of scale under which the fund arrangements operate and enhance operational efficiencies.

The Beach Point master-feeder fund structure typically involves the use of a master fund organized as a Cayman Islands limited partnership into which separate feeder funds invest. U.S. taxable investors invest in a U.S. limited partnership feeder fund (the “domestic feeder funds”). Non-U.S. and U.S. tax-exempt investors typically subscribe via a separate offshore feeder company (the “offshore feeder funds”). The feeder funds, in turn, generally invest (directly or indirectly) all or substantially all of their assets in the master fund.

Beach Point also manages closed-end Funds. The closed-end Funds are not organized into a master-feeder structure.

The domestic stand-alone funds, domestic feeder funds and domestic closed-end Funds are structured as limited partnerships that are organized under the laws of California or Delaware (collectively, the “Domestic Funds”). A related person of Beach Point, Beach Point Advisors LLC, serves as the general partner (the “General Partner”) of the Domestic Funds (other than one of the domestic closed-end Funds) and offshore closed-end Funds. A related person of Beach Point, BPC Opportunities Fund GP LP, serves as the general partner of one of the domestic closed-end Funds (the “BPC General Partner”). The interests in the Domestic Funds are offered on a private placement basis to persons who are “accredited investors” as defined in Rule 501(a) of Regulation D under the Securities Act of 1933, as amended (the “Securities Act”), and subject to certain other conditions which are set forth in the offering documents for the Domestic Funds.



The Domestic Funds are not registered as investment companies pursuant to exemptions from the definition of “investment company” set forth in Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act of 1940, as amended (the “Company Act”).

The offshore stand-alone funds, offshore feeder funds and offshore closed-end Funds are organized under the laws of the Cayman Islands (collectively, the “Offshore Funds”). Shares or interests in the Offshore Funds are offered on a private placement basis to persons who are not “U.S. Persons,” as defined in Rule 902(k) of Regulation S under the Securities Act and to certain qualifying U.S. tax-exempt entities, and subject to certain other conditions which are fully set forth in the offering documents for the Offshore Funds.

### **Managed Accounts**

Beach Point also serves as discretionary investment adviser to certain Managed Accounts with authority to supervise and direct investments, subject to the investment management agreement (or other documentation) for each Managed Account.

### **Item 5: Fees and Compensation**

#### **A. Compensation for Advisory Services**

The description below of Beach Point’s fees and compensation is intended to provide a summary of the more typical fee structures shared by certain types of Funds and Managed Accounts and is not intended to describe every fee arrangement to which Beach Point is a party. Beach Point believes that its fees are competitive with those fees charged by other investment advisers for comparable services; however, comparable services may be available from other sources for lower fees. Please refer to a Fund’s or Managed Account’s governing documents for specific details.

At times, Beach Point at its discretion, will agree to reduce, waive, rebate, modify or otherwise calculate differently all or a portion of the fees as to any given Fund investor or Managed Account client within the same or similar strategy as a Fund, or will agree with an investor or client to other changes in the fees respecting such investor or client, including with respect to both management fees and performance-based compensation.

Beach Point and/or its personnel (including certain family members of such personnel) invest in one or more of the Funds. Beach Point and/or its personnel are not subject to management fees or performance-based compensation with respect to their investments in the Funds. All investors, including Beach Point and/or its personnel, pay expenses incurred by the Funds.

Managed Account clients and Fund investors should be aware that the existence of performance-based compensation (including, in the case of the closed-end Funds, carried interest) may create an incentive for Beach Point to make investments that are riskier or more speculative than would otherwise be made in the absence of such performance-based compensation or, in the case of the closed-end Funds, to make determinations regarding the timing and structure of realization transactions that may not be consistent (or that are adverse) with the interests of closed-end Fund investors. Beach Point addresses this conflict by focusing on long-term relationships with its clients and Fund investors and managing client portfolios in accordance with the governing documents of Managed Accounts and Funds.



In addition, performance-based compensation creates a potential conflict of interest for Beach Point in valuing investments that are not readily marketable or are difficult to value. Beach Point addresses this conflict by adhering to its valuation policies and using third-party pricing sources for investments above a de minimis threshold, subject to limited exceptions.

### **Managed Accounts**

Beach Point's fees for Managed Accounts and Single Client Funds are determined on a negotiated basis based on various parameters including the scope of management involved, the size of the account, and the particular investment objectives and needs of each client. Management fees are typically billed on a quarterly basis and paid in arrears. However, other arrangements may be negotiated with individual Managed Account and Single Client Fund clients. In addition, with respect to Managed Accounts and Single Client Funds in certain strategies, Beach Point will enter into arrangements to receive performance-based compensation (typically subject to a priority return or hurdle rate), on terms reflected in the investment management agreements or other governing documents; provided that any such arrangements are consistent with the requirements of Section 205 of the Investment Advisers Act of 1940, as amended (the "Advisers Act"), and Rule 205-3 thereunder. Section 205 and Rule 205-3 allow an investment adviser to charge a performance-based fee only to clients that meet certain criteria.

### **Funds**

#### **Management Fees**

As consideration for investment advisory services provided to the Funds, Beach Point (or an affiliate) generally receives management fees on a monthly or quarterly basis based on annual fee rates, the amount of which varies depending upon the relevant Fund, and which is set forth within the terms of the relevant governing document, offering document, investment management agreement or sub-advisory agreement of such Fund.

For Beach Point's open-end Funds, the management fee is generally based on the net asset value and investment strategy of the relevant Fund. Open-end Funds typically pay management fees ranging from 0.50% to 1.50% of the net asset value of the relevant Fund per year, paid monthly or quarterly.

In the case of Beach Point's closed-end Funds, management fees during the investment period of such Funds are calculated as a fixed percentage, typically 1.75% per year, based on either (i) total contributed capital or (ii) total invested capital. During the liquidation period of the closed-end Funds, the management fee generally remains the same fixed percentage, applied against remaining invested capital (or the lesser of contributed capital or invested capital) during the liquidation period.

#### **Performance Fees**

Beach Point (or an affiliate) has the potential to earn performance-based compensation in the form of performance fees or profit/incentive allocations from the open-end Funds and carried interest from the closed-end Funds. The amount of such performance-based compensation and the calculation and timing of payment of such compensation are set forth in the governing documents of such Fund. Any performance-based compensation will be charged in accordance with Section 205 of the Advisers Act and Rule 205-3 thereunder. Section 205 and Rule 205-3 permit an investment adviser to charge a performance-based fee only in certain circumstances.



### **Open-End Funds**

With respect to certain open-end Funds, Beach Point (or an affiliate) generally receives annual performance-based compensation which typically ranges from 15% to 20% of the year's net profit (which includes net changes in unrealized appreciation of investments and realized gains and income) allocated to each Subaccount (as defined below) maintained for each Fund investor for such calendar year in excess of any previously unrecovered losses (proportionately reduced by withdrawals). In other words, Beach Point (or an affiliate) is entitled to annual performance-based compensation on a "high water mark" basis. A high-water mark refers to the highest historical net asset value attributable to an investor's account. For Funds that have a high-water mark, this means that Beach Point does not earn annual performance-based compensation with respect to an investor in such Fund if such investor's year-end net asset value is lower than any prior year's net asset value, excluding any contributions or redemptions.

The annual performance-based compensation is calculated as of the close of each calendar year and at such other times as provided for in the Fund's governing documents, including any date on which a Fund investor withdraws all or a portion of its investment in the Fund. For purposes of determining the performance-based compensation, the Fund generally maintains a separate capital subaccount (a "Subaccount") for each capital contribution made by a Fund investor, and the annual performance-based compensation is calculated separately with respect to each Subaccount. Additionally, the computations required to be made for purposes of computing the annual performance-based compensation are adjusted by Beach Point (or an affiliate) to reflect appropriately the different times at which Fund investors contribute capital to or withdraw capital from the Fund and the net asset value of the Fund at such times.

### **Closed-End Funds**

Generally for closed-end Funds, Beach Point (or an affiliate) is entitled to receive up to 20% of the realized profits of a Fund's aggregate investments after such Fund first distributes all contributed capital from the inception of the Fund plus an annual preferred return, typically 8%, to its investors. As a result, Beach Point (or an affiliate) generally receives a profit or incentive allocation from a closed-end Fund, if any, in the latter part of a Fund's term, although earlier in such Fund's term Beach Point (or an affiliate) may receive tax distributions to cover its allocable share of income taxes.

## **B. Payment of Fees**

### **Management Fees**

For Managed Accounts, clients are generally billed directly for management fees. For Funds, the management fees are typically paid to Beach Point from the assets of the Fund.

### **Performance-Based Compensation**

For Managed Accounts, performance-based compensation, if any, is generally billed directly to the client. For Funds, performance-based compensation is allocated or paid to Beach Point (or an affiliate) from the assets of the Fund.

### **Timing**

Generally, management fees for Managed Accounts are billed quarterly. To the extent that a Managed Account is in existence less than a full calendar quarter, the management fee will be pro-rated. For Funds, management fees are charged either quarterly or monthly.





Performance-based compensation is charged or allocated annually and following a withdrawal or redemption from a Fund or Managed Account.

**C. Other Types of Fees and Expenses**

The governing documents for each Fund and Managed Account enumerate expenses which will be borne by such Fund and Managed Account, which may include, but are not limited to:

- i. investment-related expenses (e.g., brokerage commissions, interest and borrowing costs, initial and variation margin, transaction-related costs, restructuring costs, securitization costs, hedging costs, underwriting costs, advisory costs, research and consulting service costs and other professionals (including legal and accounting), related travel expenses and other fees relating to investments or contemplated investments);
- ii. legal, tax, compliance and regulatory expenses;
- iii. accounting expenses, audit and tax preparation costs and expenses;
- iv. regulatory and filing fees;
- v. fees and expenses relating to independent director services;
- vi. organizational expenses;
- vii. rating agency fees and expenses;
- viii. fees and expenses for valuation services;
- ix. fees to the administrator;
- x. fees to a third-party provider of middle- or back-office services;
- xi. custodial and bank service fees;
- xii. fees related to indemnification obligations;
- xiii. insurance costs;
- xiv. expenses incurred in connection with winding up or liquidation;
- xv. expenses incurred to comply with any law or regulation;
- xvi. costs associated with investor meetings and other governance activities; and,
- xvii. extraordinary expenses and other similar expenses related to such Funds and Managed Accounts.



In addition to the expenses described above, Beach Point (or an affiliate) may receive transaction fees, investment banking fees, origination fees, commitment fees, financial consulting fees, closing fees, break-up fees, advisory fees, monitoring fees, directors' fees and other similar fees ("Deal Fees") in connection with services provided to the closed-end Funds. Such Deal Fees will reduce the management fee otherwise payable to Beach Point.

### **Item 6: Performance-Based Compensation and Side-by-Side Management**

As more fully described above in Item 5, all Beach Point clients pay an asset-based management fee and certain Beach Point clients also pay performance-based compensation.

Managing client accounts that pay both an asset-based management fee and performance-based compensation and client accounts that pay only an asset-based management fee creates certain conflicts of interest for Beach Point. Beach Point and its supervised persons have an incentive to allocate the best investment ideas to those Funds and Managed Accounts that pay performance-based compensation and thus favor them over those Funds and Managed Accounts that pay only an asset-based management fee. In order to address this conflict, Beach Point has implemented an allocation policy to help ensure investment opportunities are allocated among client accounts in a fair and equitable manner over time. The allocation policy does not permit Beach Point to give preference to client accounts based on type or amount of fees or any other criteria other than those outlined in the policy.

In accordance with the Beach Point's fiduciary duty owed to its clients, the overall objective of Beach Point's allocation policy is to ensure that all clients are allocated trades fairly and equitably over time. Beach Point does not allocate trades based on a client's fee structure, including whether the client pays a performance based fee, and does not otherwise allocate trades to benefit itself or its officers or employees. Beach Point's practice is to allocate trades pro rata (typically based on the net asset value of each account or the target position size or size of the existing position) among accounts within the same strategy. Notwithstanding the foregoing, but subject to Beach Point's fiduciary duty to treat all clients fairly and equitably over time, certain allocations will deviate from a pro rata allocation among accounts due to certain circumstances and factors, including, without limitation: investment guidelines (e.g., prohibitions, restrictions or limits with respect to - type of investment, quality of the investment, industry, issuer, issue, short positions, derivatives, foreign investments, non-USD denominated investments, and private investments); size of the portfolio; diversification of assets within the portfolio; target weight; cash considerations (e.g., available cash and/or current or future cash contribution or redemption activity); tax, regulatory (including, ERISA), securities laws and / or other legal considerations; market convention considerations (e.g., bonds typically have a minimum denomination requirement); fees associated with an investment; a client's risk tolerance; the liquidity of the investment and/or portfolio; applicable transfer or assignment provisions or other contractual or legal obligations; the investment focus of an account; an account's operational limitations (e.g., inability to short or trade in OTC derivatives); an account's benchmark; and other factors that Beach Point considers important in connection with an investment.

### **Item 7: Types of Clients**

As described above in Items 4 and 5, Beach Point serves as investment adviser to the Funds and Managed Accounts. Managed Account clients and investors in the Funds may include, but are not limited to, state and local government pension plans, foreign funds, foreign governmental entities, foreign pension



schemes, individuals, companies, insurance companies, private pension plans, corporate plans, endowments, trusts, foundations, charitable organizations and other investment funds.

### **Managed Accounts**

Beach Point generally requires a minimum investment of \$100 million to open a Managed Account. This minimum may be reduced or waived by Beach Point in its sole discretion.

### **Funds**

With respect to Funds, minimum investments are generally set forth in each Fund's governing documents; however, the general partner or the Board of Directors of a Fund, as the case may be, may reduce or waive the minimum investment amount in its sole discretion (subject to certain minimum subscription requirements under Cayman Islands law in the case of certain offshore funds).

### **Closed-End Funds**

The minimum capital commitment for an investor in the closed-end Funds is \$10 million; however, the general partner may reduce or waive the minimum investment amount in its sole discretion.

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

Fund investors should refer to a Fund's offering documents for a more detailed description of the methods of analysis employed by Beach Point, a Fund's investment strategy and the risk of loss associated with an investment in a Fund.

Each Managed Account's investment strategy and the risk of loss associated with such account are described in the investment management agreement and/or governing documents for such account.

### **Methods of Analysis – Research Process**

Beach Point employs both fundamental and technical analysis in its research process. Key elements of Beach Point's investment process include: (i) value identification of companies, utilizing both internal research and proprietary tools, as well as external sources, to provide deal flow; (ii) a detailed analysis and due diligence process that includes structural review of an issuer's capital structure, exhaustive review of the applicable indenture covenants, asset coverage and liquidation valuation and bankruptcy analysis; (iii) a relative-value decision-making process that evaluates how each particular investment relates to comparable investments available or currently in a client's portfolio; and (iv) vigilant monitoring that continues the due diligence process after an investment is entered into the client's portfolio.

### **Investment Strategies**

Within each of the investment strategies described below, Beach Point typically provides two options through which investors can gain access – commingled Funds (generally for clients investing at least \$5,000,000 but less than \$100,000,000) and Single Client Funds or Managed Accounts (typically reserved for clients with assets under management at Beach Point equal to or exceeding \$100,000,000). Beach Point's longstanding expertise in managing client assets in Managed Accounts and Single Client Funds allows Beach Point to provide such clients with a bespoke portfolio designed to give the client exposure to



one of the Beach Point's investment strategies while also addressing specific sensitivities, limitations and/or restrictions to which such client may be subject.

### **High Yield (Loans and Bonds)**

- Funds and Managed Accounts in this strategy invest primarily in corporate loans and high yield bonds. The strategy seeks upside opportunity from a combination of current income and capital appreciation and seeks protection from inflation by virtue of the floating rate nature of most corporate loans. The strategy also seeks to generate attractive levels of current income by investing in high-yield bonds. The strategy is generally expected to favor investments in securities that are collateralized, or relatively senior in the capital structure to attempt to protect against downside risks.
- The investment focus of one of the Funds in this strategy is on income generating investments with attractive yields, including high yield bonds, residential mortgage-backed securities, commercial mortgage-backed securities, asset-backed securities, municipal bonds, collateralized loan obligations, convertible debt and senior bank debt.

### **Opportunistic Credit**

Funds and Managed Accounts in this strategy typically have broad flexibility to capture investment opportunities across the universe of below investment grade credit. The strategy employs a flexible, value-oriented approach with investments up and down the capital structure. Investment ideas are sought among both long and short positions in various investments including high yield bonds, corporate loans, stressed and distressed debt, special situation investments, credit-related opportunities, undervalued and event-driven equities, and a variety of other securities and instruments. The strategy also makes selective investments in convertible notes and capital structure arbitrage opportunities.

### **Distressed**

Funds and Managed Accounts in this strategy invest primarily in middle-market credit opportunities, special situations investments, private debt, and distressed debt, focusing on: (i) companies that lack access to capital; (ii) companies in dislocation or under stress; and (iii) companies close to or experiencing financial distress, bankruptcy or restructuring. The objective is to make investments where downside risk is limited by underlying asset value, collateral protection and/or structural seniority, and where there is substantial total return potential.

### **Securitized Credit**

Funds and Managed Accounts in this strategy invest primarily in a variety of securitized products, mortgage loans, commercial mortgages, Property Assessed Clean Energy (PACE), asset-backed securities, collateralized loan obligations, and credit instruments, complemented by other investments. The strategy attempts to generate risk-adjusted returns by seeking out structural inefficiencies in mortgage and related credit market opportunities where a discernible competitive advantage can be identified through fundamental research.



### **Special Situations**

Currently, the Fund in this strategy employs a flexible, multi-strategy investment approach. The Fund invests primarily in high-yield securities and other credit-related opportunities, distressed and special situation investments, undervalued and event-driven equities and a variety of other securities and instruments. The Fund takes both long and short positions. The Fund is expected to hold fewer and more concentrated positions than other Funds managed by Beach Point.

### **Risk of Loss**

Beach Point does not guarantee the future performance of any Managed Account or Fund, the success of any investment decision or strategy that Beach Point employs or the success of Beach Point's overall management of any Managed Account or Fund. Any investment in a Managed Account or Fund involves significant risk, including the risk of loss of all or substantially all capital invested. Clients and Fund investors should be prepared to bear the loss of the entire amount of their investment.

As described above in Item 4 and this Item 8, Beach Point manages several investment strategies and invests in a wide range of investments on behalf of its clients. The risks associated with an investment in a Fund are more fully described in the offering documents for such Fund and an investor must carefully review such offering documents prior to making an investment in a Fund. In addition, Managed Accounts and Single Client Funds are offered only to large, sophisticated institutional clients. Managed Account clients and Single Client Fund investors generally have their own investment staff and/or investment consultants that understand the risks involved in an investment strategy and are in a position to customize their investment guidelines accordingly.

What follows below is a brief discussion of some, but not all, of the risk factors that should be carefully evaluated before investing in a Fund or Managed Account.

### **General Risks Associated with Debt Instruments and Fixed-Income Securities**

A Fund's or Managed Account's portfolio typically includes debt instruments and fixed-income securities. The value of such instruments and securities changes in response to fluctuations in interest rates and in the perceived credit risk associated with a particular instrument/security and its issuer. When interest rates decline, the value of fixed-rate debt instruments generally can be expected to rise. Conversely, when interest rates rise, the value of fixed-rate debt instruments generally can be expected to decline. In addition, to the extent that the receivables or loans underlying specific securities are prepayable without penalty or premium, the value of such securities may be negatively affected by increasing prepayments, which generally occur when interest rates decline. Also, fixed-income and debt obligations are subject to the risk of an issuer's inability to meet principal and interest payments on the obligation.

### **High Yield Investments**

The Funds and Managed Accounts typically invest significantly in high-yield or non-investment grade securities and instruments. Such investments generally trade in the over-the-counter marketplace, which is less transparent and less liquid than the exchange-traded marketplace. In addition, the Funds and Managed Accounts invest in the debt of companies that do not have publicly traded equity securities, making it more difficult to determine or to hedge the risks associated with such investments. The Funds and Managed Accounts generally have no minimum credit standard for investments in any asset, and as a



result, a Fund or Managed Account typically invests a significant portion of its assets in below investment grade obligations. Non-investment grade securities face ongoing uncertainties and exposure to adverse business, financial or economic conditions which 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 (often referred to as junk bonds) 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. Companies that issue such securities are often highly leveraged and may not have available to them more traditional sources of financing. It is possible that an economic downturn could adversely affect the ability of the issuers of such securities to pay interest or repay principal on such securities, which would likely have an adverse impact on their value.

### **Corporate Loans**

A Fund's or Managed Account's investment program will generally (or primarily in the case of the certain loan-focused investment products) include investments in corporate loans and commitments to purchase loans. These obligations are subject to unique risks, including, but not limited to: (i) limitations on the ability of a Fund or Managed Account to directly enforce its rights with respect to loan investments entered into through participations; (ii) counterparty risk due to extended settlement periods or in connection with participations; (iii) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors' rights laws; (iv) so-called lender-liability claims by the issuer of the obligations; and (v) environmental liabilities that may arise with respect to collateral securing the obligations. Any claims brought by third parties arising from these and other risks will be borne by a Fund or Managed Account.

Most corporate loans are floating rate loans. Floating-rate loans generally are less sensitive to interest rate changes than fixed-rate debt instruments. However, the market value of floating-rate loans may decline when prevailing interest rates rise if their interest rates do not rise as much, or as quickly, as interest rates in general. Conversely, floating-rate loans will not generally increase in market value if interest rates decline. However, when interest rates fall, there will be a reduction in the payments of interest received by a Fund or Managed Account.

### **Second-Lien and Unsecured Loans**

In addition to the special risks generally associated with investments in corporate loans described above, investments in second-lien and unsecured loans entail additional risks, including, but not limited to (i) the subordination of the client's claims to a senior lien in terms of the coverage and recovery from the collateral; and (ii) with respect to second-lien loans, the prohibition of or limitation on the right to foreclose on a second-lien or exercise other rights as a second-lien holder, and with respect to unsecured loans, the absence of any collateral on which the Fund or Managed Account may foreclose to satisfy its claim in whole or in part. In certain cases, therefore, no recovery may be available from a defaulted second-lien loan held by a Fund or Managed Account.

### **Purchases of Securities and other Obligations of Financially Distressed Companies**

A Fund or Managed Account may invest in obligations of issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems, including companies involved in bankruptcy or other reorganization and liquidation proceedings. These obligations may be 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, re-characterize debt as equity or disenfranchise particular claims. 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 the value of the assets collateralizing such investments will be sufficient or that prospects for a successful reorganization or similar action will become available. In any reorganization or liquidation proceeding relating to a company in which a Fund or Managed Account invests, the Fund or Managed Account may lose its entire investment, may be required to accept cash or securities with a value less than its original investment and/or may be required to accept payment over an extended period of time. Under such circumstances, the returns generated from the investments may not compensate an investor adequately for the risks assumed.

### **Non-Performing Investments**

A Fund or Managed Account may purchase debt instruments that are non-performing and in default. These types of investments may be speculative and there can be no assurance as to the amount and timing of payments, if any, with respect to such investments.

### **Illiquid Portfolio Instruments**

A Fund or Managed Account typically invests in certain instruments (including, without limitation, in equity or debt of private issuers, "hard" assets or illiquid financial instruments) that do not freely trade or that trade infrequently with no broker-dealer making a market in such instruments. A Fund or Managed Account may not be able to readily dispose of such instruments and, in some cases, may be contractually or legally prohibited from disposing of such investments for a specified period of time. In addition, investments that Beach Point reasonably expected to be relatively liquid at the time of acquisition may subsequently become thinly traded or otherwise illiquid. Investor redemptions funded out of the liquid portion of a Fund's or Managed Account's assets may result in the illiquid portion becoming an increasingly greater percentage of a Fund's or Managed Account's portfolio. A Fund or Managed Account may not be able to liquidate those investments if the need should arise, and its ability to realize gains, or to avoid losses in periods of rapid market activity, may, therefore, be impaired. The value assigned to such securities for purposes of determining profits and losses may differ from the value the Fund or Managed Account is ultimately able to realize.

### **Equity Securities**

Certain Funds and Managed Accounts invest in equity and equity-related securities of U.S. and non-U.S. companies. Equity securities fluctuate in value in response to many factors, including the activities, results of operations and financial condition of individual companies, the business market in which individual companies compete, industry market conditions, interest rates and general economic environments. As a result, equity securities may be risky investments.





### **Structured Credit Products**

Certain Funds and Managed Accounts invest in structured credit products (e.g., residential mortgage-backed securities, commercial mortgage-backed securities, mortgage-backed securities, asset-backed securities, and collateralized debt and loan obligations). Investing in structured credit securities may entail a variety of unique risks. The performance of a structured credit security will be affected by a variety of factors, including its priority in the capital structure of the issuer thereof, the availability of any credit enhancement, the level and timing of payments and recoveries on and the characteristics of the underlying receivables, loans or other assets that are being securitized, remoteness of those assets from the originator or transferor, the adequacy of and ability to realize upon any related collateral and the capability of the servicer of the securitized assets. Additionally, such securities may be subject to legal or contractual restrictions on their resale or for which there is a relatively inactive trading market. Securities subject to resale restrictions may sell at a price lower than similar securities that are not subject to such restrictions.

### **Real Estate-Related Investment Risk**

Certain Funds and Managed Accounts will likely hold certain real estate related investments. The securities of issuers that own, construct, manage or sell residential, commercial or industrial real estate are subject to all of the risks associated with the direct ownership of real estate. These risks include: declines in the value of real estate, adverse changes in the climate for real estate, risks related to general and local economic conditions, over-building and increased competition, increases in property taxes and operating expenses, changes in zoning laws, casualty or condemnation losses, limitations on rents, changes in neighborhood values, the appeal of properties to tenants, leveraging of interests in real estate, increases in prevailing interest rates, lack of availability of financing, costs resulting from clean-up of environmental problems or liability to third parties for damages arising from environmental problems, and natural disasters, acts of war and terrorist attacks.

### **Bankruptcy Claims**

Certain Funds and Managed Accounts invest in bankruptcy claims which are amounts owed to creditors of companies in financial difficulty. Bankruptcy claims are illiquid and generally do not pay interest and there can be no guarantee that the debtor will ever satisfy the obligation on the bankruptcy claim. The markets in bankruptcy claims are not generally regulated by U.S. federal securities laws, the SEC, or any non-U.S. securities regulator. Because bankruptcy claims are frequently unsecured, holders of such claims generally have a lower priority in terms of payment than certain other creditors in a bankruptcy proceeding. In addition, under certain circumstances, payments and distributions may be reclaimed if any such payment is later determined to have been a fraudulent conveyance or a preferential payment.

### **Bankruptcy Cases**

Certain Funds and Managed Accounts will likely have an investment in a company undergoing a bankruptcy proceeding. Many of the events within a bankruptcy case are adversarial and may be beyond the control of the creditors. While creditors generally are afforded an opportunity to object to significant actions, there can be no assurance that a bankruptcy court would not approve actions which may be contrary to the interests of a Fund or Managed Account. Generally, the duration of a bankruptcy case can only be roughly estimated. The reorganization of a company usually involves the development and negotiation of a plan of reorganization, plan approval by creditors and confirmation by the bankruptcy court. This process can





involve substantial legal, professional and administrative costs to the company and a Fund or Managed Account; it is subject to unpredictable and lengthy delays and during the process the company's competitive position may erode, key management may depart and the company may not be able to invest adequately. In some cases, the company may not be able to reorganize and may be required to liquidate assets. The debt of companies in financial reorganization will, in most cases, not pay current interest, may not accrue interest during the reorganization and may be adversely affected by an erosion of the issuer's fundamental values. Such investments can result in a total loss of principal.

Certain Funds and Managed Accounts invest in companies based outside of the United States. Investment in the debt of financially distressed companies domiciled outside the United States involves additional risks. Bankruptcy law and process may differ substantially from that in the United States, resulting in greater uncertainty as to the rights of creditors, the enforceability of such rights, reorganization timing and the classification, seniority and treatment of claims. In certain developing countries, although bankruptcy laws have been enacted, the process for reorganization remains highly uncertain.

### **Counterparty Risk**

The institutions, including brokerage firms and banks with which a Fund or Managed Account directly or indirectly does business (including swap counterparties), or to which its securities are entrusted for custodial and prime brokerage purposes, may encounter financial difficulties, fail or otherwise become unable to meet their obligations. In addition, these financial institutions may become subject to legal, regulatory, reputational and other unforeseen risks that could have a material adverse effect on the activities and operations of a Fund or Managed Account.

### **Interest Rate Risk**

A Fund's or Managed Account's investments are subject to interest rate risks; changes in the prevailing market interest rates could negatively affect the value of the investments. The ability of companies or businesses in which a Fund or Managed Account may invest to refinance debt instruments or repay debt obligations (including making payments to a Fund or Managed Account as a creditor with respect thereto) may depend on their ability to obtain financing, including by selling new securities or instruments in the high yield debt or bank financing markets, which at certain points over the last several years have been extraordinarily difficult to access at favorable rates. Volatility and instability in the securities market may also increase the risks inherent in a Fund's and Managed Account's investments. Interest rate changes may affect the value of a debt instrument indirectly (especially in the case of fixed rate securities) and directly (especially in the case of instruments whose rates are adjustable). In general, rising interest rates will negatively impact the price of a fixed rate credit instrument and falling interest rates will have a positive effect on price. Adjustable rate instruments also react to interest rate changes in a similar manner, although generally to a lesser degree. Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules. While interest rates are currently expected to remain at favorable rates in the near term, there is a consensus that the U.S. Federal Reserve will at some point in the future tighten the monetary supply and increase benchmark interest rates, which may have a negative impact on the price of debt instruments globally and could adversely affect the value of a Fund's or Managed Account's investments. Additional factors that may affect market interest rates include inflation, slow or stagnant economic growth or recession, unemployment, international disorders and instability in domestic and foreign financial markets. A Fund or Managed Account expects that it will periodically experience imbalances in its assets and liabilities as a result of changes in interest rates. In a



changing interest rate environment, a Fund or Managed Account may not be able to manage this risk effectively. If a Fund or Managed Account is unable to manage interest rate risk effectively, its performance could be adversely affected.

### **Participation Interests**

Certain Funds and Managed Accounts purchase participation interests in debt instruments which do not entitle the holder thereof to direct rights against the obligor. Participations held by a Fund or Managed Account in a selling institution's portion of a debt instrument typically result in a contractual relationship only with such selling institution, not with the obligor. The Fund or Managed Account has the right to receive payments of principal, interest and any fees to which it is entitled only from the selling institution selling the participation and only upon receipt by such selling institution of such payments from the obligor. In connection with purchasing participations, a Fund or Managed Account generally will have no right to enforce compliance by the obligor with the terms of the related loan agreement, nor any rights of set-off against the obligor and a Fund or Managed Account may not directly benefit from the collateral supporting the debt instrument in which it has purchased the participation. As a result, a Fund or Managed Account will assume the credit risk of both the obligor and the selling institution selling the participation. In the event of the insolvency of such selling institution, a Fund or Managed Account may be treated as a general creditor of such selling institution, and may not benefit from any set-off between such selling institution and the obligor. Recent, well-publicized weaknesses in certain financial institutions may be indicative of increased counter-party risk with respect to, among other things, participation interests. Additionally, the transparency of financial statements used by such financial institutions, in particular, with respect to the value of complex financial assets, has been called into question. When a Fund or Managed Account holds a participation in a debt instrument, it may not have the right to vote to waive enforcement of any restrictive covenant breached by an obligor or, if a Fund or Managed Account does not vote as requested by the selling institution, it may be subject to repurchase of the participation at par. Selling institutions voting in connection with a potential waiver of a restrictive covenant may have interests different from those of a Fund or Managed Account, and such selling institutions may not consider the interests of a Fund or Managed Account in connection with their votes.

### **Tax Matters**

The countries in which certain Funds and Managed Accounts invest impose taxes on certain types of income such as dividends, interest and in some instances capital gains. Although such taxes may be subject to reduction to the extent that Managed Account clients or investors in a Fund are entitled to the benefits of an income tax treaty between their home jurisdiction and the other jurisdictions in which a Managed Account or Fund invests, there can be no assurance that treaty benefits will be available in any particular case, as this will be dependent on the terms of the treaty and the timely provision of certifications and other documentation. Furthermore, even if certain Managed Accounts or Fund investors are entitled to treaty benefits, withholding taxes may still be deducted by the payers of income, with a material time delay before refunds of such withholding taxes can be obtained from the relevant taxing authority. In addition, changes in the tax laws or tax treaties (or their interpretation) of the countries in which a Managed Account or Fund invests may severely and adversely affect their ability to efficiently realize income or capital gains and may subject a Managed Account or Fund investors to tax and return filing obligations in such countries. There may be a series of complex tax issues related to an investment in a Fund or Managed Account.



In addition with respect to the non-U.S. Managed Accounts and Funds, there can be no assurance that such clients or investors will not be subject to U.S. income tax or that certain U.S. tax-exempt Managed Account clients or Fund investors will not be subject to unrelated business taxable income.

Recently enacted U.S. federal income tax reform legislation (the "Tax Reform Bill") has resulted in fundamental changes to the tax code. Changes to U.S. tax laws resulting from the Tax Reform Bill, including a permanent reduction of the federal corporate income tax rate, a partial limitation on the deductibility of business interest expense, and a longer three-year holding period requirement for carried interest to be treated as capital gain, may have a material effect on the operations and investment activities of Beach Point, Funds and Managed Accounts. The exact impact of the Tax Reform Bill is still unclear and difficult to quantify, but these changes could have a material adverse effect on Beach Point, Funds and Managed Accounts.

### **Participation on Equity Holders' or Creditors' Committees**

Beach Point, on behalf of a Fund or Managed Account, from time to time, elects to serve on creditors' committees, equity holders' committees or other groups in an effort to preserve or enhance a client's position as a creditor or equity holder. A member of any such committee or group may owe certain obligations generally to all parties similarly-situated that the committee represents. If Beach Point concludes that its obligations owed to the other parties as a committee or group member conflict with its duties owed to a Fund or Managed Account, it may resign from that committee or group, and a client may not realize the benefits, if any, of participation on the committee or group. In addition, if a Fund or Managed Account is represented on a committee or group, it may be restricted or prohibited under applicable law from disposing of or increasing its investments in such company while it continues to be represented on such committee or group, which may mean that a Fund or Managed Account will not be able to dispose of, or hedge, investments in such issuer.

### **Lender Liability and Equitable Subordination**

In recent years, a number of judicial decisions in the U.S. and in other countries have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories (collectively termed "lender liability"). Generally, lender liability is founded upon the premise that an institutional lender has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in a creation of a fiduciary duty owed to the borrower or its other creditors or shareholders.

Under common law principles that in some cases form the basis for lender liability claims, if a lender (i) intentionally takes an action that results in the undercapitalization of a borrower or issuer to the detriment of other creditors of such borrower or issuer, (ii) engages in other inequitable conduct to the detriment of such other creditors, (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors or (iv) uses its influence as a stockholder to dominate or control a borrower or issuer to the detriment of other creditors of such borrower or issuer, a court may elect to subordinate the claim of the offending lender or bondholder to the claims of the disadvantaged creditor or creditors (a remedy called "equitable subordination"). There can be no guarantee that a client's claims will not be subject to equitable subordination or that a Fund or Managed Account will not incur significant costs defending against such a possibility (even if such defense is ultimately unsuccessful).



### **Concentration Risk**

The investment management agreements entered into with a Fund (or in certain circumstances, a Managed Account client) impose few (or no) limits on the concentration of investments in particular countries, regions, industries, instruments, securities or sectors, and as a consequence, at times a Fund or Managed Account may hold a relatively small number of investment positions, each representing a relatively large portion of the portfolio's capital. Losses incurred in those positions could have a material adverse effect on the portfolio.

### **Hedging Transactions**

Certain Funds and Managed Accounts utilize financial instruments, both for investment purposes and for risk management purposes in order, for example, to (i) protect against possible changes in the market value of the investment portfolio resulting from fluctuations in the securities markets and changes in interest rates; (ii) protect unrealized gains in the value of the investment portfolio; (iii) facilitate the sale of any such investments; (iv) enhance or preserve returns, spreads or gains on any investment in the portfolio; (v) hedge the interest rate or currency exchange rate on any of the portfolio's liabilities or assets; or (vi) protect against any increase in the price of any investments Beach Point anticipates purchasing on behalf of a Fund or Managed Account at a later date.

The success of any hedging strategy will depend, in part, upon Beach Point's ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the portfolio investments being hedged. Since the characteristics of many assets change as markets change or time passes, the success of the hedging strategy will also be subject to Beach Point's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. While Beach Point may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for a Fund or Managed Account than if Beach Point had not engaged in such hedging transactions. For a variety of reasons, Beach Point may not seek to establish a perfect correlation between the hedging instruments utilized and the portfolio holdings being hedged. Such an imperfect correlation may prevent a Fund or Managed Account from achieving the intended hedge or expose the portfolio to additional risk of loss. Beach Point may not hedge against a particular risk because it does not regard the probability of the risk occurring to be sufficiently high as to justify the cost of the hedge, because it does not foresee the occurrence of the risk or for a number of other reasons.

### **Non-U.S. Investments**

A Fund's or Managed Account's portfolio will typically include investments in financial instruments of issuers located outside of the United States (which may include emerging, developing or under-developed countries). In addition to business uncertainties, such investments may be affected by political, governmental, social and economic uncertainty affecting a country or region, especially investments in emerging market countries. Many financial markets are not as developed or as efficient as those in the United States, and as a result, liquidity may be reduced and price volatility may be higher. The legal and regulatory environment may also be different, particularly as to bankruptcy and reorganization. Financial accounting standards and practices may differ, and there may be less publicly available information in respect of such non-U.S. issuers. Income received by a Fund or Managed Account from sources within some countries may be reduced by withholding and other taxes imposed by such countries. Any such taxes paid by a Fund or Managed Account will reduce its net income or return from such investments.



### **Currency and Exchange Rate Risk**

Certain Funds and Managed Accounts hold certain investments in financial instruments denominated in currencies other than the U.S. Dollar or in financial instruments which are determined with reference to currencies other than the U.S. Dollar. To the extent unhedged, the value of a portfolio's assets will fluctuate with U.S. Dollar exchange rates as well as with price changes in the various local markets and currencies. Thus, an increase in the value of the U.S. Dollar compared to the other currencies in which a Fund or Managed Account may make investments will reduce the effect of increases and magnify the U.S. Dollar equivalent of the effect of decreases in the prices of the portfolio's financial instruments in their local markets. Conversely, a decrease in the value of the U.S. Dollar will have the opposite effect of magnifying the effect of increases and reducing the effect of decreases in the prices of the portfolio's non-U.S. Dollar financial instruments. Beach Point typically utilizes forward currency contracts and options to hedge against currency fluctuations, but there can be no assurance that such hedging transactions will be effective.

### **Unregistered Securities**

Certain Funds and Managed Accounts hold unregistered securities. Unregistered securities generally may be resold only (i) in a public offering registered under the Securities Act, (ii) pursuant to Rules 144 or 144A under the Securities Act or (iii) pursuant to any other exemption from registration under the Securities Act. The resulting difficulties and delays could result in a Fund's or Managed Account's inability to realize a favorable price upon disposition of unregistered securities, and in some cases might make such disposition at the time desired by Beach Point impossible.

### **Leverage**

Certain Funds and Managed Accounts from time to time will incur leverage as a result of, or in connection with, a variety of transactions or investments. While leverage presents opportunities for increasing a portfolio's total return, it has the effect of increasing potential losses as well. Accordingly, any event which adversely affects the value of an investment would be magnified to the extent a Fund or Managed Account is leveraged. The cumulative effect of the use of leverage by a Fund or Managed Account in a market that moves adversely to a portfolio's investments could result in a substantial loss which would be greater than if a Fund or Managed Account was not leveraged.

### **Derivative Investments**

Certain Funds and Managed Accounts invest in derivative instruments. The prices of derivative instruments, including futures and options, are highly volatile. Payments made pursuant to swap agreements may also be highly volatile. Price movements of futures 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 assets underlying them. In addition, a portfolio's assets are also subject to the risk of the failure of any of the exchanges on which its positions trade or of its clearinghouses or counterparties. Certain options and other custom instruments are subject to the risk of non-performance by a counterparty, including risks relating to the creditworthiness of the counterparty, market risk, liquidity risk and operations risk. If a counterparty's creditworthiness declines, the value of any agreements with such counterparty can be expected to decline, potentially resulting in losses.



### **Credit Default Swaps**

Certain Funds and Managed Accounts enter into credit derivative contracts such as CDS, LCDS, CDX and LCDX contracts. The typical CDS and LCDS contract requires the seller to pay to the buyer, in the event that a particular reference entity experiences specified credit events, the difference between the notional amount of the contract and the value of a portfolio of securities or loans issued by the reference entity that the buyer delivers to the seller. In return, the buyer agrees to make periodic and/or upfront payments equal to a fixed percentage of the notional amount of the contract. A Fund or Managed Account may also purchase or sell CDS on a basket of reference entities or an index that is CDX and LCDX contracts. In circumstances in which a Fund or Managed Account does not own the debt or loans that are deliverable under a CDS, the Fund or Managed Account will be exposed to the risk that deliverable securities or loans will not be available in the market, or will be available only at unfavorable prices, as would be the case in a so-called "short squeeze."

### **Short-Selling**

Certain Funds and Managed Accounts engage in short-selling securities. Short-selling involves selling securities which may or may not be owned by the short seller and borrowing them 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 a decline in market price to the extent such decline exceeds the transaction costs and the costs of borrowing the 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 to the Fund or Managed Account of buying those securities to cover the short position. There can be no assurance that a Fund or Managed Account will be able to maintain the ability to borrow securities sold short. In such cases, the Fund or Managed Account can be "bought in" (i.e., forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. In addition, short-selling activities are subject to restrictions imposed by U.S. and foreign governmental / regulatory authorities and various securities exchanges. Such restrictions may inhibit or prevent Beach Point from entering into a short position on behalf of a Fund or Managed Account.

### **Private Equity or Debt**

Certain Funds and Managed Accounts invest in private equity or debt. Private equity and debt investments involve a high degree of business and financial risk and can result in substantial or complete losses. A Fund or Managed Account may invest in portfolio companies operating at a loss or with substantial variations in operating results from period to period and may need substantial additional capital to support expansion or to achieve or maintain competitive positions. Such companies may face intense competition, including competition from companies with much greater financial resources, much more extensive development, production, marketing and service capabilities and a much larger number of qualified managerial and technical personnel. Private equity and debt investments are very illiquid and may be difficult to value. It may take a number of years for a Fund or Managed Account to sell or otherwise dispose of any of its private equity and debt investments and the price ultimately realized upon such sale may be significantly less than the value attributed to such investment by a Fund or Managed Account.





### **Co-Investments with Third Parties**

Certain Funds and Managed Accounts co-invest with third parties through joint ventures or otherwise. Such investments may involve risks in connection with such third-party involvement, including the possibility that a co-venturer may experience financial difficulties resulting in a negative impact on such investment; may have economic or business interests or goals that are inconsistent with those of a Fund or Managed Account or may be in a position to take (or block) action in a manner contrary to a Fund's or Managed Account's investment objectives. In those circumstances where such third parties involve a management group, such third parties may enter into compensation arrangements relating to such investments, including incentive compensation arrangements. Such compensation arrangements will reduce the returns to participants in the investments and create potential conflicts of interest between such parties and a Fund or Managed Account.

### **Impact of Government Regulation, Reimbursement and Reform**

Certain industry segments in which a Fund or Managed Account intends to invest are (or may become) (i) highly regulated at both the federal and state levels in the United States and internationally and (ii) subject to frequent regulatory change. Certain segments may be highly dependent upon various government (or private) reimbursement programs. While a Fund or Managed Account intends to invest in companies that seek to comply with applicable laws and regulations, the laws and regulations relating to certain industries are complex, may be ambiguous or may lack clear judicial or regulatory interpretive guidance. An adverse review or determination by any applicable judicial or regulatory authority of any such law or regulation, or an adverse change in applicable regulatory requirements or reimbursement programs, could have a material adverse effect on the operations and/or financial performance of the companies in which a Fund or Managed Account invests.

### **Enhanced Scrutiny and Certain Effects of Potential Regulatory Changes**

The alternative asset management industry continues to receive scrutiny from governments across the globe. As a result, Beach Point, Funds and Managed Accounts are subject to laws and regulations enacted by numerous jurisdictions some of which may be inconsistent. It is impossible to predict the implications of changes, if any, in the laws or regulations applicable to Beach Point, Funds or Managed Accounts relating to, among other things, privacy and data protection with respect to personal data, anti-money laundering, and trading and investment activities. As a result, Beach Point, Funds and Managed Accounts may incur significant additional costs to comply with such regulatory requirements. In addition, there can be no assurance that any such governmental scrutiny or regulation will not have an adverse impact on the activities of Beach Point, Funds or Managed Accounts, including the ability for Beach Point, Funds or Managed Accounts to effectively and timely address such regulations, implement operating improvements or otherwise execute its investment strategy or achieve its investment objectives. The combination of such scrutiny of alternative asset managers and their investments by various politicians, regulators and market commentators, and the public perception that certain alternative asset managers, including hedge funds and private equity firms, contributed to the recent downturns in the U.S. and global financial markets, may complicate or prevent a Fund's or Managed Account's efforts to achieve its investment objectives.



### **Uncertain Economic, Social and Political Environment**

Consumer, corporate and financial confidence may be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts, localized or global financial crises or other sources of political, social or economic unrest. Such erosion of confidence may lead to or extend a localized or global economic downturn. A climate of uncertainty may reduce the availability of potential investment opportunities, and increases the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. In addition, limited availability of credit for consumers, homeowners and businesses, including credit used to acquire businesses, in an uncertain environment or economic downturn may have an adverse effect on the economy generally and on the ability of a Fund or Managed Account to execute their respective strategies. This may slow the rate of future investments by a Fund or Managed Account, and result in longer holding periods for investments.

### **Market Conditions**

The capital markets have experienced great volatility and financial turmoil. Moreover, governmental measures undertaken in response to such turmoil (whether regulatory or financial in nature) may have a negative effect on market conditions. General fluctuations in the market prices of securities and economic conditions generally may reduce the availability of attractive investment opportunities for a Fund or Managed Account, and may affect a Fund's or Managed Account's ability to make investments. Instability in the securities markets and economic conditions generally (including a slow-down in economic growth and/or changes in interest rates or foreign exchange rates) may also increase the risks inherent in a Fund's or Managed Account's investments and could have a negative impact on the performance and/or valuation of the investments. A Fund's and Managed Account's performance can be affected by deterioration in the capital markets and by market events, such as the onset of the credit crisis in the summer of 2007 or the downgrading of the credit rating of the United States in 2011, which, among other things, can impact the public market comparable earnings multiples used to value privately held portfolio companies and investors' risk-free rate of return. Movements in foreign exchange rates may adversely affect the value of investments and a Fund's and Managed Account's performance. Volatility and illiquidity in the financial sector may have an adverse effect on the ability of a Fund or Managed Account to sell and/or partially dispose of its investments. Such adverse effect may cause the inability of a Fund or Managed Account to dispose of investments at prices that Beach Point believes reflect the fair value of such investments.

### **Market Dislocation**

Ongoing events that began several years ago in the subprime mortgage market and other areas of the fixed income markets have caused significant dislocations, illiquidity and volatility in the private debt, structured credit, leveraged loan and high-yield bond markets, as well as in the broader global financial markets. The turmoil in the U.S. and global financial markets over the past several years has illustrated that the current environment is one of extraordinary and unprecedented uncertainty and instability. A number of very high-profile and significant transactions and events have occurred with respect to participants in the financial services industry, including the failure or forced sale of certain banks, investment banks and other financial services businesses and broad-scale market intervention by governments in the United States and abroad, and economic and financial market conditions have significantly deteriorated as compared to prior periods. Global financial markets have experienced considerable and prolonged declines in the valuations of equity and debt instruments and an acute contraction in the availability of credit. As a result, certain government bodies and central banks worldwide, including the U.S. Treasury Department and the U.S. Federal Reserve,





have undertaken unprecedented intervention programs, the effects of which remain uncertain. The U.S. economy has experienced and continues to experience significant declines and volatility in employment, household, wealth, and lending. A continued economic downturn could adversely affect the financial resources of corporate issuers in which a Fund or Managed Account make investments and result in the inability of such issuers to make principal and interest payments on or refinance, outstanding debt when due. In the event of such defaults, a Fund or Managed Account may suffer a partial or total loss of capital invested in such companies, which would, in turn, have an adverse effect on a Fund's or Managed Account's returns. Such marketplace events also may restrict the ability of a Fund or Managed Account to sell or liquidate investments at favorable times or for favorable prices (although such marketplace events may not foreclose a Fund's or Managed Account's ability to hold such investments until maturity). While Beach Point expects that the current industry environment will yield attractive investment opportunities for a Fund or Managed Account, there can be no assurances that conditions in the global financial markets will not worsen and/or adversely affect one or more of a Fund's and Managed Account's investments, its access to capital or leverage or its overall performance. Absent such a recovery or in the event of a further market deterioration, the value of a Fund's and Managed Account's investments may not appreciate as projected or may suffer a loss. There can be no assurance that the assumptions made or the beliefs and expectations currently held by Beach Point will prove correct. Moreover, as the economies of some nations begin to rebound from the global recession and/or show signs of economic growth, U.S. and other governments have or may begin to reduce or terminate the supportive measures taken in response to the financial crisis. Such a withdrawal, if undertaken prematurely or too swiftly, could pose additional risks to recovering capital markets and the availability of credit to businesses generally.

### **Cybersecurity Breaches**

Beach Point, the Funds, the Managed Accounts, and their respective service providers are subject to risks associated with a breach in cybersecurity. Cybersecurity is a generic term used to describe the technology, processes, and practices designed to protect networks, systems, computers, programs, and data from cyber-attacks and hacking by other computer users, and to avoid the resulting damage and disruption of hardware and software systems, loss or corruption of data, and/or misappropriation of confidential information. In general, cyber-attacks are deliberate, but unintentional events may have similar effects. Cyber-attacks may cause losses to a Fund or Managed Account by interfering with, impeding or sabotaging trading. Beach Point, Funds and Managed Accounts may also incur substantial costs as the result of a cybersecurity breach, including those associated with forensic analysis of the origin and scope of the breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, litigation, adverse investor reaction, the dissemination of confidential and proprietary information and reputational damage. Any such breach could expose Beach Point, Funds and Managed Accounts to civil liability as well as regulatory inquiry and/or action. Fund investors and Managed Account clients could be exposed to additional losses as a result of unauthorized use of their personal information. While Beach Point has established business continuity plans and systems reasonably designed to prevent cyber-attacks, there are inherent limitations in such plans and systems, including the possibility that certain risks have not been identified. Similar types of cybersecurity risks also are present for issuers of securities in which a Fund or Managed Account invests, which could result in material adverse consequences for such issuers, and may cause a Fund's or Managed Account's investment in such securities to lose value.



### **United Kingdom Membership in the EU**

On June 23, 2016, the United Kingdom held an “in-or-out referendum” on the United Kingdom’s membership in the EU, the result of which favored the exit of the United Kingdom from the EU (“Brexit”). The potential impact of Brexit on Beach Point, Funds and Managed Accounts is currently unclear. Depending on the terms of Brexit, economic conditions in the United Kingdom, the rest of the EU, and global markets may be adversely affected by reduced economic growth and volatility. The uncertainty before, during, and after the period of negotiation could also have a negative economic impact and increase volatility in the financial markets, including, without limitation, markets in the EU and the United States. Such volatility and negative economic impact could, in turn, adversely affect the value and liquidity of investments held by the Funds and Managed Accounts. It is also possible that Brexit will stimulate further calls for referenda and political instability among member states of the EU and in the United Kingdom itself with attendant risks.

### **Item 9: Disciplinary Information**

To Beach Point’s knowledge, none of the firm or any of its management personnel has been involved in, or subject to, any disciplinary events or legal actions that would be material to a client’s or prospective client’s evaluation of Beach Point’s advisory business or the integrity of Beach Point’s management.

### **Item 10: Other Financial Industry Activities and Affiliations**

As described above in Item 4, Beach Point Advisors LLC, a related person of Beach Point acts as the General Partner of the master funds, Domestic Funds (other than one of the domestic closed-end Funds), and offshore closed-end Funds. BPC Opportunities Fund GP LP, a related person of Beach Point, acts as the general partner of one of the domestic closed-end Funds. Thomas Boyack and Lawrence M. Goldman serve as directors of the offshore feeder funds. Lawrence M. Goldman and Darshan Desai serve as directors of an offshore Single Client Fund.

Beach Point Capital Europe LLP (“Beach Point Europe”), a related person of Beach Point, is an entity organized under the laws of the United Kingdom and authorized by the U.K. Financial Conduct Authority to, among other things, provide investment advisory services and perform marketing activities.

Beach Point Capital (Ireland) DAC (“Beach Point Ireland”), a related person of Beach Point, is an entity organized under the laws of the Republic of Ireland to provide investment advisory services with respect to unregulated lending activity in Ireland. Thomas Boyack and Lawrence M. Goldman serve as directors of Beach Point Ireland.

In addition, Beach Point Europe and Beach Point Ireland provide research services to Beach Point and its affiliates. Beach Point Europe and Beach Point Ireland may provide research services with respect to issuers located outside of the United States.

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

#### **Code of Ethics**

Pursuant to Rule 204A-1 under the Advisers Act, Beach Point has adopted a Code of Ethics (the “Code”) which sets forth standards of business and personal conduct for all Beach Point employees and addresses



conflicts including those that may arise from personal trading by employees. Below is a summary of certain provisions contained in the Code.

The Code requires employees to pre-clear all purchases and sales of securities unless otherwise exempted by the Code. Once a security transaction is approved, employees generally have two business days to execute the trade. Employees are prohibited from buying a financial instrument issued by an issuer if any client account holds a financial instrument issued by such issuer. In addition, certain blackout periods apply to the purchase and sale of certain financial instruments.

With limited exceptions, employees are prohibited from profiting directly or indirectly from the acquisition and disposition (or disposition and acquisition) of beneficial ownership of the same (or equivalent) securities within 60 calendar days. Any profits realized on such short-term trades must be disgorged and given to charity. Employees are prohibited from purchasing securities in initial public offerings and private placements unless prior approval is received from the Chief Compliance Officer or his designee.

Employees are also generally prohibited from serving as directors of other companies unless approval is obtained from (a) one of the Chief Investment Officers and the Chief Compliance Officer or General Counsel to serve as a director, or in a similar capacity, of a portfolio company of a Fund or Managed Account managed by Beach Point and (b) the Chief Compliance Officer or General Counsel to serve as a director, or in similar capacity, in all other circumstances. In addition, the Code includes restrictions and reporting obligations in connection with gifts and entertainment. The Code also requires employees to pre-clear all political contributions.

Employees may make a request to the Chief Compliance Officer for an exception from certain of the above-listed restrictions. Such exceptions are granted, if at all, only under limited circumstances.

Employees must report personal securities holdings upon becoming an employee and annually thereafter. Employees must also report their personal securities transactions on a quarterly basis. In addition, employees are required to send duplicate brokerage statements to Beach Point's Compliance Department. Beach Point also maintains insider trading policies and procedures (the "Insider Trading Policies") that are designed to prevent the misuse of material, non-public information. Beach Point's personnel are required to certify to their compliance with the Code and the Insider Trading Policies on a periodic basis. There may be certain cases in which Beach Point or its personnel receive inside information due to their various activities on behalf of Beach Point or the Funds and Managed Accounts. In such circumstances, Beach Point may be restricted in acting on behalf of the Funds or Managed Accounts resulting in lost investment opportunities or limited liquidity for certain investments or Beach Point may otherwise be unable to use such information for the benefit of certain clients.

Beach Point maintains a strong culture of compliance and a commitment to addressing compliance violations. Beach Point has a non-retaliation policy that protects employees who report violations or other improper conduct to the Chief Compliance Officer in good faith or who otherwise cooperate in any related investigation.

New employees receive initial compliance training from the Compliance Department on the Code and other compliance policies and procedures, generally within two weeks of commencing employment. In addition, the Compliance Department conducts various compliance trainings throughout the year for employees.



Managed Account clients and Fund investors may obtain a copy of the Code free of charge by contacting the Compliance Department at (310) 996-9700.

### **Cross Trades**

Beach Point may effect transactions in portfolio securities between two or more Funds or Managed Accounts (“cross trades”) unless prohibited or restricted by applicable law or by a client. When effecting cross trades between Funds and/or Managed Accounts, Beach Point will have potentially conflicting division of loyalties and responsibilities with respect to each participating Fund or Managed Account. Beach Point addresses this potential conflict of interest by conducting cross trades only in compliance with Beach Point’s cross trade policy. The policy permits a cross trade only under certain conditions, including that Beach Point believes the transaction is in the best interest of all of the Funds and/or Managed Accounts participating in the cross trade. In addition, Beach Point has developed cross trade procedures which include (i) submitting the proposed cross trade price to the Valuation Department for review, (ii) cross trade approval from the Chief Compliance Officer and the responsible portfolio manager(s), and (iii) submission of all executed cross trades to the Valuation Committee for review. In addition, Beach Point does not receive any special compensation for effecting cross trades. Commissions, if any, related to such cross trades are generally shared equally among the clients involved in the trade.

### **Related Persons and Third-Party Investment Managers**

As described previously, Beach Point Advisors LLC, a related person of Beach Point acts as the General Partner of the master funds, Domestic Funds (other than one of the domestic closed-end Funds), and offshore closed-end Funds. In addition, BPC Opportunities Fund GP LP, a related person of Beach Point, acts as the general partner of one of the domestic closed-end Funds. Mr. Goldman and Mr. Boyack serve as directors of the offshore feeder funds. Mr. Goldman and Mr. Desai serve as directors of an offshore Single Client Fund. Beach Point Ireland, a related person of Beach Point, is an investment adviser to an Irish company with respect to unregulated lending activity in Ireland. Mr. Goldman and Mr. Boyack serve as directors of Beach Point Ireland.

Related persons of Beach Point may serve as the general partner of, or act as an investment adviser to, partnerships and funds in which clients are solicited to invest. Soliciting clients to invest in funds from which Beach Point or a related person of Beach Point receives fees is a potential conflict of interest. In order to address this conflict, Beach Point discloses to clients its interest in such funds, does not charge clients any placement fees and provides clients with offering documents that explain the fee structure and risks associated with an investment in such funds.

Certain clients have an equity interest in a third-party investment manager that provides investment advisory services to certain private funds in which such clients are invested. Beach Point may allocate an investment in future private funds advised by such third-party investment manager to certain Funds and Managed Accounts (including those that do not own an interest in the third-party investment manager).

From time to time, Beach Point may cause certain Funds and Managed Accounts to invest in pooled investments or other structured vehicles or funds, including, without limitation, those managed by third-party investment managers. A client may incur expenses (including, without limitation, asset-based management fees and performance-based compensation earned by third-party investment managers) in



addition to the fees paid to Beach Point even though the client may not achieve any gain with respect to such investments.

### **Item 12: Brokerage Practices**

Beach Point generally has discretionary authority to manage the Funds and Managed Accounts, including the authority to determine which securities are to be bought and sold and the amounts appropriate for each client. Any limitation on Beach Point's authority is described in a client's investment management agreement and/or governing documents in the case of the Funds.

In selecting brokers or dealers to effect portfolio securities transactions, Beach Point will comply with its fiduciary duty to seek "best execution" on behalf of its clients. Beach Point will consider relevant factors, including, among other things: (a) price, (b) the nature of the market, (c) quantity, (d) the execution capabilities required by the transaction, (e) commissions, (f) the importance of speed and efficiency, (g) the reputation and perceived soundness of the broker or dealer, (h) block trading and block positioning capabilities, (i) willingness to execute related or unrelated difficult transactions in the future, and (j) brokerage and research products and services provided to Beach Point.

There are rarely brokerage commissions on fixed income transactions. Fixed income transactions are typically effected on a "net" basis. Therefore, clients are not expected to pay significant brokerage commissions on fixed income transactions. It is noted, however, that should any transactions for clients be effected for which brokerage commissions are charged, Beach Point will seek to obtain favorable commissions in light of its efforts to obtain "best execution" on all transactions. Beach Point is not obligated to obtain the lowest commission or best net price for a Fund or Managed Account on any particular transaction.

### **Research and Soft Dollars**

From time to time, unless prohibited by a client's investment management agreement and/or governing documents in the case of the Funds, Managed Accounts and Funds pay a broker-dealer commissions (or markups or markdowns with respect to certain types of riskless principal transactions) for effecting Fund and/or Managed Account transactions in excess of that which another broker-dealer might have charged for effecting the transaction in recognition of the value of the brokerage and research products or services provided by the broker-dealer or a third party vendor ("soft dollars"). Beach Point will endeavor to effect such transactions, and receive such brokerage and research products and services, only to the extent that they fall within the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934, as amended, and subject to prevailing guidance provided by the SEC regarding Section 28(e). Beach Point believes it is important to its investment decision-making processes to have access to independent research.

Beach Point's use of soft dollars to pay for research products and services benefits Beach Point because Beach Point does not have to produce or pay for the research products or services. Beach Point may have an incentive to select a broker-dealer based on its interest in receiving the research or other products or services rather than on a client's interest in receiving the most favorable execution of trades. Beach Point addresses this conflict through periodic meetings of the Beach Point Brokerage Committee. Among other things, the Beach Point Brokerage Committee reviews and approves Beach Point's (i) commission sharing



arrangements (if any), (ii) use of soft dollars (if any), and (iii) the implementation of policies and procedures related to soft dollars.

At meetings of the Beach Point Brokerage Committee, members of the trading staff are asked to confirm that commissions paid during the applicable period were reasonable in relation to the value of the brokerage and research products and services provided by the brokers. Traders are also asked to confirm the broker selection process was not influenced by conflicts of interest. In addition, a portfolio manager is asked to confirm that (i) the research services provided by the brokers assisted in the performance of the investment team's investment decision-making responsibilities, (ii) the portfolio manager believes that the commissions paid during the period were reasonable in relation to the value of the services paid with soft dollar credits, and (iii) the Beach Point trading desk sought to achieve best execution during the applicable quarter.

The research products or services furnished by brokers-dealers through which Beach Point effects transactions may be used for the benefit of clients other than the particular client whose transactions generated the soft dollars. Beach Point does not seek to allocate soft dollar benefits to Funds or Managed Accounts in proportion to the soft dollar credits generated by such Funds or Managed Accounts.

The research products or services furnished to Beach Point by broker-dealers may include, among other things, investment and financial market research, securities and economic analysis, company information and quotation services. The research received from a broker-dealer may be proprietary research (created or developed by the broker-dealer) and/or research created or developed by a third party. For example, Beach Point has used soft dollars to acquire proprietary research analyzing the performance of particular companies and to pay for certain third party products and services, including financial software and data license fees, but excluding any hardware fees for the terminal, computer cables and cable lines associated with the delivery of such software or data.

Broker-dealers sometimes suggest a level of business they would like to receive in return for the various products and services they provide. Actual brokerage business received by any broker-dealer may be less than the suggested allocation, but can exceed the suggested level, because total brokerage is allocated on the basis of all of the considerations described above. In no case will Beach Point make binding commitments as to the level of brokerage commissions it will allocate to a broker-dealer, nor will it commit to pay cash if any informal targets are not met. A broker-dealer is not excluded from receiving business because it has not been identified as providing research products or services.

### **Brokerage for Client Referrals**

Certain Fund investors are vehicles organized and managed by affiliates of broker-dealers. In addition, certain broker-dealers organize events pursuant to which certain of their clients may learn more about select investment advisers, including Beach Point. There may be an incentive for Beach Point to direct client transactions to such broker-dealers. Beach Point has policies in place, including a best execution policy, designed to prevent the selection of broker-dealers based solely on the receipt of such benefits by Beach Point or the Funds. In addition, Beach Point has a Brokerage Committee that reviews, approves and monitors executing broker-dealers and other trading counterparties.

### **Directed Brokerage**

To the extent a client directs Beach Point to use a particular broker or dealer, Beach Point may not be authorized under those circumstances to negotiate price and may not be able to obtain volume discounts





or best execution for such client. In addition, under these circumstances a disparity in prices may exist between clients who direct Beach Point to use a particular broker or dealer and other clients who do not direct Beach Point to use a particular broker or dealer. As a result, the client that directs brokerage may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions than would otherwise be the case if Beach Point used other or multiple brokers.

### **Order Aggregation and Allocation**

Beach Point is authorized to determine which investments are bought and sold and the amounts appropriate for each account. Any limitation on Beach Point's authority is set forth in an account's governing documents (e.g., investment management agreement, private placement memorandum, partnership agreement, etc.). Due primarily to the nature of the market for the investments that typically comprise a significant portion of the assets held in client portfolios (e.g., below investment grade credit-related instruments, private instruments, structured products, etc.), the amount of an investment that Beach Point desires to buy or sell at the price Beach Point deems appropriate often cannot be fully accommodated. As a result, although a portfolio manager places a trade order with an understanding of the accounts to which such trade will be allocated, Beach Point's practice is to allocate investments after a trade has been executed so that Beach Point knows the actual amount to be allocated. To the extent certain accounts in a strategy are not allocated an investment due to investment allocation considerations detailed in Beach Point's allocation policy as described below, the portfolio manager for such excluded accounts may seek to purchase the investment at a later date (if the investment is available at an attractive price) or may purchase other investments for such accounts.

To achieve optimal execution and lower transaction costs, whenever practicable, Beach Point trades blocks of financial instruments in order to aggregate orders for groups of clients. In such circumstances, an account participating in the aggregated order will do so at the executed price, and all transaction costs, if any, are shared on a pro rata basis or equally, depending on the type of cost. Beach Point allocates such orders among all participating accounts in a manner Beach Point believes to be fair and equitable to each client over time. In the event that Beach Point is not able to buy or sell a specified amount of an investment at the desired price, the amount bought or sold is allocated based upon the investment allocation considerations detailed in Beach Point's allocation policy as described below.

In accordance with the Beach Point's fiduciary duty owed to its clients, the overall objective of Beach Point's allocation policy is to ensure that all clients are allocated trades fairly and equitably over time. Beach Point does not allocate trades based on a client's fee structure, including whether the client pays a performance based fee, and does not otherwise allocate trades to benefit itself or its officers or employees. Beach Point's practice is to allocate trades pro rata (typically based on the net asset value of each account or the target position size or size of the existing position) among accounts within the same strategy. Notwithstanding the foregoing, but subject to Beach Point's fiduciary duty to treat all clients fairly and equitably over time, certain allocations will deviate from a pro rata allocation among accounts due to certain circumstances and factors, including, without limitation: investment guidelines (e.g., prohibitions, restrictions or limits with respect to - type of investment, quality of the investment, industry, issuer, issue, short positions, derivatives, foreign investments, non-USD denominated investments, and private investments); size of the portfolio; diversification of assets within the portfolio; target weight; cash considerations (e.g., available cash and/or current or future cash contribution or redemption activity); tax, regulatory (including, ERISA), securities laws and / or other legal considerations; market convention considerations (e.g., bonds typically have a minimum denomination requirement); fees associated with an



investment; a client's risk tolerance; the liquidity of the investment and/or portfolio; applicable transfer or assignment provisions or other contractual or legal obligations; the investment focus of an account; an account's operational limitations (e.g., inability to short or trade in OTC derivatives); an account's benchmark; and other factors that Beach Point considers important in connection with an investment.

### **Potential Conflicts of Interest in Connection with Trade Allocation**

#### **Overview**

Although allocating trades among clients may create potential conflicts of interest including, without limitation, because Beach Point may receive greater fees or compensation (including performance fees or similar incentive compensation) from certain clients, Beach Point will not make allocation decisions based on such factors. Notwithstanding the foregoing, and subject to Beach Point's fiduciary duty to treat all clients fairly and equitably over time, any particular allocation decision among accounts may be more or less advantageous to any one client or group of clients and certain allocations will deviate from a pro rata allocation among clients in order to address, for example, differences in legal, tax, regulatory, risk management, concentration, exposure and/or mandate considerations for the relevant clients. Beach Point may also determine that an investment opportunity or particular purchases or sales are appropriate for one or more clients, but not for other clients, or are appropriate for, or available to, clients but in different sizes or subject to different terms or timing. For example, some clients may have a higher risk tolerance than other clients, which may allow Beach Point to allocate a wider variety and/or greater percentage of certain types of investments (which may or may not outperform other types of investments) to such clients. In addition, portfolio managers managing specialized accounts focusing on certain types of investments or asset classes (e.g., structured products, bank loans, or other specialized strategies) may be given priority in the allocation process for those accounts with respect to the investments or asset classes that are the focus of their investment mandate. Similarly, a portfolio designed to hold fewer more concentrated positions may also receive an increased allocation in order to reach the target weight for holdings in such portfolio.

Beach Point may also take into account the bases for an issuer's allocation to Beach Point, for example, by giving priority allocations to clients holding existing positions in the issuer's debt if the issuer's allocation to Beach Point is based on such holdings. Beach Point also may determine not to include certain clients in all investment transactions for which such clients may be eligible. In addition, legal, contractual, or regulatory issues applicable to Beach Point or one or more clients may result in certain clients not receiving investments that may otherwise be appropriate for them or may result in Beach Point selling investments out of client portfolios even if it might otherwise be beneficial to continue to hold them. Given all of the foregoing factors, the amount, timing, structuring, or terms of an investment by a client may differ from, and performance may be lower than, investments and performance of other clients, including those that may provide greater fees or other compensation (including performance-based fees or allocations) to Beach Point.

#### **Inter-Strategy Allocation and Investments in Different Parts of the Capital Structure**

Beach Point and its affiliates currently manage, and may in the future manage, a number of accounts in different investment strategies that are eligible to invest in the same types of securities, obligations or other investments. To the extent accounts in more than one strategy are eligible to invest in the same investment, and the portfolio managers for such accounts have indicated their interest to participate in the trade, the trade will be allocated pro rata among such accounts to the extent practicable, subject to the investment allocation considerations detailed in Beach Point's allocation policy and described above. However, specialized accounts focusing on certain types of investments or asset classes (e.g., structured products,





bank loans, or other specialized strategies) may be given priority in the allocation process with respect to the investments or asset classes that are the focus of their investment mandate. Similarly, a portfolio designed to hold fewer more concentrated positions may also receive an increased allocation in order to reach the target weight for holdings in such portfolio.

Beach Point may also allocate investments in different parts of the capital structure to accounts in the same or in different strategies. Or, due to changed circumstances, an investment opportunity with respect to an issuer that was initially appropriate for accounts in one investment strategy may subsequently fall within the investment focus of accounts in another investment strategy. Such changed circumstances might include, among others: a fall in the prices of the securities of the issuer to distressed levels; workouts or other restructurings relating to an issuer's capital structure; a decline in the issuer's business or financial condition; or consideration by the issuer of strategic alternatives or other fundamental changes. As a result, Beach Point may be required to address conflicts of interest that may arise in connection with such investments. While Beach Point will seek to manage such potential conflicts of interest in good faith, there may be situations in which the interests of one account with respect to a particular investment conflict with the interests of one or more other accounts. Subject to the provisions of the governing documents of the affected accounts, on any matter involving a conflict of interest, Beach Point will be guided by its fiduciary duties to its clients and will manage such conflict in good faith and seek to ensure that the interests of all affected accounts are represented. However, if necessary to resolve such conflict, Beach Point reserves the right to cause one affected account to take such steps as may be necessary to minimize or eliminate the conflict, even if (subject to applicable law) that would require such account to (1) forego an investment opportunity or divest investments that, in the absence of such conflict, it would have made or continued to hold or (2) otherwise take action that may have the effect of benefitting Beach Point or another account and therefore may not have been in the best interests of the affected accounts.

The classification of an investment opportunity as appropriate or inappropriate for an account is made by Beach Point, in good faith, at the time of purchase and will govern in this regard. This determination frequently will be subjective in nature. Consequently, an investment that Beach Point determined was appropriate (or more appropriate) for one account may ultimately prove to have been more appropriate for another account. Furthermore, the decision as to whether an account should make a particular follow-on investment, or whether the follow-on investment will be shared in the same proportion as the original investment, may differ from the decision regarding the initial purchase due to a changed determination on this issue by Beach Point, and investments made by an account towards the end of its investment period, if applicable, may be structured so that one or more other accounts can make an anticipated follow-on investment on certain prearranged terms and conditions, including price (which may be based on cost of the original investment). Where potential overlaps between or among accounts exist, such opportunities will be allocated by Beach Point, in good faith, after taking into consideration the investment focus of each affected account and the investment allocation considerations detailed in Beach Point's allocation policy and described above.

### **Allocation among Closed-end Funds**

In certain investment strategies, Beach Point manages Funds structured as closed-end Funds. Unlike, open-end Funds which offer interests or shares on a continuous basis and permit periodic redemptions of such interests or shares, closed-end Funds do not continuously offer interests or shares and such interests or shares are not redeemable. In other words, an investment in a closed-end Fund is committed for the term of the fund. The ability of Beach Point to launch a new closed-end Fund pursuing the same investment



strategy as an existing closed-end Fund is typically limited by the existing fund. However, some overlap is generally permitted – typically near the end of the investment period and during the liquidation period of the existing fund. In this situation, certain investments may be appropriate for both funds and, as a result, Beach Point has additional allocation policies to address this potential conflict of interest.

### Item 13: Review of Accounts

Each Fund and Managed Account is assigned to a portfolio manager in the investment strategy being pursued by such account and, where practicable, to a portfolio manager who is managing similar portfolios within the strategy for other clients (i.e., accounts with similar investment guidelines and limitations and/or restrictions). The portfolio manager assigned to a client portfolio is primarily responsible for daily oversight of the portfolio. However, all the portfolio managers in a strategy (to the extent there is more than one portfolio manager managing accounts in the strategy) meet regularly as a team, along with a CIO, to review, among other things, (1) investment ideas, (2) current positions in the portfolios, (3) appropriate sizing of positions, (4) buy / sell lists (including target sizes and prices), (5) portfolio exposure to certain assets types, industries, issuers, etc. (6) the risk profile of the portfolio, (7) how the portfolio compares to its benchmark, if any, and (8) if the client's investment objectives are being achieved. This combination of individual portfolio manager supervision, broader investment team idea generation, and CIO oversight is designed to ensure that each portfolio receives the requisite attention required to maintain an appropriately constructed portfolio (given the particular circumstances of each account) while providing consistency in the investment process across all portfolios in the same strategy. With respect to specialized accounts focusing on certain types of investments or asset classes (e.g., structured products, bank loans, or other specialized strategies), there is typically only one portfolio manager managing the account(s) in the strategy. However, the portfolio manager is supported by a team of investment analysts, has access to the other portfolio managers to discuss investment ideas, and is subject to oversight by one of the CIOs.

In addition, each Fund and Managed Account is regularly monitored by Beach Point's automated compliance system to help ensure that account investment guidelines are followed. Each compliance alert triggered by the system is reviewed, researched and, where appropriate, cleared by Beach Point's Compliance Department. If an alert cannot be cleared, appropriate remedial action is taken (e.g., the instrument is not allocated to the Fund or Managed Account).

Fund investors receive unaudited monthly account statements and an annual report containing audited financial statements and a statement of their capital account / share holdings as of the fiscal year-end. Managed Account clients receive monthly statements and quarterly/annual reports from third-party custodians. Fund investors and Managed Account clients typically receive monthly exposure reports and quarterly letters that generally include performance data and market commentary. Fund investors in Domestic Funds also receive annual K-1 statements for the Fund in which they are invested.

### Item 14: Client Referrals and Other Compensation

Beach Point (or its affiliates) may receive transaction fees, investment banking fees, origination fees, commitment fees, financial consulting fees, closing fees, break-up fees, advisory fees, monitoring fees, directors' fees and other similar fees in connection with services provided to the closed-end Funds and, if received, such fees shall reduce the management fee paid to Beach Point by the closed-end Funds. Such fees are more fully described in the closed-end Funds' offering documents. In addition, Beach Point may



receive research products or services provided by broker-dealers or third-party vendors as described in Item 12 of this brochure.

Beach Point may, from time to time, employ solicitors to whom it will pay cash or a portion of the advisory fees paid by clients referred to it by such solicitors. In such cases, this practice will be disclosed in writing to the client and such arrangement shall comply with the other applicable requirements contained in Rule 206(4)-3 under the Advisers Act.

### Item 15: Custody

Beach Point has an obligation to safeguard client assets and protect them from loss or destruction. Rule 206(4)-2 under the Advisers Act (the “Custody Rule”) imposes specific conditions on registered investment advisers who have actual or deemed custody of client assets. The Custody Rule contains a definition of the term “custody” which includes “holding, directly or indirectly, client funds or securities or having any authority to obtain possession of them.” The definition also includes three non-exclusive examples of custody, including when an investment adviser acts as general partner of a limited partnership. Accordingly, Beach Point is deemed to have custody of the assets of each Fund for which Beach Point or an affiliate serves as general partner.

Beach Point adheres to the applicable requirements of the Custody Rule with respect to each Fund for which it or an affiliate serves as general partner. All Fund securities are held with at least one qualified custodian, and the offering memorandum for each such Fund identifies each qualified custodian used by the Fund. In addition, Beach Point arranges for the delivery to investors in each of the Funds of a copy of the audited financial statements for their Fund, prepared in accordance with U.S. generally accepted accounting principles, on an annual basis, and within the required time frames set forth in the Custody Rule. In addition, as described above in Item 13, Fund investors also receive unaudited monthly account statements from their Fund’s administrator and a statement of their capital account / share holdings as of the fiscal year-end. Fund investors should carefully review their monthly account statements, their annual statements and their Fund’s audited financial statements.

Managed Account clients select their own custodian to maintain custody of their funds and securities. Beach Point is not a party to the custodial agreements between the Managed Account clients and their custodians. As a discretionary investment adviser, Beach Point has trading discretion over the funds and securities maintained in a Managed Account client’s custodial account, but Beach Point does not hold such funds or securities or have authority to obtain possession of them.

### Item 16: Investment Discretion

Beach Point serves as the investment adviser to the Funds and Managed Accounts. Beach Point generally has discretionary authority to manage the Funds and Managed Accounts, including the authority to determine which investments are bought and sold and the amounts appropriate for each client. Any limitation on Beach Point’s authority is set forth in a client’s governing documents (e.g., investment management agreement, private placement memorandum, partnership agreement, etc.). Beach Point does not assume discretionary authority to manage portfolios on behalf of clients until entering into an investment management agreement and/or other governing documents.



### Item 17: Voting Client Securities

Beach Point votes proxies on behalf of the Funds and certain Managed Accounts when so authorized by the Managed Account's investment management agreement or other governing documents. In addition, there may be a variety of corporate actions or other matters for which shareholder or bondholder action is required or solicited with respect to which Beach Point may take action that it deems appropriate in its best judgment except to the extent otherwise required by agreement with the relevant client. These actions requiring shareholder or bondholder action may involve, for example and without limitation, tender offers or exchanges, bankruptcy proceedings and class actions.

When voting on proxy proposals and corporate actions for clients, Beach Point's utmost concern is that all decisions be made solely in the interests of the client consistent with the Advisers Act and (as applicable) the Employee Retirement Income Security Act of 1974, as amended. Beach Point has retained the services of an independent third party to help receive and evaluate proxies, effect proxy votes and maintain appropriate proxy voting records.

Beach Point will act in a manner which is intended to enhance the economic value of the assets held in its clients' portfolios. Where a proxy proposal or corporate action raises a material conflict of interest between Beach Point and a client, Beach Point will (i) disclose the conflict to the client and obtain its consent to the proposed vote prior to voting the securities, (ii) vote the securities based on the recommendation of an independent third party, or (iii) take such other action as may be appropriate given the particular facts and circumstances. In addition, a client may direct Beach Point how to vote in a particular solicitation by providing instructions to Beach Point prior to the date such vote is due.

Beach Point's proxy voting policies and procedures contain guidelines that describe what types of matters will generally be voted against, voted for or handled on a case by case basis. To request a copy of Beach Point's proxy voting policies and procedures or to obtain information on how securities were voted on behalf of a client's account, clients may contact Beach Point's Investor Relations Department at (310) 996-9700.

### Item 18: Financial Information

This section is not applicable to Beach Point.

### Item 19: Additional Information and Other Potential Conflicts of Interest

The following discussion enumerates certain potential conflicts of interest in addition to those described above that should be carefully evaluated before making an investment in any Fund, Managed Account or any future investment vehicle managed by Beach Point.

#### **Agreements with Fund Investors**

Beach Point, has in place, and in its sole discretion, without any act, consent or approval of any Fund investors, on its own behalf or on behalf of a Fund, may enter into, deliver, perform, modify, amend and terminate, side letters or other written agreements or instruments to or with one or more Fund investors which have the effect of altering or supplementing the terms described in a Fund's governing documents or of establishing rights not described in a Fund's governing documents with respect to such Fund investors, including, without limitation, with respect to fee arrangements, withdrawal/redemption rights, access to Fund information and certain so-called "key man" or "key person" rights.



### **Beach Point Personnel Fund Investments**

Beach Point personnel may invest in eligible Funds of their choosing and are not required to invest in all Funds. It is expected that, if such investments are made, the size of these investments will change over time. A component of the bonus compensation paid to certain Beach Point personnel includes an indirect interest in only certain of the Funds. Such indirect Fund interests must be held by employees for an extended period of time. Neither Beach Point nor any Beach Point personnel is required to keep any minimum investment in any of the Funds other than the closed-end Funds. Potential conflicts may arise because Beach Point personnel may have investments in some Funds but not in others or may have different levels of investments in various Funds. In order to address these potential conflicts, Beach Point allocates trades in accordance with its allocation policy which does not permit trades to be allocated to the Funds based on Beach Point employee ownership.

### **Dependence on Key Employees**

A client's success depends upon the ability of Beach Point's investment professionals to develop and implement investment strategies designed to achieve the client's investment objective. If Beach Point were to lose the services of its, principals, senior portfolio managers or other key employees, the consequence to a client could be material and adverse. Competition in the financial services industry for qualified employees is intense and there is no guarantee that the talents of the Beach Point's investment professionals could be replaced.

### **Valuation of Assets**

The management fee and the incentive fee / allocation charged to or made by a Fund are calculated based on valuations ascribed to the Fund's holdings. Because Beach Point may participate in certain valuation decisions, the management fee and the incentive fee / allocation may create an incentive for Beach Point to assign biased valuations to the Fund's holdings, and in particular to its illiquid or hard-to-value holdings. There can be no assurance that the value assigned to an investment at a certain time will equal the value that the Fund is ultimately able to realize. Even if there is a difference, Beach Point is not required to return past management fees or incentive fees or to reverse past incentive allocations. Beach Point addresses this conflict by adhering to its valuation policies and using third-party pricing sources for investments above a de minimis threshold.

Additionally, Beach Point or a Fund may change its pricing policies and procedures from time to time in its sole discretion without notice to Fund investors. Any such changes may impact the valuation of the Fund's assets, and as a result, among other things, on the management fee and incentive fee / allocation. This conflict is addressed in the governing documents for each Fund which generally require investor consent for changes that may have a material adverse impact on Fund investors.

### **Payments to Beach Point and its Affiliates**

Payments of fees, expense reimbursements and other items payable to Beach Point in connection with Beach Point's management of the Funds present conflicts of interests between Beach Point and the Funds because of Beach Point's authority with respect to the Funds.



### **Other Activities: Competing Time Pressures**

Beach Point is not restricted from forming additional investment funds or advising additional managed accounts, entering into other investment advisory relationships, exercising investment responsibility, engaging in other business (or non-business) activities or directly or indirectly purchasing, selling, holding or otherwise dealing with investments for the account of any such other business or for other clients, even though such activities may be in competition with a Fund or Managed Account and/or may involve substantial time and resources.

Beach Point manages and/or advises and expects to continue to manage and/or advise a variety of Funds and Managed Accounts. Beach Point expects to continue to manage and/or advise new investment vehicles, whether alone or partnering with others, and otherwise to develop its investment, advisory and related businesses. Beach Point expects that the universe of potential investments and other activities of its business could overlap with the investments and activities of the Funds and Managed Accounts and, as a result, may create conflicts of interest.

Beach Point's personnel will devote such time as they determine shall be necessary to conduct the business affairs of the Funds and Managed Accounts in an appropriate manner.

### **Conflicting Investments**

From time to time, Beach Point may acquire securities or other financial instruments of an issuer for one Fund or Managed Account which are senior or junior to securities or financial instruments of the same issuer that are held by, or acquired for, another Fund or Managed Account (e.g., one Fund may acquire senior debt while another Fund may acquire subordinated debt). Holding a position in different parts of the capital structure of an issuer in different Funds or Managed Accounts may lead to conflicts of interest among such Funds and Managed Accounts in certain circumstances such as the reorganization or restructuring of the issuer or its debt. In such circumstances, or other situations involving conflicting investments, Beach Point will endeavor to resolve such conflicts in a manner it deems fair and equitable to the extent possible under the prevailing facts and circumstances.

### **Certain Relationships**

Certain Beach Point personnel may have personal relationships with personnel of certain broker-dealers with which Beach Point trades on behalf of the Funds and Managed Accounts or other vendors, including without limitation, law firms that provide services to the Funds and Managed Accounts. For example, investment personnel may have siblings or other family members that are employed by a broker-dealer or law firm. Beach Point requires all employees to disclose such potential conflicts of interest and monitors such relationships.

### **Co-Investments**

Beach Point may, in its sole discretion, provide co-investment opportunities to one or more investors in the Funds, Managed Account clients, or third parties, in each case on terms to be determined by Beach Point. Conflicts of interest may arise in the allocation of limited co-investment opportunities. Beach Point addresses this potential conflict of interest by allocating co-investment opportunities in accordance with its co-investment policy. The co-investment policy permits Beach Point to consider some or all of a wide range



of factors, which may include the likelihood that an investor may invest in a future fund sponsored Beach Point.

**Other Conflicts of Interest Relating to Beach Point Personnel**

Subject to certain restrictions in the Code of Ethics, Beach Point personnel may invest on behalf of themselves in securities and other instruments that would be appropriate for, may be held by, or may fall within the investment guidelines of the Funds and/or Managed Accounts. Beach Point personnel may give advice or take action for their own accounts that may differ from, conflict with or be adverse to advice given or action taken for the Funds and/or Managed Accounts. Although unlikely, these activities may adversely affect the prices and availability of other securities or instruments held by or potentially considered for one or more Funds and/or Managed Accounts.

Beach Point may give advice or take action with respect to the investments of one or more Funds or Managed Accounts that may not be given or taken with respect to other Funds or Managed Accounts with similar investment programs, objectives and strategies. Accordingly, Funds and Managed Accounts with similar strategies may not hold the same securities or instruments or achieve the same performance. This may raise a potential conflict of interest as the Funds and Managed Accounts pay Beach Point different levels and/or types of fees. Beach Point addresses this potential conflict of interest by allocating investment opportunities in accordance with its allocation policy. Beach Point also may advise Funds or Managed Accounts with conflicting programs, objectives or strategies. These activities also may adversely affect the prices and availability of other securities or instruments held by or potentially considered for one or more Funds or Managed Accounts.