

**ITEM 1: COVER PAGE**

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**FORM ADV PART 2A: FIRM BROCHURE**

**EVOLUTION CAPITAL MANAGEMENT LLC**

March 28, 2019

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This brochure (the “**Brochure**”) provides information about the qualifications and business practices of Evolution Capital Management LLC (“**Evolution**”). If you have any questions about the contents of this Brochure, please contact Gerald Tsai, Evolution’s Chief Compliance Officer, at (310) 315-8888 or [gerald.tsai@evocm.com](mailto:gerald.tsai@evocm.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 Evolution is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Registration as an investment adviser does not imply that Evolution or any of its managers, officers or employees possess a particular level of skill or training in the investment advisory business or any other business.

## **ITEM 2: MATERIAL CHANGES**

Since the filing of the last annual update on March 30, 2018, the Brochure has been updated to reflect changes in the composition of the Clients (as defined below), and to provide additional disclosure concerning conflicts of interest.

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## **ITEM 4: ADVISORY BUSINESS**

### **A. Advisory Business**

Evolution is an investment adviser with its principal place of business in Los Angeles, California. Evolution was formed in May 2002, and is a limited liability company organized in the State of Delaware. Evolution is wholly owned by Tiger Trust, a Cayman Islands trust for which Sequent (Guernsey) Limited and Guernsey Global Trust Limited serve as trustees. Michael Lerch is the founder of Evolution, and the sole beneficiary of Tiger Trust.

**B. Advisory Services**

Evolution provides investment advisory services on a discretionary basis to pooled investment vehicles that are structured as Delaware limited partnerships, Cayman Islands limited partnerships, Cayman Islands exempted companies, or Cayman Islands segregated portfolio companies (also referred to herein as “**Client**”, “**Clients**”, “**Fund**”, or “**Funds**”) for which Evolution acts as general partner or investment manager. References to an “investor” or “investors” in this Brochure refer to investors in Clients.

**C. Tailored Advisory Services**

Evolution is granted broad investment authority with respect to the management of its Clients, subject to such investment restrictions as may be set forth in the confidential private offering memorandum, limited partnership agreement (with respect to Clients formed as Delaware or Cayman Islands limited partnerships), memorandum and articles of association and investment management agreements (with respect to Clients formed as Cayman Islands exempted companies or segregated portfolio companies), and other governing documents of each Client (collectively, the “**Governing Documents**”). There is no assurance that any Client’s investment objectives will be achieved.

Evolution may enter into “side letters” or similar agreements with certain investors in the Clients granting the investor specific rights, economic terms, benefits, or privileges that are not made available to other investors. Investors may not impose restrictions on investing in certain securities and/or investments and/or certain types of securities and/or investments except as agreed to in the Governing Documents or in a side letter.

**D. Wrap Fee Programs**

Evolution does not participate in wrap fee programs.

**E. Client Assets Managed on a Discretionary Basis**

As of December 31, 2018, Evolution managed approximately \$401,988,556 in regulatory assets under management, all of which was managed on a discretionary basis.

**ITEM 5: FEES AND COMPENSATION**

The description below is intended to provide a brief summary of typical fee, compensation, and expense structures shared by certain types of Clients, and is not intended to depict every scenario where such structures may differ. All investors should review the Governing Documents of each Client in conjunction with this Brochure for more complete information.

**A. Compensation for Advisory Services**

With respect to any Clients of Evolution in which all investors are “qualified purchasers”, as defined in Section 2(a)(51)(A) of the Investment Company Act of 1940, as amended (the “**1940 Act**”), information regarding the fees and compensation payable by such investors is not required to be disclosed herein.

- (1) Evolution Income Funds. Evolution is the investment adviser to two pooled investment vehicles that directly or indirectly invest in U.S. consumer and small business debt securities that are sourced from marketplace lenders (the “**Evolution Income Funds**”).
  - a. Management Fees: The annual management fee applicable to the Evolution Income Funds is 1.5% of the net asset value of the applicable Evolution Income Fund.
  - b. Performance Based Compensation: Evolution has waived its right to receive performance based compensation for the management of the Evolution Income Funds.
  - c. Capital Deployment Fee: Although capital deployment fees are no longer being charged to investors in the Evolution Income Funds, existing investors have paid a one-time capital deployment fee of 1.0%.
- (2) Global Allocation Fund. Evolution is the investment adviser to a pooled investment vehicle that was formed to invest in convertible bonds issued by a public company based in Asia (“**Global Allocation Fund**”). The performance fee applicable to the Global Allocation Fund is twenty-five percent (25%) of any realized and unrealized appreciation so long as such appreciation exceeds an annual ten percent (10%) return hurdle, compounded annually.
- (3) Fee Waivers. From time to time Evolution may in its sole discretion afford certain investors in Clients, including its employees, more favorable economic terms than other investors in the same Client or other investors within the same investment strategy, including with respect to management and performance-based compensation and capital deployment fees.

## **B. Deduction of Fees**

Management fees payable to Evolution are calculated monthly, accrued, and collected directly from Clients quarterly in arrears. Performance fees are generally collected on an annual basis after completion of the audit of a Client’s year-end financial statements.

## **C. Other Fees and Expenses**

- (1) Fees and Expenses Generally.

Subject to the Governing Documents, the Funds bear all costs, fees, expenses and liabilities that are incurred by, or arise out of their operation and activities. These include all ongoing costs and expenses associated with the administration and operation of the Funds, such as, without limitation, brokerage commissions, investment and hedging expenses, insurance premiums, tax and filing fees, legal, external valuation and auditing expenses, accounting, administrative, and consultant and other service provider expenses, trading and risk management system expenses, travel expenses related to fund investments, and expenses incurred with respect to furnishing investors with annual reports and other financial information. The Funds also are obligated to pay any extraordinary expenses they may incur, such as the expense of any litigation. To the extent any such costs and expenses are paid by Evolution, Evolution is entitled to be reimbursed by the Funds. Evolution may waive its right to be reimbursed for out-of-pocket expenses incurred on behalf of a Fund, or may voluntarily elect to reimburse a Fund for expenses.

- (2) Administration Fees and Expenses.

Evolution has engaged third party service providers (collectively, the “**Administrators**”) to provide fund administration services to the Funds. The Administrators are entitled to receive monthly fees that are based on a percentage of the net asset value of each Fund that range from 0.03% to 0.13%, subject to monthly minimum charges that range from \$3,000 to \$6,000.

In addition to the standard administration fees described above, the Administrators may also charge the Funds specific service based fees. The Administrators are also entitled to reimbursement of expenses. Certain Funds have engaged the Administrators to provide U.S. Foreign Account Tax Compliance Act and Common Reporting Standard compliance services. Fees for these services generally vary based on the number of reportable shareholders per Fund.

(3) Additional Expenses Applicable to Funds that Utilize Leverage.

Funds that utilize leverage may enter into credit facilities or obtain leverage through various other transactions, including but not limited to the use of derivative instruments, margin trading, borrowing securities, or through securitizations. All initial and ongoing expenses of any such arrangement may be borne by the Funds benefiting from the arrangement. These expenses may be amortized in a manner and over a term that is equivalent to the maturity of the arrangement, as determined by Evolution in its sole discretion.

(4) Additional Expenses Applicable to the Special Opportunities Portfolios (as defined below), the Japan Opportunities Funds (as defined below), Endeavor Strategies (as defined below), and Global Allocation Fund (collectively, the “**Co-Investment Funds**”).

The Co-Investment Funds are eligible to invest alongside affiliates of Evolution in structured transactions that generally involve providing financing to publicly listed corporations based in Asia. The Co-Investment Funds may participate in these transactions indirectly by investing through a special purpose vehicle or a fund managed by Evolution. In such cases, the Co-Investment Funds would be responsible for a portion of the costs associated with forming and operating the special purpose vehicle or fund. In no instance would the Co-Investment Funds be obligated to pay any additional management fees, performance fees or capital deployment fees as a result of the utilization of any such structure. In addition, certain Co-Investment Funds or vehicles through which they invest maintain brokerage accounts with an affiliate of Evolution, Evolution Japan Securities Co. Ltd. (“**EJS**”). Trading commissions payable to EJS are comparable to the commissions that would be payable if a broker unrelated to Evolution was utilized. Another affiliate of Evolution, Capital Servicing Co. Ltd. (“**CapServ**”) acts as the servicer for a non-performing loan purchased by certain Co-Investment Funds. Please review Item 8 for risks applicable to transactions involving affiliates, and Item 10 for additional information concerning Evolution’s relationship with EJS and CapServ.

(5) Additional Expenses Applicable to Master Feeder Structures. A “master-feeder” structure refers to a structure where a “feeder” fund pursues its investment strategy through an investment in a “master” fund. Two of the Funds invest through master-feeder structures. None of the feeder funds are obligated to pay any additional management fees, performance fees or capital deployment fees with respect to their investments in their respective master funds. However, as a shareholder of their master funds, the feeder funds bear a portion of the costs of their respective master funds’ organizational and operational expenses.

(6) Additional Expenses Applicable to Segregated Portfolio Company Structures. Evolution manages Clients that are structured as segregated portfolio companies. A segregated portfolio

company is a single legal entity that consists of segregated portfolios that may each have separate assets, liabilities, and operating activities. Investors in one segregated portfolio are not required to bear any expenses related to other segregated portfolios; they are, however, required to bear their portion of the cost to operate and maintain the existence of the segregated portfolio company as a whole.

#### **D. Pre-Paid Fees**

Evolution's fees are over the period when services are provided, and are paid in arrears thereafter.

#### **E. Compensation for Sale of Securities**

Neither Evolution nor any of Evolution's employees accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

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

Consistent with the provisions of Rule 205-3 under the Investment Advisers Act of 1940, as amended (the "**Advisers Act**"), and as discussed in Item 5 above, certain Clients pay Evolution both a management fee and a performance based fee.

The existence of a performance based fee may create an incentive for Evolution to make investments that may be riskier, more speculative, or potentially more profitable than would otherwise be the case in the absence of such performance based return. However, we believe this incentive is mitigated by the personal investment of Evolution's principals in certain Clients, either through direct investments in a Client, or through investments made in parallel with Clients. Therefore any losses will reduce the Clients' performance and, thus Evolution's principals' returns as well.

Evolution has adopted and implemented policies and procedures intended to address potential conflicts of interest relating to the management of multiple Clients, and the allocation of investment opportunities among such Clients. Evolution reviews investment decisions for the purpose of ensuring that all Clients with substantially similar investment objectives are treated equitably.

### **ITEM 7: TYPES OF CLIENTS**

Evolution only provides investment advice to private investment funds. The investors in each Fund may include, but are not limited to, corporations, foundations, trusts, estates and high net worth individuals. The Funds are offered exclusively to parties who are "accredited investors" as defined in Regulation D under the Securities Act of 1933, as amended (the "**Securities Act**"), and "qualified clients" as defined in Rule 205-3 of the Advisers Act. Certain Funds require that their investors, in addition to being accredited investors and qualified clients, are qualified purchasers. Accordingly, all Clients of Evolution are exempt from registration as investment companies in reliance upon the exemptions available under Section 3(c)(1) or Section 3(c)(7) of the 1940 Act.

The initial and additional subscription minimums are disclosed in the confidential private offering memorandum for each Fund. Initial and additional subscription minimums may be waived by Evolution or the directors of the Funds, in their sole discretion.

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

### A. Investment Strategies

The following describes investment strategies employed by Funds managed by Evolution in which third parties have invested. Evolution is also the investment adviser to investment vehicles that only hold assets of principals of the firm. The investment strategies of these investment vehicles are not discussed below.

- (1) Evolution Income Funds. The Evolution Income Funds focus on investing in Securities (as defined below) that derive their value from consumer and small business loans facilitated by online lending platforms (the “**Lending Platforms**”) that enable individuals and small businesses to borrow money and investors to fund loans made to borrowers. The “**Securities**” include trust certificates that entitle a holder (like the Evolution Income Funds) to interest and principal payments with respect to loans that are owned by a trust affiliated with a Lending Platform, notes issued by the Lending Platforms, notes issued by borrowers through the Lending Platforms, or other contractual instruments that derive their value from loans sourced by Lending Platforms. There are no restrictions on the percentage of the Evolution Income Funds’ investments that may be allocated to any particular type of investment. The Evolution Income Fund may trade the Securities on the secondary market. In the past, certain Evolution Income Funds pursued this investment strategy with the use of leverage obtained through credit facilities or securitizations.
- (2) Special Opportunities Portfolios. The “**Special Opportunities Portfolios**” are special situations funds that participate in unique investment opportunities. These opportunities have included the extension of debt financing to a private investment fund. In addition, the Special Opportunities Portfolios have opportunistically invested alongside affiliates of Evolution and other Co-Investment Funds in structured financings of publicly listed issuers based in Asia.
- (3) Endeavor Strategies and Japan Opportunities Funds. Evolution manages several pooled investment vehicles, such as “**Endeavor Strategies**”, that pursue their investment objective of maximizing long-term gains and income primarily through investing opportunistically in structured investments in Japan alongside affiliates of Evolution. The investment guidelines of the “**Japan Opportunities Funds**” also permit significant allocations of investments outside of Japan.
- (4) Global Allocation Fund. The investment strategy of Global Allocation Fund is discussed in Item 5.

### B. Material Risks

Each of the investment strategies employed by Evolution entails substantial inherent risks. These investment strategies involve risk of loss to investors and investors must be prepared to bear the loss of their entire investment. Although Evolution attempts to manage these risks through careful research, ongoing monitoring of investments, and diligent management, there can be no assurance that the securities and other instruments purchased which are the focus of the Funds’ strategies will increase in value or that Evolution’s Funds and their investors will not incur significant losses. Prospective investors must carefully review the “Certain Risk Factors” section of the respective Fund’s Confidential Private Offering Memorandum and carefully consider the risk factors in

evaluating the merits and suitability of an investment in the respective Fund. The following discusses certain material risks for each significant investment strategy or method of analysis employed by Evolution.

(1) Risks Applicable to All Funds

*Investment in the Funds is Highly Risky and Speculative.* An investment in the Funds is highly risky and speculative. Investors bear the risk of loss of their entire investment.

*No Liquidity.* Investors in the Funds will be purchasing illiquid securities. The securities are issued pursuant to a private placement exemption under the Securities Act and are subject to significant restrictions on resale. The securities are not listed on any securities exchange, and do not have a secondary market.

*The Funds have Limited Operating Histories.* The Funds have limited operating histories. Accordingly, an investment in the Funds entails a high degree of risk. It cannot be assumed that Evolution will achieve any Fund's investment objectives. There exists a possibility that an investor could suffer a complete loss as a result of an investment in a Fund.

*The Funds May Incur Significant Direct and Indirect Expenses.* The Funds may incur significant transaction costs and expenses in connection with its investments and operations. These and other expenses of organizing and operating the Funds (including management fees, performance fees, costs incurred in obtaining financing, and the fees payable to the Administrator and other professional advisors) are paid out of the Funds' capital, reducing the Funds' potential for profitability. This risk is higher if the Funds have limited assets.

*Substantial Redemptions May Materially and Adversely Affect the Value of the Funds' Assets.* Substantial redemptions by investors within a short period of time could require Evolution to liquidate positions more rapidly than would otherwise be desirable, which could adversely affect the value of a Fund's assets. The resulting reduction in a Fund's assets could make it more difficult to generate a positive rate of return or to recoup losses due to a reduced equity base.

*Adverse General Economic Conditions May Harm the Funds' Business.* The success of any investment activity is influenced by general economic conditions, which may affect the level and volatility of interest rates and the extent and timing of shareholder participation in the markets for both equity and interest-rate-sensitive securities. Unexpected volatility or illiquidity in the markets in which the Funds directly or indirectly hold positions could impair the Funds' ability to carry out their business and could cause them to incur losses.

*Evolution Must Manage Conflicts of Interest.* As Evolution has expanded the scope of its business, Evolution increasingly must address potential conflicts of interest relating to the Funds' investment activities. For example, if certain Funds have overlapping investment objectives and differing fee structures, potential conflicts may arise with respect to decisions regarding how to allocate investment opportunities among those Funds. Similarly, by way of example, any decision to acquire material, non-public information while pursuing an investment opportunity for a particular Fund gives rise to a conflict of interest when so doing results in restricting the ability of another Fund either to sell investments in its portfolio or to pursue its own investment opportunity. In addition, investors may perceive conflicts of interest regarding particular investment management decisions in respect of Funds in which Evolution or its principals may be personally invested. While there are policies and procedures in place that are intended to ensure



that each potential conflict of interest is appropriately addressed, it is possible that potential or perceived conflicts could give rise to investor dissatisfaction or litigation or regulatory enforcement actions. Appropriately dealing with conflicts of interest is complex and difficult and Evolution's reputation could be damaged if potential or actual conflicts of interest are not adequately addressed.

*The Risk Management Systems of the Fund or Evolution May Fail.* The risk management techniques and strategies utilized by the Funds and Evolution may not be fully effective in mitigating the risk exposure in all economic market environments or against all types of risk, including risks that are not identified or anticipated. Some of the strategies for managing risk are based upon use of observed historical market behavior. Any failures in the risk management techniques and strategies to accurately quantify the risk exposure could limit the ability to manage risks or to seek adequate risk-adjusted returns. In addition, any risk management failures could cause the losses to be significantly greater than the historical measures indicate.

*The Success of the Funds is Dependent on Key Personnel of Evolution.* The success of the Funds will depend in part upon the skill and management expertise of the investment professionals of Evolution. There can be no assurance that the investment professionals of Evolution will continue to be associated with Evolution or its affiliates. The loss of the services of any key investment professional of Evolution could have an adverse effect on the operations of the Funds. Evolution has exclusive and absolute discretion and authority to manage and control the Fund's investments, except as limited by the Fund's Governing Documents or applicable law. Evolution has wide discretion to select securities and other intangible investment instruments in which the Funds invest and to determine the amount of funds to be used for each purpose. Evolution may exercise this discretion and authority conditionally or unconditionally, arbitrarily or inconsistently in varying or similar circumstances.

*Risks from Any Evolving or New Trading Strategies.* Evolution's investment analysis and selection techniques are continually evolving, and it may, for example, incorporate new or different models over time. Any newer techniques that Evolution employs may be less successful than prior techniques and may subject the Funds to additional risks.

*Each Fund's Portfolio Lacks Diversification.* Each Fund invests substantially all of its capital directly and indirectly in pursuit of its specific investment strategy. Each Fund's portfolios will not be diversified beyond those investments, idle cash, money market instruments or other short-term investments and any investments used for hedging purposes. In addition, the Funds are not required to maintain a minimum level of capital. If any Fund incurs losses or withdrawals, it may not have sufficient funds to adequately diversify the investments it holds.

*Combination or "layering" of multiple risk factors may significantly increase the risk of loss.* Although the various risks discussed in this Brochure are generally described separately, prospective investors in the Funds should consider the potential effects of the interplay of multiple risk factors. Where more than one significant risk factor is present, the risk of loss to an investor may be significantly increased. Prospective investors should carefully consider the potential effects of layered risks.

*Transactions with Affiliates of Evolution.* As discussed in greater detail below and in Item 10, certain affiliates of Evolution provide services to various clients of Evolution that include investment banking, placement, trading support, and brokerage services. Due to the common control over Evolution and these affiliates, the terms of the services provided may unintentionally

favor the interests of one party to the detriment of the other. In the absence of affiliated ownership and control, the agreements among these entities and the decisions made regarding the administration and enforcement of such agreements would be determined at arm's length by wholly unrelated parties which would each be seeking to maximize its rights and interests and minimize its obligations and liabilities. Such fully arm's length negotiations may not be possible. Although Evolution expects the terms of agreements entered into with its affiliates to be comparable to the terms of similar instruments negotiated by unrelated third parties under similar circumstances, such terms will not be determined by fully arm's-length negotiations.

(2) Risks Applicable to Evolution Income Funds

*Securities Purchased are Generally Unsecured Obligations and are Not Backed by Any Collateral.* The Evolution Income Fund will generally purchase Securities that derive their value from unsecured loans made to borrower members of the Lending Platforms. These loans are not secured by any collateral, not guaranteed or insured by any third party and not backed by any governmental entity. Moreover, the Evolution Income Funds will have no ability to enforce any defaults on the underlying debt securities. Only the Lending Platforms and their agents will have any ability to pursue collection efforts and there is no assurance that they will take such actions.

*Information Supplied by Borrowers are not Generally Verified by the Lending Platforms.* Borrowers on the Lending Platforms self report a variety of information to the Lending Platforms. In addition, the Lending Platforms obtain credit information on borrowers from consumer reporting agencies. The information that is self reported by borrowers and obtained from consumer reporting agencies is relied upon by the Lending Platforms in selecting which loans to approve, and by Evolution in selecting which Securities to purchase. However, with limited exceptions, the Lending Platforms do not verify any of this information beyond what is obtained through third party, online services. If the Lending Platforms and Evolution rely on false or misleading information, the Evolution Income Funds' performance will suffer.

*Limited Historical Performance Data About Loan Performance.* The Lending Platforms are in the early stages of development and have limited operating histories. Due to their limited operational histories, they do not have significant historical performance data regarding loan performance, and do not yet know what the long-term loan loss experience will be. Loans sourced by the Lending Platforms, and Securities purchased by the Evolution Income Funds may default more than initially estimated.

*Valuation Methodologies for Certain Investments in the Evolution Income Funds Involve Subjectivity.* There are no readily-ascertainable market prices for the Securities in which the Evolution Income Funds invest. The value of each of the Securities is determined on a periodic basis by Evolution, with the assistance of an independent, third party valuation consultant. The fair value of the loans is determined using a number of methodologies which in turn are based on a number of factors, including the nature of the loans, the expected cash flows from the loans, the expected default rate of the loans, the length of time the loans have been held, and other recognized valuation methodologies.

Because there is significant uncertainty in the valuation of, or in the stability of the value of illiquid investments, the fair values of such investments as reflected in the net asset value of an Evolution Income Fund do not necessarily reflect the prices that would actually be obtained when such investments are realized. Realizations at values significantly lower than the values at which

investments have been reflected in prior net asset values would result in losses for the Evolution Income Funds.

*Default Rates on Debt Securities May Increase as a Result of Economic Conditions.* Borrower default rates may be significantly affected by economic downturns or general economic conditions. In particular, default rates on underlying loans from which the Securities purchased by the Evolution Income Funds derive value may increase due to factors such as prevailing interest rates, the rate of unemployment, the level of consumer confidence, residential real estate values, energy prices, changes in consumer spending, disruptions in the credit markets and other factors.

*Scoring Models Used by the Lending Platforms May Not be Effective.* The Lending Platforms are highly dependent on the use of credit decisioning and scoring models to evaluate a borrower's credit profile and likelihood of default. The Evolution Income Funds could be adversely affected if these scoring models contain errors or otherwise are ineffective in predicting losses. Errors in these scoring models could result in the mispricing and misclassification of loans, or incorrect approvals or denials of loans. Any such errors would also impair the Evolution Income Funds' ability to properly evaluate debt securities available for purchase.

*The Funds Will be Subject to Risk Due to the Aging of Underlying Loans.* The Evolution Income Funds will invest in a portfolio of Securities that derive their value from a portfolio of unsecured consumer and small business loans that are facilitated by the Lending Platforms. These underlying loans have maturities of 1- to 5- years. Over time, as a portfolio of loans ages, performance of that portfolio will degrade due to the cumulative effect of defaults. For example, if 1% of the loans per year in a static portfolio of 5-year loans experiences defaults, then by the fifth year almost 5% of the loans will have defaulted, reducing the return on what is left of the portfolio. The effect of diminishing returns caused by the aging of a portfolio of loans can be difficult to gauge if a portfolio of loans is growing rapidly, because a large number of new loans can obscure the performance of the older loans.

Prospective investors must understand that the returns on a static portfolio of loans, including a static portfolio of loans underlying the Securities purchased by the Evolution Income Funds, will always decline over time as the portfolio matures.

*The Lending Platforms Are Dependent on Banks.* Some of the Lending Platforms from which the Evolution Income Funds purchase Securities rely on WebBank to originate the loans that are facilitated by their platforms, and to comply with various federal, state and other laws in connection with such origination. The origination services provided by WebBank are non-exclusive, and do not prohibit WebBank from working with competing Lending Platforms. Lending Club and Prosper would be adversely affected if WebBank does not perform such services as expected or ceases to provide such services, which would, in turn, adversely affect the Evolution Income Funds.

*The Funds May be Adversely Affected by Changes in Interest Rates.* The Securities purchased by the Evolution Income Funds derive value from loans that bear fixed, not floating, rates of interest. If prevailing interest rates increase, the interest rates on the underlying loans might be less than the rate of return an investor could earn in comparison to a different investment. In addition, there is no prepayment penalty for borrowers who prepay their loans. If prevailing interest rates on loans decrease, borrowers may choose to prepay their loans with money they borrow from

other sources or other resources, and the Evolution Income Funds may not receive the returns originally anticipated on a Security. Evolution is not obligated to hedge interest rate risk.

*The Lending Platforms are Subject to Extensive Regulation.* The business models of the Lending Platforms are fairly new, and their compliance with various aspects of regulatory regimes applicable to consumer or commercial credit transactions is untested. A federal or state regulator could take a position that any such Lending Platform's activities (and perhaps the activities of the participants on those platforms, such as the Evolution Income Funds) do not comply with applicable law, and any such regulatory action could adversely affect the Evolution Income Funds and their investors.

*Investment in Aggregated Pool of Securities; Exposure to Wide Variance in Risk Environments.* Newly admitted investors and existing investors in the Evolution Income Funds increasing their capital contributions will be participating in investments in existing Securities held by the Evolution Income Funds at the time of such admission or contribution. Thus, an investor will have exposure to Securities that derive value from loans acquired over a wide range of financial market conditions and risk environments, as well as over periods of time that pre-date the period in which an investor is admitted or makes additional contributions. Accordingly, an investor may have exposure to Securities acquired when market conditions and perceived or actual risks as well as default rates were significantly different than in effect on the date of such investor's admission or increase in capital contribution.

*An Evolving Judicial Landscape Could Adversely Affect the Securities.* A recent decision by the United States Court of Appeals for the Second Circuit (the "**Second Circuit**") raises concerns over whether interest payments on Securities attributable to borrowers located within the Second Circuit could be deemed to exceed the usury rate of interest. The Second Circuit is comprised of the states of New York, Vermont and Connecticut. Securities attributable to borrowers living within the Second Circuit make up a small percentage of the total Securities held by the Evolution Income Funds. However, if borrowers in the Second Circuit can successfully assert that the interest rate they are being charged exceeds the usury rate of interest for their state of residence, the Evolution Income Funds' returns would be adversely affected. The Evolution Income Funds' returns would also be adversely affected if borrowers in jurisdictions other than the Second Circuit were able to successfully assert similar claims.

(3) Risks Applicable to Evolution Income Funds Domiciled in the Cayman Islands ("**Cayman Evolution Income Funds**")

*The Cayman Evolution Income Funds Could be Deemed to be Engaged in a U.S. Trade or Business, with the Result that Some Portion of their Income is Properly Treated as Effectively Connected Income, or ECI.* The Cayman Evolution Income Funds' method of operation is not expected to result in a determination that they are engaged in a U.S. trade or business. There can be no assurance, however, that the Internal Revenue Service (the "**IRS**") will not assert successfully that the Cayman Evolution Income Funds are engaged in a U.S. trade or business. If the IRS successfully asserted that the Cayman Evolution Income Funds were engaged in a trade or business in the U.S., some portion of their income would be treated as effectively-connected income ("**ECI**") with respect to non-U.S. investors. In addition, certain income of non-U.S. investors from U.S. sources not connected to any such U.S. trade or business conducted by the Cayman Evolution Income Funds could be treated as ECI. To the extent the Cayman Evolution Income Funds' income is treated as ECI, non-U.S. investors generally would be subject to withholding tax on their allocable shares of such income, would be required to file a U.S. federal income tax return for such year reporting their allocable shares of income effectively connected

with such trade or business and any other income treated as ECI, and would be subject to U.S. federal income tax at regular U.S. tax rates on any such income (state and local income taxes and filings may also apply in that event). Non-U.S. investors may also be subject to a 30% branch profits tax on such income in the hands of non-U.S. investors that are corporations.

(4) **Risks Applicable to Evolution Income Funds that Employ Leverage (the “Leveraged Evolution Income Funds”)**

*Risks of Leverage.* Utilizing leverage may provide the Leveraged Evolution Income Funds with the opportunity for greater capital appreciation but, at the same time, will increase their exposure to capital risk and higher current expenses. If income on investments made with borrowed funds are less than the cost of leverage, the value of the Leveraged Evolution Income Funds’ assets will decrease. Accordingly, any event which adversely affects the value of an investment by the Leveraged Evolution Income Funds would be magnified to the extent leverage is employed. The cumulative effect of the use of leverage in a market that moves adversely to a leveraged investment could result in a substantial loss which would be greater than if leverage were not used. Moreover, if the assets under management are not sufficient to pay the principal of, and interest on, the debt when due, the Leveraged Evolution Income Funds could sustain a total loss of their investment. To the extent that the Leveraged Evolution Income Funds obtain leverage by purchasing the securities of special purpose vehicles that invest in a pool of loans, any losses incurred by these special purpose vehicles will be allocated in the first instance to the securities held by the Leveraged Evolution Income Funds. The Leveraged Evolution Income Funds may use significant leverage and their use of any leverage will increase the Leveraged Evolution Income Funds’ exposure to capital risk.

The Leveraged Evolution Income Funds have entered into a credit facility under which the credit provider has a first priority lien on all assets of the Leveraged Evolution Income Funds. The Leveraged Evolution Income Funds could be required to repay that loan using a greater portion of the loan interests and principal repayments than they currently expect, which would reduce returns to investors. Pursuant to the credit facility, the Leveraged Evolution Income Funds will be required to comply with, among other things, financial covenants and covenants related to the loans underlying the Securities purchased by the Leveraged Evolution Income Funds. In addition, Evolution and the Leveraged Evolution Income Funds made numerous representations and warranties. If any of those covenants is violated or if any representation or warranty is or becomes inaccurate, the credit provider may accelerate the maturity date of the loan, seize and liquidate the Leveraged Evolution Income Funds’ assets and exercise other remedies available to it. Any such action could cause the investors to lose some or all of their investment.

*Inability to Obtain Financing.* The Leveraged Evolution Income Funds intend to execute their investment objectives by accessing the credit markets to obtain the capital necessary to finance their acquisition of debt securities. There is no assurance that the Leveraged Evolution Income Funds will be able to obtain credit or other financing facilities on acceptable terms, if at all. If the Leveraged Evolution Income Funds seek financing and are unable to obtain it, the Leveraged Evolution Income Funds may be unable to implement their investment strategy and their performance, financial condition and ability to satisfy investor redemption requests could be materially and adversely affected.

(5) **Risks Applicable to the Co-Investment Funds**

*Co-Investing Through and With Affiliates of Evolution.* The investment strategy of the Co-

Investment Funds permits investment alongside affiliates of Evolution. These co-investments may take a variety of forms. For example, an affiliate of Evolution could invest alongside the Co-Investment Funds as multiple counterparties to a transaction with an issuer, or by investing through a special purpose vehicle or fund managed by Evolution. Alternatively, a single investor could act as the sole counterparty to a transaction with an issuer, with co-investors obtaining exposure to the investment through a derivative instrument with the named investor. Any derivative or contractual arrangement used in this regard would provide economic exposure to an investment among co-investors equally, based on the size of their commitment to the investment, relative to each other. Neither Evolution, nor any of its affiliates would receive any commission or fee from the Fund or any external client of the Investment Manager for sourcing or structuring any investment.

*Trade Allocation.* Evolution does not have a duty to allocate every investment opportunity in which it or its affiliates may invest to the Co-Investment Funds, whether or not such opportunity may be appropriate for the Co-Investment Funds. Evolution or its affiliates may, in their sole discretion, elect to purchase securities or pursue investment opportunities entirely for their own benefit, or allocate such investment opportunities to one Co-Investment Fund, but not others that have similar investment strategies. In determining whether an investment opportunity is appropriate for a Co-Investment Fund, Evolution will in good faith consider such factors as it deems appropriate, including without limitation whether the investment opportunity satisfies the investment guidelines of a particular Co-Investment Fund, and is large enough to accommodate an economically meaningful investment by numerous parties. Evolution will also consider whether there is sufficient time to conduct due diligence on the potential investment in satisfaction of its fiduciary duty to the Co-Investment Funds, and to request, collect, and deploy capital in advance of the anticipated closing date of the investment opportunity. In determining the allocation of an investment opportunity among its affiliates and the Co-Investment Funds, Evolution will consider each party's investment guidelines, risk tolerance, net asset value, available funds (e.g., uncalled capital), and need for diversification or balance in their portfolio, as well as the size of the potential investment as a whole, common sense adjustments that may lead to cost savings or other transactional efficiencies, and other factors it deems relevant. The conflicts inherent in making any such allocation decisions may not always be resolved to the advantage of a particular Co-Investment Fund. There can be no assurance that a Co-Investment Fund will have an opportunity to invest in certain investments that fall within its investment objectives.

*Use of Affiliated Service Provider, Broker, and Custodian.* EJS is a broker-dealer licensed by the Kanto Local Finance Bureau and is regulated by the Financial Services Agency of Japan. It is affiliated with Evolution through common ownership. EJS may provide investment banking services in sourcing, negotiating, and executing investment opportunities in which the Co-Investment Funds participate. EJS is not entitled to receive any compensation from the Co-Investment Funds for such services.

The Co-Investment Funds or special purpose vehicles managed by Evolution through which the Co-Investment Funds invest may establish brokerage relationships with EJS. Whenever an affiliate of an investment manager is acting as a custodian, there is heightened sensitivity to misappropriation of assets because there is no independent third party acting as an intermediary. To address this concern, EJS has provided Evolution with an attestation report on its internal controls, and will continue to provide Evolution with updated reports on an annual basis. As required by Rule 206(4)-2 of the Advisers Act, such reports have been prepared by an independent accounting firm that is registered with, and subject to inspection by the Public

Company Accounting Oversight Board (the “PCAOB”). EJS will be entitled to receive brokerage fees for acting as a broker for the Co-Investment Funds or special purpose vehicles managed by Evolution through which the Co-Investment Funds invest. In considering whether to use EJS as a broker, Evolution has determined in good faith that the brokerage fees charged by EJS are reasonable in relation to the value of the services provided by EJS, and that such fees are similar to the fees that would be charged by an unaffiliated broker.

The brokerage services provided by EJS may also include securities lending arrangements in which EJS may facilitate such lending by effecting short sale transactions in which EJS delivers borrowed securities to the Co-Investment Funds or special purpose vehicles through which the Co-Investment Funds invest. In connection with such transactions, the securities borrowed by EJS may include those owned by affiliates of EJS or Evolution, or clients of Evolution. Any such arrangements and transactions shall be effected on market terms as determined by EJS.

*Investments in East and South-East Asia Entail Regulatory Issues.* The Co-Investment Funds may make significant investments in certain East and South-East Asian markets. Many foreign funds have confronted tax and regulatory issues in East and South-East Asia as they have become more high-profile amid a back-lash against the success and growth of foreign funds. If this trend continues, the Co-Investment Funds may be affected and the value of the Co-Investment Funds may decline.

*Trading of Derivative Contracts.* The Co-Investment Funds may invest in derivatives, including swap contracts, futures contracts, options, credit default swaps and forward contracts. The performance of derivatives is tied to the performance of an underlying currency, security, index or other instrument. In addition to risks relating to their underlying instruments, the use of derivatives may include other, possibly greater, risks. Risks associated with the use of derivatives may include counterparty, leverage, correlation, liquidity, tax, market, interest rate and management risks. Derivatives may also be more difficult to purchase, sell or value than other investments. Derivatives held as part of the Co-Investment Funds’ investment program may have the economic effect of financial leverage by creating additional investment exposure, as well as the potential for greater gain or loss. The Co-Investment Funds may lose more than the cash amount invested on investments in derivatives.

*Hedging Transactions.* The Co-Investment Funds may from time to time purchase or sell forwards, swaps or options on currencies, securities and indices. It is the intention of Evolution to engage in such transactions as a way to mitigate risk associated with the Co-Investment Funds’ investments; however, it is generally impossible to fully hedge an investment given the uncertainty as to the amount and timing of projected cash flows and investment returns, if any, on the Co-Investment Funds’ investments. This may lead to losses on both the Co-Investment Funds’ investments and the related transaction. Hedging against a decline in the value of the Co-Investment Funds’ investments may not eliminate fluctuations in the values of such investments or prevent losses if the value of such investments decline, but instead establish counterbalancing investment positions designed to gain from those same developments, thus offsetting the decline in the investments’ value. Such hedging transactions may also limit the opportunity for gain if the value of the hedged investments should increase. Moreover, it may not be possible for the Co-Investment Funds to hedge against a change in the value of its investment at a price sufficient to protect the Co-Investment Funds’ assets from the decline in value anticipated as a result of such change. In addition, it may not be possible to hedge against certain risks at all. In the event that any amount is owed by the Co-Investment Funds under a hedging transaction, including in

connection with a margin call, the Co-Investment Funds may be required to liquidate assets to the extent necessary to satisfy such amounts.

*Below Investment Grade Securities.* The Co-Investment Funds may trade below investment grade securities and preferred securities which are rated in the lower rating categories by the various credit rating agencies (or in comparable non-rated securities) and may be subject to greater risk of loss of principal and interest than higher rated securities. These investments are generally considered to be speculative based on the issuer's ability to pay interest and repay principal. They are also generally considered to be subject to greater risk than securities with higher ratings in the event of deterioration in general economic conditions. Because lower rated securities are perceived to be risky, the yields and prices of such securities may tend to fluctuate more than those for higher rated securities. The market for lower rated securities is thinner and less active than that for higher rated securities, which can adversely affect the prices at which these securities can be sold. In addition, adverse publicity and investor perceptions about lower rated securities, whether or not based on fundamental analysis, could contribute to a decrease in the value and liquidity of such lower rated securities.

*Investing in Subordinated Securities.* The Co-Investment Funds may invest in subordinated securities which involve greater credit risk of default than the senior classes of the issues or series. Certain subordinated securities (including the equity or subordinated debt components of collateralized loan obligations and collateralized bond obligations) absorb all losses from default before any other class of securities is at risk, particularly if such securities have been issued with little or no credit enhancement or equity. Subordinated securities therefore possess some of the attributes typically associated with equity investments.

*Collateralized Loan Obligations.* The Co-Investment Funds may invest in various tranches of collateralized loan obligations (including tranches that are subordinate to other tranches). In addition to the normal interest rate, default and other risks of fixed income securities, collateralized loan obligations carry additional risks, including the possibility that distributions from collateral securities will not be adequate to make interest or other payments and the quality of the collateral may decline in value or default.

*Defaulted Securities Risk.* The Co-Investment Funds may invest in securities where the issuer has defaulted on the payment of interest and/or principal. Defaulted securities are speculative and involve substantial risks. Generally, the Co-Investment Funds will invest in defaulted securities when Evolution believes they offer significant potential for higher returns or can be exchanged for other securities that offer this potential. There can be no assurance that the Co-Investment Funds will achieve these returns or that the issuer will make an exchange offer. The Co-Investment Funds will generally not receive interest payments on defaulted securities and may incur costs to protect its investment. In addition, defaulted securities involve the substantial risk that principal will not be repaid. Defaulted securities and any securities received in an exchange for such securities may be subject to restrictions on resale.

*Issues Relating to Underlying Collateral.* The Co-Investment Funds may invest in debt securities that bear interest at a floating rate that resets periodically. The terms of the senior secured floating rate loans and debt securities in which the Co-Investment Funds typically invest require that collateral be maintained to support payment of the obligations. However, the value of the collateral may decline after the Japan Opportunities Funds invest. There is also a risk that the value of the collateral may not be sufficient to cover the amount owed to the Co-Investment Funds. In addition, collateral securing a loan may be found invalid, may be used to pay other



outstanding obligations of the borrower under applicable law or may be difficult to sell. In the event that a borrower defaults, the Co-Investment Funds' access to the collateral may be limited by bankruptcy or other insolvency laws. There is also the risk that the collateral may be difficult to liquidate, or that a majority of the collateral may be illiquid. As a result, the Co-Investment Funds may not receive payments to which they are entitled.

*The Co-Investment Funds May Hold Large Positions with Limited Liquidity.* The Co-Investment Funds may collectively take positions in a company that result in the Co-Investment Funds and their co-investors being the sole holder of a particular security (e.g., convertible bonds), or holding a large portion of a company's outstanding stock relative to the trading volume of the company's outstanding stock. The Co-Investment Funds may not be diversified beyond such investment. Large positions in a single company involve liquidity and valuation risks that smaller positions do not present. The illiquidity of these positions may result in their being held longer Evolution would prefer, which may result in losses to the Co-Investment Funds.

*Investments by the Co-Investment Funds are Vulnerable to Changes in Foreign Exchange Rates.* The investment opportunities pursued by the Co-Investment Funds will be denominated in currencies other than the U.S. dollar, and may involve financial instruments valued based on currencies other than the U.S. dollar. The Co-Investment Funds, however, will value their securities and other assets in U.S. dollars. To the extent unhedged, the value of the Co-Investment Funds' non-U.S. dollar denominated assets will fluctuate with U.S. dollar exchange rates as well as with price changes of the underlying investments in their local markets and currencies. Thus, an increase in the value of the U.S. dollar compared to the other currencies in which the Co-Investment Funds' investments are denominated will reduce the effect of increases and magnify the effect of decreases in the prices of the underlying investments 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 underlying investments. Evolution may use forward currency contracts and options to hedge against currency fluctuations when deemed appropriate and subject to the availability of appropriate hedging instruments at acceptable prices. The successful utilization of hedging transactions requires skills complementary to those needed in the selection of the Co-Investment Funds portfolio holdings. There can be no assurance that such hedging transactions will be effective.

#### **ITEM 9: DISCIPLINARY INFORMATION**

Neither Evolution nor any of its management personnel are subject to or have in the past been subject to any legal or disciplinary events related to this Item or otherwise required to disclose any event required by this Item.

#### **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

##### **A. Registration as a Broker-Dealer; Registered Representatives**

Neither Evolution nor any of its management persons is registered, or has an application pending to register as a broker-dealer.

**B. Registration as a FCM, CPO, CTA, Etc.**

Neither Evolution nor any of its management persons is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing.

**C. Material Relationships**

Evolution is affiliated by common ownership with EJS. EJS is a broker-dealer licensed by the Kanto Local Finance Bureau and is regulated by the Financial Services Agency of Japan. As discussed in Items 5, 8, and 15, EJS acts as a broker for certain Funds. To address concerns that arise when an affiliated party acts as a custodian, EJS has provided Evolution with an attestation report on its internal controls and will continue to provide Evolution with updated reports on an annual basis. As required by Rule 206(4)-2 of the Advisers Act, such reports have been prepared by an independent accounting firm that is registered with, and subject to inspection by the PCAOB. Evolution believes that the fees payable to EJS as a broker are comparable to the fees that would be payable if a third party with similar financial sophistication was engaged to provide similar services under similar circumstances.

The brokerage services provided by EJS may also include securities lending arrangements in which EJS may facilitate such lending by effecting short sale transactions in which EJS delivers borrowed securities to the Co-Investment Funds or special purpose vehicles through which the Co-Investment Funds invest. In connection with such transactions, the securities borrowed by EJS may include those owned by affiliates of EJS or Evolution, or clients of Evolution. Any such arrangements and transactions shall be effected on market terms as determined by EJS.

As discussed in Item 8, EJS may also provide investment banking services in sourcing and structuring transactions in which the Co-Investment Funds invest. EJS will not receive any compensation from the Co-Investment Funds for such services.

Evolution is affiliated by common ownership with Evolution Japan Asset Management Co., Ltd. (“**EJAM**”). EJAM is licensed by the Kanto Local Finance Bureau as a financial instruments business operator and carries on business in Japan in this capacity. Evolution and EJAM have entered into a Participating Affiliate Services Agreement pursuant to which EJAM provides investment advisory and trading services to Evolution in connection with certain investment activities of the Co-Investment Funds. EJAM will not receive any compensation from the Co-Investment Funds for these services. As a “participating affiliate” of Evolution, EJAM will maintain and enforce Evolution’s compliance policies and procedures as they relate to the services provided by EJAM to Evolution under the Participating Affiliate Services Agreement. EJAM may recommend to its clients, or invest on behalf of its clients, in securities that are the subject of recommendations to, or discretionary trading on behalf of Evolution’s clients.

Evolution is affiliated by common ownership with Tora Trading Services, LLC (“**Tora**”). Tora provides customized trade execution and order management tools and related services used by Evolution. All fees and expenses related to services provided by Tora are borne entirely by Evolution. Tora is registered as a broker-dealer with the United States Securities and Exchange Commission and is a member of the Financial Industry Regulatory Authority.

A management person of Evolution is the Chief Executive Officer, Managing Member and owner of

Evoia Capital LLP (“**Evoia**”). Evoia provides back office operational services for certain Clients. All fees and expenses related to services provided by Evoia to any Clients are borne entirely by Evolution. Evoia is authorized as an investment adviser by the Financial Conduct Authority of the United Kingdom.

Evolution is affiliated by common ownership with Evo Infrastructure Solutions, Inc. (“**EIS**”). EIS provides back office operational services for certain Clients. All fees and expenses related to services provided by EIS are borne solely by Evolution.

Evolution is affiliated by common ownership with CapServ. CapServ is a loan servicer licensed by the Japanese Ministry of Justice. CapServ acts as the servicer for a non-performing loan purchased by certain Co-Investment Funds. These Co-Investment Funds authorized the appointment of CapServ in this regard. Evolution believes that the fees payable to CapServ as a loan servicer are comparable to the fees that would be payable if a third party with similar financial sophistication was engaged to provide similar services under similar circumstances.

EJAM, EIS, Evo Capital Management Asia Ltd., and Evo Strategies LLC (collectively, the “**Family Offices**”) are affiliated by common control with Evolution, and manage the assets of principals of the firm. The Family Offices are supported by the same operations and compliance team as Evolution, and maintain similar compliance policies and procedures. Potential conflicts of interest between the investment activities conducted by the Family Offices and the investment activities of Evolution are mitigated through these compliance policies and procedures, which include the enforcement of information barriers, restricted securities lists, and the physical separation of employees.

Endeavor Offshore Management (Cayman) Ltd. is a wholly owned subsidiary of Evolution, formed to serve as the general partner of Endeavor Strategies.

Evolution does not believe that the relationships described in this Item 10.C. create a material conflict of interest for it with respect to the Clients that cannot be addressed through the implementation of appropriate controls and procedures.

#### **D. Other Investment Advisers**

Evolution does not directly or indirectly receive compensation for recommending or selecting other investment advisers for Clients.

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

#### **A. Code of Ethics**

Evolution holds its “Access Persons” (as defined in Rule 204A-1 of the Advisers Act), to a high standard of integrity and business practice. These ethical standards are memorialized in Evolution’s Code of Ethics. The following standards of conduct govern the interpretation and administration of the Code of Ethics:

- (1) A fiduciary duty is owed to Clients. Accordingly, the interests of Clients must be placed ahead of those of Evolution or its Access Persons at all times.

- (2) All personal securities transactions must be conducted consistent with the Code of Ethics and in such a manner as to avoid any actual or potential conflict of interest or any abuse of an Access Person's position of trust and responsibility.
- (3) Access Persons should not take inappropriate advantage of their positions with Evolution.
- (4) It is a crime in the U.S. and many other countries to transact in a company's securities while in possession of material non-public information about the company. Access Persons are required at all times to adhere to Evolution's Insider Trading Policy.
- (5) Access Persons should not knowingly misrepresent, or cause others to misrepresent, facts about Evolution to Clients, investors, regulators, or any other member of the public.
- (6) Access Persons should not accept more than de minimis gifts or entertainment from persons or companies who are trying to solicit business from Evolution.
- (7) Access Persons have a duty to respect the confidential nature of information received from Clients and investors, and to use that information only for the purpose for which it is provided, whether or not that information is considered "inside information" and regardless of the basis on which confidentiality is required, such as by law, contract or ethical consideration.

Evolution has adopted certain procedures regarding personal investment transactions in an effort to minimize any conflicts of interest. Evolution requires its Access Persons to pre-clear with the Chief Compliance Officer or his designee all transactions in their personal accounts with respect to non-exempt securities. In addition, Evolution's Code of Ethics prohibits Evolution or its Access Persons from executing personal securities transactions of any kind in any securities on a restricted securities list maintained by the Chief Compliance Officer or his designee. Any of Evolution's Access Persons who engaged in reportable transactions during the quarter are required to provide Evolution with electronic access to their brokerage account records or duplicate account statements, or to submit a quarterly transaction report. All employees are required to disclose their annual holdings, which will be reviewed against their initial or previous year's holdings as well as any quarterly transaction reports during that year. Trading in employee accounts will be reviewed by the Chief Compliance Officer or his designee and reviewed against the restricted securities list and pre-cleared personal transactions request records.

Upon request, Evolution will provide a copy of its Code of Ethics to any investor or prospective investor in the Funds.

## **B. Participation or Interest in Client Transactions**

*Principal Transactions.* Evolution may cause a Client to engage in a principal transaction. However, Evolution will not cause any Client to engage in a principal transaction without providing the disclosure and obtaining the consent required under Section 206(3) of the Advisers Act. In general, Evolution will seek to minimize any potential conflicts of interest involving a principal transaction by using terms that are no less favorable to any affiliated party than those available from unaffiliated third parties. Further, Evolution would only cause a Client to engage in a principal transaction if it believed that such transaction would be in the best interest of the Client.

*Cross Trades.* From time to time, subject to the applicable Governing Documents, a Client may engage in cross trades with one or more other Clients, typically for purposes of portfolio rebalancing.

Evolution will not favor one Client over another in a cross trade. Neither Evolution nor any of its affiliates will receive commission based fees in connection with any cross trade. The value of any positions that are cross traded will be determined in a manner that is consistent with the valuation policy applicable to the participating Clients.

*Master-Feeder Structure.* Evolution may utilize a master-feeder structure whereby a Client pursues its investment strategy through an investment in other pooled investment vehicles or entities in which Evolution or a related person is, or holds a financial interest in the general partner, manager, investment adviser or other controlling entity. Certain investments by the Co-Investment Funds may also be facilitated through the use of a special purpose vehicle, or a fund managed by Evolution. When a Client invests in a pooled investment vehicle or other entities for which Evolution or a related person acts as the general partner, manager, investment adviser, or other controlling entity, fees associated with such investments will not be charged at either the feeder fund level or the master fund level to prevent a layering of fees.

*Personal Trading in the Funds.* Evolution, its related persons and their respective affiliates may invest in the various pooled investment vehicles for which Evolution acts as investment adviser. If any related person invests in a pooled investment vehicle managed by Evolution, although Evolution may elect to waive their performance fee obligations, in all other respects their investment will be on the same terms as any other investor.

*Other Interests in Client Transactions.* Evolution or affiliates of Evolution may make investments on their own behalf in investment opportunities that Evolution recommends to a Fund. In addition, its principals or entities affiliated therewith or controlled thereby may directly or indirectly co-invest with Funds, as permissible in the applicable Governing Documents. The investment strategy of the Co-Investment Funds is to invest alongside affiliates of Evolution. Any such co-investments or related transactions may raise potential conflicts of interest which are discussed in the Governing Documents of the Co-Investment Funds and summarized in Item 8 above.

## **ITEM 12: BROKERAGE PRACTICES**

### **A. Factors in Selecting or Recommending Broker-Dealers**

In selecting brokers and dealers to effect portfolio transactions for its Clients, Evolution seeks to obtain best execution, taking into consideration the price of a security offered by a broker-dealer, as well as the full range and quality of such broker-dealer's services, including, among other things and to the extent applicable, price, transaction costs, ability to effect transactions, reliability and financial responsibility, responsiveness to Evolution, access to deal flow and precedent transactions, ability to provide financing commitments, and other factors that Evolution deems appropriate to consider under the circumstances. Evolution does not in all cases solicit competitive bids and does not have an obligation to seek the lowest available commission cost. Evolution may also defer to a sub-adviser with respect to the selection of broker-dealers for a Client.

As discussed in Items 8 and 10, Co-Investment Funds or special purpose vehicles managed by Evolution through which the Co-Investment Funds invest may establish brokerage relationships with EJS. In considering whether to use EJS as a broker, Evolution has determined in good faith that the brokerage fees charged by EJS are reasonable in relation to the value of the services provided by EJS, and that such fees are similar to the fees that would be charged by an unaffiliated broker. The brokerage services provided by EJS may also include securities lending arrangements in which EJS

may facilitate such lending by effecting short sale transactions in which EJS delivers borrowed securities to the Co-Investment Funds or special purpose vehicles through which the Co-Investment Funds invest. In connection with such transactions, the securities borrowed by EJS may include those owned by affiliates of EJS or Evolution, or clients of Evolution. Any such arrangements and transactions shall be effected on market terms as determined by EJS. Please refer to Item 15 for a review of the measures Evolution has taken to address the use of an affiliated custodian.

- (1) Research and Other Soft Dollar Benefits. Evolution does not receive any soft dollar benefits from any broker-dealer or any third party.
- (2) Brokerage for Client Referrals. Evolution does not consider, in selecting or recommending broker-dealers, whether it or a related person receives client referrals from a broker-dealer.
- (3) Directed Brokerage. Evolution does not recommend, request or require that a client direct Evolution to execute transactions through a specified broker-dealer. Nor does Evolution require a client to direct brokerage.

#### **B. Aggregation of Trades**

Consistent with its duty to obtain best execution, Evolution may combine purchase or sale orders on behalf of its Clients, and allocate the securities so purchased or sold among its Clients. In accordance with its internal trade aggregation policy, Evolution will document the allocation method to be used in advance of placing any aggregated order. Each Client that participates in an aggregated order will participate at the average price for all of Evolution's transactions in that security on a given business day, with transaction costs shared pro rata based on each Client's participation.

### **ITEM 13: REVIEW OF ACCOUNTS**

Responsibility for managing Fund accounts is spread among Evolution's professionals who are best suited and skilled to manage the asset class in which the Fund is invested. On an ongoing basis, these professionals review prices of securities and other instruments held for clients, review relevant financial markets and are involved in all major portfolio decisions.

In the event a trade error is detected, losses arising therefrom that are not the result of willful malfeasance, fraud, or gross negligence will be borne by the affected Client. Similarly, any gains associated with a trade error will be kept by the affected Client.

Each investor in a Fund generally receives a written monthly account statement, prepared by the Administrator, providing the value of their investment in the Fund along with month-end and year-to-date performance. Investors in the Evolution Income Funds also receive monthly fund level performance reports from Evolution. Audited financial statements are prepared by an independent public accountant and are distributed to investors in the Funds on an annual basis. Please refer to Item 15 for additional discussion on the delivery of audited financial statements of the Funds to their investors.

### **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

Evolution has entered into arrangements with third parties for capital raising purposes. Although all such arrangements have been terminated, Evolution is still required to pay compensation with respect to past

referral activities. Any marketing fee or commission in connection with such investor referral activities is paid solely by Evolution and not by any Client. These referral arrangements complied with the requirements of Rule 206(4)-3 under the Advisers Act. Any third parties previously engaged by Evolution to assist in the offering of interests in the Funds were registered as broker-dealers or its equivalent in non-U.S. jurisdictions to the extent such registration was required.

#### **ITEM 15: CUSTODY**

As a general rule, Evolution will not directly hold any funds or securities of the Funds.

As all of the Funds are pooled investment vehicles, Evolution will provide audited financial statements to investors prepared in accordance with generally accepted accounting principles and delivered within 120 days after the end of each Fund's fiscal year. The independent public accountant retained to perform such annual audits shall be registered with, and subject to regular inspection by the PCAOB.

EJS acts as custodian with respect to brokerage accounts that it maintains for certain Co-Investment Funds or special purpose vehicles through which the Co-Investment Funds invest. To address concerns that arise when an affiliated party acts as custodian, EJS has provided Evolution with an attestation report on its internal controls and will provide Evolution with updated reports on an annual basis. As required by Rule 206(4)-2 of the Advisers Act, such reports have been prepared by an independent accounting firm that is registered with, and subject to inspection by the PCAOB.

If a Fund liquidates at a time other than the end of its fiscal year, Evolution will obtain a final audit and distribute audited financial statements prepared in accordance with generally accepted accounting principles to such liquidating Fund's investors promptly after completion of such audit.

#### **ITEM 16: INVESTMENT DISCRETION**

The terms of the investment management agreements entered into between Evolution and its Clients typically grant Evolution full discretion to make investments on its Clients' behalf subject to the investment guidelines set forth in such agreements, and in the Governing Documents. Evolution is authorized to make discretionary determinations in accordance with established investment guidelines without client consultation or consent.

#### **ITEM 17: VOTING CLIENT SECURITIES**

In the event Evolution is requested to participate in proxy voting, Evolution is authorized to vote Client securities in accordance with management recommendations on proposals except that Evolution will oppose proposals that diminish rights of shareholders or diminish management or board accountability to shareholders.

Evolution's proxy voting record is available to investors in Funds upon written request to the attention of Gerald Tsai, Chief Compliance Officer at Evolution Capital Management LLC, 11390 W. Olympic Blvd., Suite 100, Los Angeles, California 90064.

**ITEM 18: FINANCIAL INFORMATION**

**A. Prepayment of Fees**

Evolution does not require the prepayment of fees by its Clients.

**B. Financial Condition**

Evolution is not aware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitment to clients.

**C. Bankruptcy**

Evolution has not been the subject of a bankruptcy petition at any time in its history.