

**Pollen Street Capital (US) LLC**

**Form ADV Part 2A Brochure---March 29, 2019**

**Item 1      Cover Page**

This brochure provides information about the qualifications and business practices of Pollen Street Capital (US) LLC ("PSCUS"), an investment adviser registered with the United States Securities and Exchange Commission ("SEC"). Recipients of this brochure should be aware that registration with the SEC does not in any way constitute an endorsement by the SEC of an investment adviser's skill or expertise. Further, registration with the SEC does not imply or guarantee that a registered adviser has achieved, or its employees possess, a certain level of skill, competency, sophistication, expertise or training in providing advisory services to its clients.

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. If you have any questions about the contents of this brochure, please contact us at 747 3<sup>rd</sup> Avenue, 19<sup>th</sup> Floor, New York, New York 10017, or by calling (212) 729-4688. Additional information about the adviser is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

The oral and written communications of an investment adviser provide you with information which may be used to determine whether to hire or retain an investment adviser. This brochure does not constitute an offer to purchase any securities of any entities described herein. Any such offer or solicitation will be made solely to qualified investors by means of a private placement memorandum and related subscription materials.

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## **Item 2      Material Changes**

Since the last interim brochure dated May 18, 2018, PSCUS' Chief Compliance Officer has been changed to William R. Cumming.

Pursuant to SEC Rules, we provide our clients with ongoing disclosure about material changes as necessary and will ensure that our clients receive a summary of any material changes to this and subsequent brochures within 120 days of the close of our business' fiscal year. Our brochure may be requested by contacting our Chief Compliance Officer in writing at 747 3<sup>rd</sup> Avenue, 19<sup>th</sup> Floor, New York, NY 10017.

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#### **Item 4      Advisory Business**

- A.**      Pollen Street Capital (US) LLC (“PSCUS”), formed in 2011, is a Delaware limited liability company and has its principal place of business in New York, New York. PSCUS provides investment advisory services to private investment funds for sophisticated, qualified investors, such as high net worth individuals, funds of funds, family offices, endowments and other institutions (each a “Fund” and collectively, the “Funds”); and separate accounts on behalf of clients that may include high net worth individuals, certain retirement plans, trusts, partnerships, corporations, or other institutional clients and businesses (the “Separate Accounts”). A related investment advisor, PSC Credit Holdings LLP (“PSCCH”), formed in 2013, serves as investment manager with respect to an investment company listed on the London Stock Exchange (the “UK Investment Trust”) and PSCUS serves as sub-manager to that Trust. The UK Investment Trust and its subsidiaries, together with any Funds or Separate Accounts, are the clients (the “Clients”).

PSCUS is principally owned by PSC US Holdings LLC. PSC US Holdings LLC is principally owned by PSC Credit Limited, which is principally owned by Pollen Street Capital Holdings Limited (“Pollen Street”). Lindsey McMurray and MW Eaglewood Group LP are the principal owners of Pollen Street. PSCUS is separate and distinct from its affiliates in the Pollen Street group. Please refer to Schedules A and B of PSCUS’s Form ADV Part 1 for further information regarding its direct owners and indirect owners, respectively.

- B.**      PSCUS generally seeks to manage investments in (i) consumer loans or receivables, auto loans or receivables, loans or receivables to small and medium-sized enterprises (“SMEs”), corporate loans, real estate loans, advances and loans against corporate trade receivables and other assets, together with related investments (“Credit Assets”); and (ii) equity assets that are aligned with the Client’s strategy and that present opportunities to enhance the Client’s returns from its investments (“Equity Assets”). Investment in Credit Assets will encompass the following investment models: (i) investment, or acquisition of interests, in Credit Assets, whether offered by origination platforms that allow non-bank capital to: (a) lend or advance capital to consumers, SME borrowers or corporate borrowers; and/or (b) advance capital against corporate trade receivables or by other third parties; (ii) investment, or acquisition of interests, in loans or receivables (which may be secured or unsecured) to specialist lenders for the purpose of providing wholesale finance to those specialist lenders, secured against (amongst other things) granular portfolios of Credit Assets; and (iii) the acquisition of interests in portfolios of Credit Assets from third parties. PSCUS may undertake such investments for a Client directly, or via such Client’s subsidiaries or special purpose vehicles. PSCUS may use alternative investment structures which achieve comparable commercial results to the investments described above (such as, without limitation, sub-participations in loans, credit-linked securities or fund structures), but which offer enhanced returns and/or other efficiencies for Clients (such as, without limitation, efficiencies as to origination, funding, servicing or administration of the relevant Credit Assets). PSCUS may use swaps and derivative transactions for hedging purposes and may employ or retain the option to employ leverage to enhance Client returns in certain higher-quality assets.
- C.**      PSCUS will tailor the specific advisory services with respect to each Client based on the particular investment objectives, strategies and risk limits described in the applicable Client’s confidential offering memorandum, prospectus, limited partnership agreement, investment advisory agreement and/or sub-management agreement (as applicable) (referred to collectively as “Client Documents”).

**All discussion of the Clients in this brochure, including but not limited to their investments, the strategies used in managing the Clients' assets, and conflicts of interest faced by PSCUS in connection with the management of the Clients' assets, are qualified in their entirety by reference to each Client's respective Client Documents.**

- D.** PSCUS does not participate in wrap fee programs.
  
- E.** As of December 31, 2018, PSCUS had regulatory assets under management of \$1,442,125,370 in discretionary assets (inclusive of assets leveraged from credit facilities) and \$0 in non-discretionary assets. Assets under management (excluding liabilities) were \$934,120,249 as of the same date.

## **Item 5 Fees and Compensation**

- A.** PSCUS directly or indirectly charges a management fee based on percentage of Client assets under management which may include capital borrowed from leverage providers, pursuant to Client Documents (as defined in Item 4), which are provided to prospective investors. For certain Clients, an incentive fee based on net capital appreciation may be charged. Management fees generally do not exceed 1% per annum and where the firm earns an accrued performance-based fee or incentive allocation (paid to an affiliate), it is variable, dependent on performance, but generally does not exceed 15% above a high-water mark, hurdle rate, or preferred return to investors, as applicable. PSCUS may enter into different fee arrangements pursuant to a Client's Documents, side letters, or otherwise.

To avoid fee layering, if at any time the UK Investment Trust invests in or through any other investment fund or special purpose vehicle and a management fee or performance-based fee is charged to such investment fund or special purpose vehicle by PSCCH, PSCUS (the sub-manager) or any of their affiliates, such fees will be adjusted for the purposes of determining any fees due to the UK Investment Trust. Generally, however, no fee is charged by PSCUS to the UK Investment Trust or to any separate account PSCUS manages on behalf of the UK Investment Trust. Compensation in lieu of fees and reimbursement of expenses associated with the UK Investment Trust and its subsidiaries may be paid by PSCCH to PSCUS, as agreed upon between them from time to time.

- B.** Management and performance-based fees are generally deducted from Client assets, although certain Client Documents may stipulate that fees be billed to and paid directly by the Client. Management fees are generally deducted monthly and performance allocations or incentive fees are calculated and withdrawn following the fiscal year end of the relevant Fund.
- C.** As set forth in the Client Documents, each Client generally bears its own expenses, including legal, accounting, brokerage, custody, administration and other expenses. Investors in Funds may be subject to early withdrawal fees in accordance with Fund documents. To the extent that any Client transactions are executed through a broker-dealer, the Client will incur brokerage and other transaction costs. Please refer to Item 12, Brokerage Practices, for more information.
- D.** Management fees are deducted from Client accounts or billed to Clients in arrears.
- E.** PSCUS has from time to time packaged loans in a special purpose vehicle for purposes of securitizing such loans and may receive management (administrative) fees directly from such vehicle. Otherwise, no supervised person accepts compensation for the sale of securities or other investment products.

## **Item 6 Performance-Based Fees and Side-By-Side Management**

As stated in Item 5 above, PSCUS may receive performance-based fees or allocations from certain Clients. These payments are subject to Section 205(a)(1) of the Investment Advisers Act of 1940, as amended (the "Advisers Act"), in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3 thereunder.

Performance-based fees, in general, may create an incentive for an adviser or its supervised persons to make investments that are riskier and more speculative than would be the case in the absence of a performance-based fee.

PSCUS may manage Clients with similar investment strategies on a side-by-side basis. Additionally, certain supervised persons of PSCUS provide investment management services to other clients with similar investment strategies through other affiliated investment management entities within the Pollen Street group. As a result, PSCUS, its principal(s), and/or affiliate(s) may have conflicts of interest in: (i) allocating their time and activity among Clients; (ii) allocating investments among Clients; and (iii) effecting transactions among Clients, including ones in which PSCUS, its principal(s), and/or affiliate(s) may have a greater financial interest. These conflicts of interest may create an incentive for PSCUS to favor a Client in which PSCUS, its principal(s), and/or affiliate(s) have a greater financial interest with respect to allocation of time and activity, limited investment opportunities, or investments that PSCUS regards as more attractive or better performing investments.

To address these conflicts of interest, PSCUS and its affiliates have implemented policies and procedures to ensure that all Clients receive equitable and fair treatment over time, including treatment with respect to the allocation of investment opportunities. These policies and procedures require PSCUS to at all times allocate investments among the Clients in a manner which it believes to be fair and equitable and prohibit PSCUS from basing an allocation decision on any of the following, or similar, reasons: (i) to generate higher fees paid by one Client over another, or to produce greater fees to PSCUS or any of its affiliates; (ii) to develop a relationship with an existing or potential investor in a Client; (iii) to compensate an investor for past services or benefits rendered to PSCUS or any affiliate; or (iv) to induce future services or benefits to be rendered to PSCUS or any affiliate.

**Item 7      Types of Clients**

As described in Item 4, PSCUS provides investment advisory services to Clients which may include (i) private funds for sophisticated, qualified investors, including high net worth individuals, funds of funds, family offices, endowments and other institutions, (ii) separate accounts for trusts, partnerships, corporations, or other institutional clients and businesses and (iii) the UK Investment Trust.

The Client Documents for each Client may include certain stated minimum investment amounts, although PSCUS may accept investments in a lesser amount at its sole discretion.



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

### **A.      Investment Strategies and Methods of Analysis**

PSCUS focuses on strategies that offer a compelling combination of yield, credit quality and duration while seeking to minimize volatility of returns and correlation to other asset classes.

PSCUS generally seeks to manage investments in (i) consumer loans, auto loans, loans to small and medium-sized enterprises (“SMEs”), corporate loans, real estate loans, advances and loans against corporate trade receivables and other assets, together with related investments (“Credit Assets”); and (ii) equity assets that are aligned with the Client’s strategy and that present opportunities to enhance the Client’s returns from its investments (“Equity Assets”). Investment in Credit Assets will encompass the following investment models: (i) investment, or acquisition of interests, in Credit Assets, whether offered by origination platforms that allow non-bank capital to: (a) lend or advance capital to consumers, SME borrowers or corporate borrowers; and/or (b) advance capital against corporate trade receivables or by other third parties; (ii) investment, or acquisition of interests, in loans or receivables (which may be secured or unsecured) to specialist lenders for the purpose of providing wholesale finance to those specialist lenders, secured against (amongst other things) granular portfolios of Credit Assets; and (iii) the acquisition of interests in portfolios of Credit Assets from third parties. PSCUS may undertake such investments for a Client directly, or via such Client’s subsidiaries or special purpose vehicles. PSCUS may use alternative investment structures which achieve comparable commercial results to the investments described above (such as, without limitation, sub-participations in loans, credit-linked securities or fund structures), but which offer enhanced returns and/or other efficiencies for Clients (such as, without limitation, efficiencies as to origination, funding, servicing or administration of the relevant Credit Assets). PSCUS may use swaps and derivative transactions for hedging purposes, and may employ or retain the option to employ leverage to enhance Client returns in certain higher-quality assets...

In addition, PSCUS may seek to securitize all or part of a Client’s portfolio and may establish one or more special purpose vehicles (SPVs) in connection with securitizations or in connection with obtaining leverage against Client assets. PSCUS’s investment strategies involve a high degree of business and financial risk, including the risk that the entire amount invested may be lost. Accordingly, PSCUS’s investment strategies are only suitable for investors prepared to bear such risk. PSCUS may invest Client assets in debt instruments and engage in transactions using strategies and financial techniques with significant risk characteristics. No guarantee is made that the investment objectives of PSCUS will be realized.

The current market in which PSCUS participates is competitive and rapidly changing. PSCUS has entered into agreements with a number of platforms in relation to the deployment of Clients’ capital. However, there can be no guarantee that PSCUS will be able to secure terms in relation to the deployment of its capital through any other platforms. PSCUS intends to continue to build relationships with and enter into agreements with additional platforms.

The Client Documents for each Client contain further information on their respective investment strategies, process and risk of loss.

#### ***Consumer Loans and Receivables***

In the marketplace lending industry, borrowers and investors are matched via platforms to originate credit transactions, resulting in the disintermediation of more traditional financial institutions. PSCUS seeks to purchase consumer loans or receivables (including auto loans or receivables) from various platforms for Clients that offer a combination of attractive yield, strong credit quality, and duration generally ranging from several months to up to 5 years, while minimizing volatility of returns and correlation to other asset classes.

With respect to certain platforms, PSCUS may select loans or receivables based on eligibility criteria agreed upon with the platform. With respect to other platforms, PSCUS may purchase loans or receivables on a “passive” basis, with certain carve outs, as applicable.

### ***SME Loans and Receivables***

PSCUS believes that many small and medium enterprises (“SMEs”) are underserved by traditional financial institutions because small and medium enterprises are less visible or have achieved neither the size nor the scale to attract lending from such institutions. Few banks and finance companies focus on lending to small and medium enterprises and as a result, PSCUS believes it can receive terms on loans or receivables to SMEs that possess risk-adjusted return profiles that are superior to loans or receivables made to larger, more well-known companies. Such favorable terms may include higher yields, lower leverage ratios, stronger credit enhancements and/or greater equity grants than typical transactions involving larger, more established companies.

### ***Corporate Loans***

A portion of a Client’s portfolio may consist of corporate loans. Such loans are typically negotiated by one or more commercial banks or other financial institutions and syndicated among a group of commercial banks and financial institutions.

Corporate loans are typically at the most senior level of the capital structure, and are often secured by specific collateral, including, but not limited to, trademarks, patents, accounts receivable, inventory, equipment, buildings, real estate, franchises and common and preferred stock of the obligor and its subsidiaries. Corporate loans may be of a type generally incurred by the borrowers thereunder in connection with a highly leveraged transaction, often to finance internal growth, acquisitions, mergers, stock purchases, or for other reasons. As a result of the additional debt incurred by the borrower in the course of the transactions, the borrower’s creditworthiness is often judged by ratings agencies to be below investment grade and such loans may be subordinated to other obligations of the borrower.

Corporate loans often are shorter term and provide for restrictive covenants designed to limit the activities of the borrower in an effort to protect the right of lenders to receive timely payments of interest on, and repayment of principal of, the loans. A breach of covenant may cause an acceleration that allows the syndicate to demand immediate repayment in full of the outstanding loan, which the borrower may be unable to do. If the borrower is unable to repay the loan in full, either due to an acceleration event or the completion of the term, it may adversely affect the Client’s ability to receive the principal and interest payments that it expects to receive on loan.

### ***Real Estate Loans***

The platforms operating in this asset class typically provide loans to residential and commercial real estate projects. The loans are generally secured by the relevant property, generally through a first lien position, and, in some cases, by personal and/or corporate guarantees. Similar to the SME sector, the tightening of banking regulations has resulted in a reduction of the amount of debt financing available in this sector. This has created an opportunity for non-bank lenders to earn attractive risk-adjusted returns with a collateral backing.

### ***Corporate Trade Receivables and Other Debt Facilities***

Invoice financing has emerged as a lending asset class whereby a platform advances funds against invoice receivables. This form of financing allows businesses seeking working capital to get advances on cash due from their customers. From a borrower’s perspective, this form of short-term (typically 30 to 180 days) financing provides for a low-cost way for the business to receive capital instead of an often more restrictive

and/or more expensive banking facility. For some businesses, this form of invoice financing did not previously exist in their jurisdiction or was offered at high rates, irrespective of the collateral or creditworthiness of the debtor.

In many cases, businesses which sell goods or services to blue chip companies can receive advances against their invoices via marketplace lending platforms for an annualized discount factor of a percentage of the face value of the invoice.

#### ***Equity Investments in platforms***

PSCUS may also seek to make strategic investments, on behalf of its Clients, in the equity of platforms where it believes there to be potential valuation upside. PSCUS may also seek to invest in platforms which exhibit the potential to capture significant market share.

#### ***Leverage***

PSCUS may seek to further enhance returns for certain Clients by employing leverage, either through warehouse lines of credit, securitization markets, or other forms of borrowing. PSCUS benchmarks its leverage targets against other yield-oriented investments and structured product vehicles in the market and assesses asset-by-asset leverage ratios based on a number of factors, especially asset-level risk and return volatility. PSCUS believes that Credit Assets can be used as collateral to secure leverage on favorable terms given their combination of higher credit quality, higher yield and shorter duration, which in general ranges from several months to up to 5 years. PSCUS believes there is a substantial difference (or spread) between the returns on Credit Assets and the cost of credit facilities collateralized by comparable assets in the capital markets. PSCUS will seek to take advantage of this spread and will seek to continually improve the terms of its Client credit facilities. Additionally, PSCUS may invest certain Client assets in a variety of derivative instruments to protect against possible increases in financing expenses with credit facility providers resulting from changes in interest rates.

### **B. Material Risks related to PSCUS's Strategies**

PSCUS's investment strategies involve a high degree of business and financial risk, including the risk that the entire amount invested may be lost. Accordingly, PSCUS's investment strategies are only suitable for investors prepared to bear such risk. PSCUS invests Client assets in debt instruments and engages in transactions using strategies and financial techniques with significant risk characteristics. No guarantee is made that the investment objectives of PSCUS will be realized. Potential risk factors related to investing in PSCUS's strategies are included below. There is no guarantee that PSCUS will be able to control these risks or that the risks will not aggregate in a manner adverse to PSCUS's Clients. The risks factors below are not intended to be exhaustive.

#### ***PSCUS's due diligence may not identify all risks and liabilities in respect of an investment***

Prior to making an investment, PSCUS will perform due diligence on such proposed investment. In doing so, it relies in part on information from third parties as a part of this due diligence. To the extent that PSCUS or other third parties underestimate or fail to identify risks and liabilities associated with the investment in question, this may impact on the profitability of the investment.

#### ***Competition and portfolio concentration risks***

PSCUS may face increasing competition for access to suitable investments from other institutional lenders such as fund vehicles and commercial banks that are substantially larger and have considerably greater financial, technical and marketing resources than PSCUS. These potential competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than PSCUS. There can be no assurance that the competitive

pressures PSCUS faces will not erode PSCUS's ability to deploy capital and thus impact the financial condition and results of the Clients.

***Lack of suitable inventory***

There can be no guarantee that the rapid origination growth experienced by platforms in recent periods will continue. Without a sufficient number of new qualified loan requests, there can be no assurances that PSCUS will be able to compete effectively for loans or receivables with other market participants.

***Arrangements for backup servicing may be limited***

If a servicer fails to maintain operations or becomes the subject of bankruptcy, Clients will experience a delay and increased cost in respect of expected principal and interest payments, and payments with respect to the loans or receivables may become subject to claims of creditors of such servicer. Clients may make arrangements for only limited backup servicing. If any such servicer platform were to fail or if such servicers were to become insolvent, PSCUS would attempt to transfer loan or receivable servicing obligations to a third-party back-up servicer. There can be no assurance that this back-up servicer will be able to adequately perform the servicing of the outstanding loans or receivables. If this back-up servicer assumes the servicing of the loans or receivables, the back-up servicer will impose additional servicing fees, reducing the amounts available for payments. Additionally, transferring these servicing obligations to the back-up servicer may result in delays in the processing and recovery of information with respect to amounts owed on the loans or receivables or, if a servicer platform becomes inoperable, may prevent a servicer from servicing the loans or receivables and making principal and interest payments. If the back-up servicer is not able to service the loans or receivables effectively, the Client's ability to receive principal and interest payments with respect to the loans or receivables may be substantially impaired. In addition, any bankruptcy or insolvency of any servicer will adversely impact a Client's investment and may cause payments with respect to the loans or receivables to be subject to the claims of a servicer's or such backup servicer's other creditors.

***Changes in a platform's policies may adversely impact investments***

While PSCUS will review the policies and procedures of the platforms through which it invests, there can be no assurances that the platforms will continue to adhere to such policies and procedures. PSCUS will have differing levels of transparency with respect to the loans or receivables originated through or issued by various platforms, and no assurances can be given that PSCUS will become aware of changes in a platform's policies and procedures in a timely manner or at all and any such changes to the policies and procedures may result in PSCUS's portfolio being materially adversely affected.

***Contractual rights***

The contractual rights of any Client in relation to the interests in loans or receivables that it acquires will depend on the way in which the Client acquires the loans or receivables and may vary considerably. Where a Client is a direct lender on a platform, it will have a direct contractual relationship with a borrower (subject to any servicing or other agreements retained by the platform). Subject to the representations, warranties and covenants the Client is able to negotiate with a platform, the acquisition of a loan, receivable, note or other financial instrument that provides an economic exposure to the whole or part of a loan or receivable may only provide for a contractual relationship with the platform (or issuer of the note or other financial instrument) rather than the borrower which may impair the Client's ability to enforce the terms of the loan or receivable that is referenced by that note or financial instrument.

The Clients will invest in loans or receivables in a number of jurisdictions, including the United States, and such investments are or may be subject to different laws and regulations dependent on the jurisdiction in which the borrower under, or issuer of, the loan, receivable or note or other financial instrument, is incorporated. In order to invest in such loan or receivable, a Client would be required to adopt particular

contractual arrangements and structures in order to satisfy the legal and regulatory requirements of a particular jurisdiction. This may affect the contractual rights acquired by the Client.

PSCUS, its affiliates or its Clients will from time to time enter into agreements or arrangements with certain platforms that contain commitments to acquire a certain volume of loans or receivables through that platform, subject to certain conditions, including, but not limited to, eligibility criteria and performance triggers. Such agreements or arrangements may result in Clients acquiring a higher than optimal volume of loans or receivables from a particular platform in order to maintain the relationships and arrangements with such platforms.

***Risks related to investments in consumer loans or receivables***

Client assets invested in consumer loans or receivables are subject to risks associated with the concentration of their portfolio in such loans or receivables. Success or failure is highly dependent on the success or failure of the particular platform. In the event a platform was not able to conduct its business successfully (including, without limitation, with respect to attracting borrowers, servicing loans or receivables and remaining adequately capitalized) or if a platform were to experience a material adverse effect or a complete failure of its business, it would materially and adversely affect the performance of Client accounts primarily invested in such loans or receivables.

*Diversification.* A concentration of Client investments in a particular platform or investment will cause Client returns to become more susceptible to fluctuations in value resulting from adverse economic or business conditions affecting such platform, such consumer loans or receivables or such other investment and/or the consumer loan market in general and there is no guarantee a Client will not become overly concentrated in a single industry or borrower.

***Risks Related to SME or real estate loan selection***

There is no guarantee that loan selection of SME loans or real estate loans will produce satisfactory results or that PSCUS will be successful in identifying SME loans or real estate loans that will perform better than (or as well as) any other loans purchased or originated by other financing entities. Certain Clients' success or failure is materially impacted by the success or failure of the sources of SME loans or real estate loans. In the event any such sources were not able to conduct its business successfully (including, without limitation, with respect to attracting loans for purchasers and borrowers, servicing SME loans or real estate loans and remaining adequately capitalized) or if any such source were to experience a material adverse effect or a complete failure of its business, it could materially and adversely affect the performance of a Client due to the inability to generate returns for its investors.

***Operational risk***

PSCUS relies extensively on computer systems and proprietary programs to evaluate and purchase loans or receivables, to monitor Client portfolios and net capital, and to generate reports that are critical to oversight of PSCUS's investment activities. In addition, certain of PSCUS's operations interface with or depend on systems operated by third parties, and PSCUS may not be in a position to verify the risks or reliability of such third party systems. These programs or systems may be subject to certain defects, failures or interruptions, including, but not limited to, those caused by computer "worms," viruses and power failures. Such failures could cause the evaluation and purchase of loans or receivables to fail, lead to inaccurate accounting, recording or processing of transactions relating to loans or receivables, and cause inaccurate reports, which may affect PSCUS's ability to monitor Client investment portfolios and its risks. Any such defect or failure could cause the disruption of PSCUS's business, liability to Clients or third parties, regulatory intervention or reputational damage, or financial loss to its Clients.

### ***Cybersecurity and business continuity***

PSCUS's investment activities and investment strategies are dependent upon various computer and telecommunications technologies, many of which are provided by or are dependent upon third parties, such as data feeds, data centers, telecommunications, or utility providers. The successful deployment, implementation, and/or operation of such activities and strategies, and various other critical activities of PSCUS on behalf of its Clients, could be severely compromised by system or component failure, telecommunications failure, power loss, a software-related "system crash," unauthorized system access or use (such as "hacking" or other cybersecurity breaches), computer viruses and similar programs, fire or water damage, human errors in using or accessing relevant systems, or various other events or circumstances. Such events or circumstances may affect PSCUS directly and/or may affect one or more third-parties that provide services to PSCUS and/or its Clients. It is not possible to provide comprehensive and foolproof protection against all such events and circumstances, and no assurance can be given about the ability of PSCUS or any third party to continue providing applicable services. Any event or circumstance that affects PSCUS's or one or more third party's computer and/or telecommunications systems or operations could have a material adverse effect on PSCUS and its Clients, including by preventing PSCUS from investing or trading or modifying and/or monitoring its Clients' investments. Moreover, any unauthorized access to the information systems of PSCUS or certain third parties could result in the loss, disclosure, or improper use of information relating to Clients' investments and/or personally identifiable information of Clients or investors in the PSCUS Funds. Any such loss, disclosure, or use could have a material adverse effect on such Clients or investors. In the case of events that interrupt PSCUS's computer and/or telecommunications systems or operations, PSCUS hopes to resume investing or trading and modifying, and/or monitoring its Clients' investments relatively promptly, subject to any circumstances that are outside the control of PSCUS. In the case of severe business disruptions (e.g., regional power outage), PSCUS may not resume such activities for one or more business days because (among other things) such resumption is dependent on other critical business constituents, such as brokers and exchanges, and on the nature of the disruption. Although the foregoing reflects PSCUS's objectives, designs, and/or plans, no assurance can be given that these objectives, designs, and/or plans will be realized, or that, in particular, PSCUS would be able to resume operations following a business disruption, and any such disruption could have a material adverse effect on PSCUS and its Clients.

### ***Regulatory risk and tax risk***

Federal and state regulators could subject the platforms and lenders on a platform to legal and regulatory examination or enforcement action. Non-compliance with laws and regulations may impair a platform's ability to arrange or service loans or receivables, which could impact Client's ability to purchase loans or receivables or receive payments on the loans or receivables it has already purchased.

Potential characterization of platforms as lenders may have a material adverse effect on PSCUS and its Clients.

*Not licensed as a lender.* Neither PSCUS nor any of the Clients, other than the UK Investment Trust, or related entities are licensed as a lender in any jurisdiction. The platforms have represented and warranted that they will maintain all licenses required for its activities to service, collect, modify and pursue default recovery from the loans or receivables. As a result, PSCUS believes that the Clients are either not required to be licensed or otherwise exempt from licensing in each of the jurisdictions in which the obligors of the loans or receivables are located. However, if a governmental authority or other regulatory agency in any of these jurisdictions were to assert or determine in the future that the activities of PSCUS or any Client were subject to its licensing requirements, then PSCUS or Clients, as applicable, would likely suffer significant, or even substantial, expenses and losses.

*UK consumer credit regime.* A proportion of the UK Investment Trust's portfolio is comprised of loans or receivables to UK consumers, which constitute "Regulated Credit Agreements" for the purpose of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (the "Regulated Activities Order"). On October 28, 2016, the UK Investment Trust received its full authorization from the Financial Conduct Authority (FCA) for its credit-related regulatory activities to undertake the regulated activity of entering into a Regulated Credit Agreement as lender pursuant to Article 60B of the Regulated Activities Order. The Company had previously operated under the FCA's interim permission regime to conduct consumer credit activities. This authorisation enables the UK Investment Trust to continue to invest in consumer loans or receivables in the UK and it is now required to meet certain requirements, including in relation to approved persons, reporting and complaints procedures.

*Usury Laws.* Loans or receivables purchased by PSCUS for its Clients may be subject to state usury laws. PSCUS intends to use reasonable efforts to cause its Clients to comply with any applicable usury laws. However, in some instances, PSCUS may not be aware that the usury laws of a state are applicable and/or PSCUS may not be successful in causing its Clients to comply with such laws. Failure to comply with any applicable usury laws could result in such Client incurring a significant loss with respect to the applicable loan or receivable.

*Regarding Consumer Protection Laws.* Federal and state consumer protection laws impose requirements, including licensing requirements, and place restrictions on creditors in connection with solicitations and extensions of credit and collections on consumer loans or receivables, including protection of sensitive consumer data obtained in the origination and servicing thereof. Consumer loans or receivables that do not comply with consumer protection laws may result in penalties, regulatory scrutiny or subject collection efforts to defenses including that loans or receivables may be found not to be valid or enforceable under their terms against the obligors of those consumer loans or receivables.

Additionally, Congress, the states and regulatory agencies could further regulate the consumer credit industry in ways that would make it more difficult for the servicer to collect payment on the loans or receivables. Further, changes in the regulatory application or judicial interpretation of the laws and regulations applicable to consumer financial service providers could also impact the manner in which the servicer services the loans or receivables. The regulatory environment in which financial institutions, creditors and servicers has become increasingly complex and robust, and supervisory efforts to apply relevant laws, regulations and policies have become more intense.

#### *Recent Developments.*

The regulatory framework for online marketplaces such as platforms' marketplaces, is evolving, and it is possible that new laws and regulations will be adopted in the United States and internationally, or existing laws and regulations may be interpreted in new ways, that could affect the operation of platforms' marketplaces and the way in which platforms interact with borrowers and investors and potentially lead to additional regulatory burdens on participants in the online lending marketplace, including platforms, PSCUS or its Clients.

In addition, several lawsuits have sought to re-characterize certain platforms and other participants as lenders. If litigation or a regulatory enforcement action on similar theories were successful, consumer loans or receivables could be subject to state consumer protection laws, including usury laws. In such event, the ability of platforms to continue to charge to borrowers the interest rates that they agreed to pay at origination of their loans or receivables could be adversely affected.

*Tax Risks.* An investment in a Client involves complex U.S. federal income tax and non-U.S. tax considerations that will differ for each investor depending on the investor's particular circumstances. There

can be no assurance that the structure of a Client or of any other investment will be tax-efficient for any particular investor. Prospective investors are urged to consult their own tax advisors with reference to their specific tax situations.

***Risks associated with borrowing***

*Credit Facilities.* The credit facilities that PSCUS may obtain for its Clients could possibly mature prior to the Clients' ability to repay such facilities, and a failure to obtain a facility renewal from the applicable lender could cause a payment default under the applicable credit facility in which case such lender could accelerate Client indebtedness and foreclose on the assets securing such indebtedness or impose financial penalties (including, but not limited to, higher interest rates and other fees). Additionally, PSCUS may find it necessary refinance one or more of the credit facilities with a new third party lender, which refinancing could be subject to highly onerous terms. All of the foregoing would have a material adverse effect on the Clients' financial condition.

Credit facilities may bear interest based upon variable rates, while the loans or receivables purchased by Clients will generally be subject to fixed interest rates. In the event the interest rates under a Client's credit facility were to materially increase, it could substantially reduce the Client's returns and have a material adverse effect on the Client's financial condition.

*Financing Arrangements.* As a general matter, the banks and lenders that may provide financing to PSCUS have considerable discretion in setting and changing their interest rates, fees, collateral requirements, financing and collateral valuation policies. Changes by banks and lenders in any of the foregoing policies may result in defaults, loss of financing and forced liquidations of positions at disadvantageous prices.

*Lender Financial Health.* PSCUS is highly dependent on lenders to carry out its leverage strategy. In the event that the financial condition of one or more of the lenders were to become impaired, the Clients could be subjected to higher interest rates or an inability to make further borrowings under the applicable credit facility, any of which could negatively affect the Clients' overall performance.

*Credit Ratings.* While PSCUS believes that the cost of debt could materially decline as PSCUS grows the asset base of its Clients and achieves the critical mass necessary to obtain an agency credit rating on its credit facilities and access the securitization markets, there is no guarantee that PSCUS will actually be able to obtain such an agency credit rating for its Clients or be able to access such securitization markets, and the failure to do so could impair PSCUS's leverage strategy and negatively affect the overall performance of its Clients.

*Client's financing arrangements.* A Client's existing and future financing arrangements may impose operating and financial restrictions on a Client and its related entities. These restrictions may limit a Client's ability and the ability of its related entities to (i) incur additional indebtedness; (ii) create liens on its assets; (iii) make investments; (iv) make distributions or pay dividends to its limited partners; or (v) make capital expenditures. A Client's failure to comply with the terms of any financing arrangements it enters into could lead to defaults, in which case its lenders could then accelerate a Client's indebtedness and foreclose on the assets securing such indebtedness or impose financial penalties (including, but not limited to, higher interest rates and other fees), all of which would have a material adverse effect on a Client's financial condition.

*Securitization Risk.* In connection with any securitization transaction, a Client may provide support, in the form of a demand note or other feature, for the repurchase obligations of one or more securitization vehicle affiliates formed to effectuate such securitization transaction. Such repurchase obligations may be triggered upon the determination that a loan or receivable sold by a Client to one or more of such securitization vehicles is in material breach of representations and warranties made with respect to such loan or receivable



at the time of sale. If the Client is unable to meet its obligations under such repurchase support obligation due to lack of available funds, such Client will be in default on such obligations, and other parties to the securitization may be entitled to pursue remedies, including damages, against such Client. Alternately, if a Client is called upon to provide such support and does so, the available funds used to honor a repurchase support obligation will be unavailable, either temporarily or permanently, to investors in such Client.

In addition, a Client may be invested in mezzanine or junior tranches of a securitization transaction which may or may not be sponsored by such Client. Such investment may involve significant leverage which may add significant volatility in investment performance. Leverage is embedded in all tranches of a securitization transaction other than the most senior tranche, with the highest leverage applicable to an investment by a Client in the most junior tranche of such securitization. The effect of the use of leverage in a market that moves adversely to the securitization issuer's investments could result in a substantial loss to a Client's investment with the greatest loss applicable to the junior tranche.

*Change in Interest Rates.* Most loans or receivables bear fixed, not floating, rates of interest. If the prevailing interest rates increase, the interest rates on loans or receivables purchased by PSCUS for a Client might be less than the rate of return the Client could earn if PSCUS invested the purchase price for such loans or receivables in other investments. While the Client may still receive a return on its purchase price for the loans or receivables through the receipt of amounts equal to the interest portion of borrower's payments on the loan or receivable, if prevailing interest rates exceed the rate of interest payable on the loan or receivable, the payments received by the Client during the term of the loan or receivable may not reflect the full opportunity cost to the Client after taking into account factors such as the time value of money. There is no prepayment penalty for borrowers who prepay their loans or receivables. If prevailing interest rates on loans or receivables decrease, borrowers may choose to prepay their loans or receivables with money they borrow from other sources or other resources and a Client may not (i) receive the interest payments on such loans or receivables that it is expected to receive or (ii) be able to find an alternative use of funds to realize a similar rate of return at the time at which the loan or receivable is repaid.

*Leverage.* PSCUS uses leverage in investing assets of some Clients including by borrowing funds and pledging Client assets as collateral. While the use of leverage increases returns if the Client earns a greater return on the incremental investments purchased with leverage than it pays for such leverage, the use of leverage decreases returns if the Client fails to earn as much on such incremental investments as it pays for such funds. The effect of leverage may therefore result in a greater decrease in the net asset value of the Client than if the Client was not so leveraged.

***The effects of both normal market fluctuations or a global economic crisis may impact PSCUS's business, operating results or financial condition.***

These are factors which are outside PSCUS's control and which may affect the volatility of underlying asset values and the liquidity and the value of its portfolio of investments. Changes in economic conditions in the US, UK and Europe where PSCUS predominantly invests (for example, interest rates and rates of inflation, industry conditions, competition, political and diplomatic events, unemployment, consumer spending, consumer sentiment and other factors) could substantially and adversely affect the prospects of PSCUS's Clients.

***Currency risk.***

The assets of the Clients are invested in investments which are denominated in US Dollars, Euros, Sterling or other currencies. Accordingly, the value of such assets may be affected favorably or unfavorably by fluctuations in currency rates. PSCUS may seek to mitigate currency fluctuations by hedging exposure between US Dollars, Sterling and any other currency in which the Client assets may be denominated. However, there can be no assurances or guarantees that PSCUS would successfully hedge against such risks or that adequate hedging arrangements will be available on an economically viable basis. Hedging

arrangements may result in additional costs being incurred or losses being greater than if hedging had not been used.

*Valuation risk.*

PSCUS's investments are largely unquoted investments and the valuation of such investments involves PSCUS exercising judgment. There can be no guarantee that the basis of calculation of the value of the Clients' investments used in the valuation process will reflect the actual value on realization of those investments. PSCUS is entitled to receive a management fee for its services to the Clients which is based, in part, on the value of the Client's investments. This creates a potential conflict of interest as PSCUS is involved in the valuation of the Clients' investments.

***Jurisdiction-specific insolvency regimes.***

The value of the loans or receivables acquired by the Clients may be impacted by debtor/creditor protection laws in the jurisdictions of incorporation of the borrowers and, if different, the jurisdictions from which the borrowers conduct their business and in which they hold their assets, which may adversely affect such borrowers' abilities to make payment on a full or timely basis.

In particular, it should be noted that a number of jurisdictions operate "debtor-friendly" insolvency regimes which could result in delays in payments where obligations, debtors or assets thereunder are subject to such regimes. The different insolvency regimes applicable in different European jurisdictions result in a corresponding variability of recovery rates for debt obligations entered into or issued in such jurisdictions.

In the United States, bankruptcy judges have a broad discretion as to how they deal with the claims of different creditors, and the claims of secured creditors may not, despite their legal entitlement, always be respected as a matter of policy. For example, political or social factors may be taken into account in larger or high-profile bankruptcies which may adversely affect the ability of a Client to effectively enforce its rights as a secured creditor.

Jurisdiction-specific insolvency regimes may negatively impact a borrower's ability to make payments to a Client or platform, as applicable, or the Client's or platform's recovery in a restructuring or insolvency, which may adversely affect a Client's business, financial condition and results of operations.

***Investments involving other clients***

A Client may, from time to time, make an investment in a platform in which one or more other Client(s) invests in a different part of the capital structure. There may be instances where such platform may become insolvent or bankrupt and where Clients' interests in such platform may conflict. Moreover, there may be situations in which a Client determines to invest in a platform in which another Client managed by PSCUS or its affiliate(s) maintains an investment, so long as the firm or its affiliate(s) determine that the investment made by the Client(s) is appropriate for, and falls within the investment guidelines of, such Client(s). To the extent that a Client holds securities in a platform with rights, preferences and privileges that are different than those held by other Clients in the same platform, PSCUS and its affiliates may be presented with decisions when the interests of a Client and PSCUS's other Clients are in conflict. It is possible that in a bankruptcy proceeding, out-of-court restructuring or other corporate action, a Client's interest may be subordinated or otherwise adversely affected by virtue of PSCUS's or an affiliate's other Clients' involvement and actions relating to its investment. As a result, there may be conflicts between Clients with respect to voting the securities of such platforms and other matters relating to various investments.

***Risks specific to consumer loans or receivables***

*Risk of borrower default.* The ability to earn revenue is completely dependent upon payments being made by the borrower of the loan or receivable acquired through a platform. Consumer loans or receivables may

be unsecured obligations of borrowers. Such loans or receivables are not secured by any collateral, not guaranteed or insured by any third party and not backed by any governmental authority in any way. The platforms and their designated third party collection agencies may be limited in their ability to collect on loans or receivables. Numerous events could impact a borrower's ability or willingness to repay a loan or receivable, including the borrower incurring additional debt, the death of the borrower, divorce or sudden significant expenses, such as uninsured healthcare costs. Borrowers may seek protection under federal bankruptcy law or similar laws or qualify under a US Federal law that provides borrowers on active military service with rights that may delay or impair a platform's ability to collect on a protected consumer loan or receivable. Identity fraud may occur and adversely affect a Client's ability to receive the principal and interest payments that it expects to receive on loans or receivables.

*Fraud.* In lending (and in acquiring loans or receivables on the secondary market), there is the possibility of material misrepresentation or omissions or fraud on the part of the borrower or such third-party seller. Such inaccuracy or incompleteness may adversely affect the valuation of the collateral (if any) underlying the loans or receivables or may adversely affect that ability of PSCUS and/or the Clients to perfect or effectuate a lien on the collateral (if any) securing the loan or receivable. PSCUS and the Clients will rely on upon the accuracy and completeness made by borrowers or third-party sellers to the extent reasonable but cannot guarantee such accuracy or completeness. Under certain circumstances, payments to the Clients may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

*Risk of default by the platforms.* If losses due to platform default exceed any guarantees or collateral provided by the platform and its affiliates, Clients could sustain a loss.

The performance of the loans or receivables will likely be adversely affected by adverse developments in a platform's business, particularly in its servicing and origination businesses that affect the loans or receivables. The Clients will rely exclusively on the collection and enforcement efforts of the platform as servicer (as applicable), the backup servicer (as applicable), any third party servicer (as applicable) or the applicable collection agencies engaged by a platform for collections of payments on the loans or the receivables. If the loans or receivables are serviced by a platform, they are highly dependent on the continued performance on the platform, as servicer. Furthermore, any adverse developments in a platform's business could adversely affect participation through such platform, which may in turn adversely affect the performance of borrowers under the loans or receivables.

*Default rates.* General economic factors and conditions, including the general interest rate environment, unemployment rates, residential home values, the level of consumer confidence, the value of the U.S. dollar, Euro or Sterling, energy prices, changes in consumer spending, the number of personal bankruptcies, insolvencies, disruptions in the credit markets and other factors may affect the default rate as well as borrower willingness to seek loans and investor ability and desire to invest in loans or receivables. The default history for loans or receivables originated via platforms is limited and actual defaults may be greater than indicated by historical data and the timing of defaults may vary significantly from historical observations.

*Prepayment risk.* Borrowers may decide to prepay all or a portion of the remaining principal amount due under a loan or receivable at any time without penalty. In the event of a prepayment of the entire remaining unpaid principal amount of a loan or receivable acquired by a Client, the relevant Client will receive such prepayment, but further interest will not accrue on such loan or receivable after the date of the prepayment. If the borrower prepays a portion of the remaining unpaid principal balance, interest will cease to accrue on the prepaid portion, and the Client will not receive all of the interest payments that it expected to receive.

*Limited secondary market and liquidity.* Investors acquiring consumer loans or receivable directly through platforms and hoping to recoup their entire principal must generally hold their loans or receivables through maturity. There can be no guarantee that the Client will be able to readily access liquidity on demand. There is also currently no formal secondary market operated by any of the platforms through which PSCUS invests in relation to the sale of loans or receivables. There is currently very limited liquidity in the secondary trading of these investments. Consumer loans and receivables are not at present listed on any national or international securities exchange.

Until an active secondary market develops, PSCUS will primarily adhere to a “lend and hold” strategy and will not necessarily be able to access significant liquidity. In the event of adverse economic conditions in which it would be preferable for a Client to sell certain of its assets, the Client may not be able to sell a sufficient proportion of its portfolio as a result of liquidity constraints. In such circumstances, the overall returns to a Client from its investments may be adversely affected.

***Risks specific to SME loans and receivables***

All investments in SME loans and receivables risk the loss of capital. As a general matter, the risk factors identified herein relating to borrower default, fraud, platform default, default rates, prepayment risk and limited liquidity also apply to SME loans and receivables. No guarantee or representation is made that PSCUS’s investment program will be successful. PSCUS’s investment program may involve, without limitation, risks associated with limited diversification, leverage, interest rates, volatility, credit deterioration or default risks, systems risks and other risks. Certain investment techniques of PSCUS can, in certain circumstances, magnify the impact of adverse market moves to which Clients may be subject. In addition, a Client’s investment in SME loans and receivables may be materially affected by conditions in the financial markets and overall general economic conditions.

PSCUS’s methods of minimizing such risks may not accurately predict future risk exposures. Risk management techniques are based in part on the observation of historical market behavior, which may not predict market divergences that are larger than historical indicators. Also, information used to manage risks may not be accurate, complete or current, and such information may be misinterpreted.

The performance of the loans or receivables will likely be adversely affected by adverse developments in a platform’s business, particularly in its servicing and origination businesses that affect the loans and receivables. The Clients will rely exclusively on the collection and enforcement efforts of the platform, as servicer, the backup servicer (as applicable), any third-party servicer (as applicable) or the applicable collection agencies engaged by a platform for collections of payments on the loans or receivables. If the loans or receivables are serviced by a platform, they are highly dependent on the continued performance on the platform, as servicer. Furthermore, any adverse developments in a platform’s business could adversely affect participation through such platform’s marketplace, which may in turn adversely affect the performance of borrowers under the loans or receivables.

***Risks specific to real estate loans (or participation interests therein)***

Real estate loans (or participation interests therein) acquired by a Client may be, at the time of their acquisition, or may become after acquisition, non-performing for a wide variety of reasons. Such non-performing real estate loans may require a substantial amount of workout negotiations and/or restructuring, which may entail, among other things, a substantial reduction in the interest rate and a substantial write down of the principal of such loans. However, even if a restructuring were successfully accomplished, a risk exists that upon maturity of such real estate loan, replacement “takeout” financing will not be available.

Purchases of participations in real estate loans raise many of the same risks as investments in real estate loans and also carry risks of illiquidity and lack of control. It is possible that PSCUS may find it necessary or desirable to foreclose on collateral securing one or more real estate loans purchased by a Client.

The foreclosure process, which varies jurisdiction by jurisdiction, can be lengthy and expensive. Borrowers often resist foreclosure actions by asserting numerous claims, counterclaims and defenses against the holder of a real estate loan including, without limitation, lender liability claims and defenses, even when such assertions may have no basis in fact, in an effort to prolong the foreclosure action. In some jurisdictions, foreclosure actions can take up to several years or more to conclude. During the foreclosure proceedings, a borrower may have the ability to file for bankruptcy, potentially staying the foreclosure action and further delaying the foreclosure process. Foreclosure litigation tends to create a negative public image of the collateral property and may result in disrupting ongoing leasing and management of the property.

Participation interests are structurally different than owning a direct interest in a loan investment, known as an assignment. Participation interests create a contractual relationship with the selling institution and not directly with the borrower as in the case of an investment in a loan through an assignment. In addition, a holder of a participation typically has the right to receive payments of principal, fees and interest but will typically forego the right to enforce compliance on the borrower with the terms of the underlying loan agreement or vote on waivers and amendments. Furthermore, a holder of a participation may not directly benefit from the collateral supporting the loan and may be subject to any right of set-off that the borrower has against the selling institution. Thus, under a participation arrangement the participation holder will own credit risk of both the underlying obligor and the selling institution.

#### ***Risks associated with credit scoring models***

A prospective borrower is assigned a loan grade by a platform based on a number of factors, including the borrower's credit score and credit history. Credit scores are produced by third party credit reporting agencies based on a borrower's credit profile, including credit balances, available credit, timeliness of payments, average payments, delinquencies and account duration. This data is furnished to the credit reporting agencies by the creditors. A credit score or loan grade assigned to a borrower by a platform may not reflect that borrower's actual creditworthiness because the credit score may be based on outdated, incomplete or inaccurate reporting data. The platforms seek to verify the majority, but not all, of the information obtained from most of their borrowers.

Additionally, it is possible that, following the date of any credit information received, a borrower may have defaulted on a pre-existing debt obligation, taken on additional debt or sustained other adverse financial or life events.

PSCUS is reliant on the borrower credit information provided to it by the platforms which may be out of date or inaccurate. In addition, PSCUS has no access to consolidated financial statements or other financial information about the borrowers and the information supplied by borrowers may be inaccurate or intentionally false. Unlike traditional lending, PSCUS is not able to perform any independent follow-up verification with respect to a borrower on a platform, as the borrower's name, address and other contact details remain confidential.

Because of these factors, PSCUS may make investment decisions based on outdated, inaccurate or incomplete information.

#### ***Risks specific to corporate trade receivables***

PSCUS may invest in trade receivables originated by platforms and will therefore be subject to the platforms' ability to sufficiently source deals that fall within the Clients' investment and risk parameters.

Limited origination of suitable trade receivables through the platforms could have a negative impact on PSCUS's ability to deploy capital and therefore impact the Client's expected returns.

PSCUS relies on platforms' ability to monitor and curtail factoring fraud which typically stems from the falsification of invoice documents. False invoices can easily be created online to look like they have been issued by legitimate debtors or are otherwise created by legitimate debtors at inflated values. PSCUS's investment in trade receivables through platforms will therefore be reliant on the platforms' ability to carry out appropriate due diligence on all parties involved such that no losses occur due to fraudulent activity.

PSCUS will to some extent be reliant on the internal credit ratings by the platform but may seek to carry out independent credit checks, where available, in relation to either the creditor or debtor. In the event of insolvency of any debtor where invoices have been purchased by PSCUS, the relevant Client may only rank as unsecured creditor. Where invoices have been advanced, in the case of insolvency by the creditor, the debtor is made aware that the invoice has been advanced and is obliged to make payment to the relevant Client. However, the relevant Client will be subject to the risk of payment being delayed or not made.

Platforms that lend to corporations conduct due diligence but do not always conduct on-site visits to verify that the business exists and is in good standing. For this reason, the risk of fraud may be greater with corporate trade receivables.

The platforms seek to validate that the debtor has received the goods or services and is willing to pay the creditor before making the receivables available for investment. There can however be no assurance that the debtor will not subsequently dispute the quality or price of the goods or services and elect to withhold payments. Fraud, delays or write-offs associated with such disputes could directly impact the earnings of the Client on its investments in trade receivables.

### ***Risks specific to automobile loans or receivables***

Certain automobile loans or receivables owned by Clients are primarily with sub-prime obligors and which are originated generally in accordance with the respective lending programs of the originators designed to serve consumers who have limited access to prime automobile financing. There is a high degree of risk associated with sub-prime obligors. The typical sub-prime obligor has had previous financial difficulties or a limited credit history. Because the sub-prime automobile loans or receivables were made to consumers who are unable to meet the credit standards imposed by most prime automobile financing services, interest on the automobile loans or receivables is charged at higher rates than those charged by many prime financing sources. Sub-prime automobile loans or receivables therefore entail relatively higher risk and may be expected to experience higher levels of delinquencies, defaults and net losses than automobile loans or receivables originated by prime automobile financing sources.

Adverse economic conditions or other factors affecting any state or region could increase the delinquency, default or net loss experience of the automobile loans or receivables if there is a significant concentration of automobile loans or receivables relating to obligors located in the affected state or region. Federal and state laws may prohibit, limit, or delay repossession and sale of the automobiles to recover losses on defaulted automobile loans or receivables. As a result, a Client may experience delays in receiving payments and suffer losses. Additional factors that may affect the Client's ability to recoup the full amount due on an automobile loan contract include: (i) the servicer's failure to file amendments to the certificate of title relating to the related automobile; (ii) the servicer's failure to file financing statements to perfect its security interest in the related automobile; (iii) depreciation; (iv) obsolescence; (v) damage or loss of the related automobile; and (vi) the application of federal and state bankruptcy and insolvency laws. Furthermore, proceeds from the sale of repossessed automobiles can fluctuate significantly based upon

market conditions. A deterioration in general economic conditions could result in a greater loss in the sale of repossessed automobiles than the servicer has historically experienced.

***Risks specific to merchant cash advances***

Clients may provide merchant cash advances in exchange for a share of a business' future sales and/or a fixed fee. The Client's remittances from the borrower will generally be drawn from the borrower's customer debit- and credit-card purchases until the advance is repaid. Such cash advances come with the additional risks associated with small business lending, which may lead to significant losses to the Client. Since the cash advances are technically sales of future assets, rather than direct loans or credit, when making such advances, the Clients are currently not subject to state usury laws or any of the restrictions under The Dodd Frank Wall Street Reform and Consumer Protection Act. However, there have been discussions of increasing regulation of merchant cash advances and other alternative lending. Any such increased regulation may have a material adverse effect on the Client by increasing the cost of executing merchant cash advances or making the strategy economically unfeasible or unlawful.

***Risks specific to direct lending***

PSCUS's Clients may provide direct lending to SMEs and newly formed companies. PSCUS's success in achieving its investment objectives will depend heavily on its analyses of these potential borrowers' creditworthiness, as well as the value of the collateral underlying a Client's loans to these companies. PSCUS's investment strategy generally focuses on small-capitalization public and lower middle market private companies that may have little or no track record, so there can be no assurance that PSCUS can accurately determine the creditworthiness of such borrowers. PSCUS's performance could be adversely affected if a borrower defaults on its loan payments. If a promissory note or other credit instrument were to become subject to such an event of default, PSCUS's clients may incur significant expenses in exercising their rights as a secured or unsecured creditor that will adversely affect the value of their investment. Alternatively, upon an event of default, PSCUS may choose to enter into negotiations or restructuring of a borrower's loan which may entail, among other things, a substantial reduction in the interest rate and/or a substantial writedown of the principal of the loan, each of which could have a material adverse effect on PSCUS's Clients. Furthermore, there is the possibility of material misrepresentation or omission on the part of the borrower. Such inaccuracy or incompleteness may adversely affect the valuation of the collateral underlying the loans or may adversely affect the ability of PSCUS and/or its Clients to perfect or effectuate a lien on the collateral securing the loan. PSCUS and its Clients will rely upon the accuracy and completeness of representations made by borrowers to the extent reasonable but cannot guarantee such accuracy or completeness. Clients may provide or invest in loans to higher risk borrowers, such as companies or individuals with limited or poor credit histories. The risk of default by such borrowers is high, and any such default may lead to a material loss to the Clients.

***Risk of borrower default in respect of secured investments.*** A component of PSCUS's analysis of the desirability of acquiring a secured investment relates to the estimated residual or recovery value of such investment in the event of the insolvency of the borrower. This residual or recovery value will be driven primarily, where the investment is secured or guaranteed, by the value of the underlying assets constituting the collateral for such investment. Collateral represents security taken over some or all of the assets of a borrower. Such security may be taken in a number of different ways depending on the nature of the asset being secured. The value of collateral can, however, be extremely difficult to predict as in certain circumstances market quotations and third-party pricing information may not be available, can diminish over the term of the investment, be misappropriated or destroyed and, in certain market circumstances, there could be little, if any, market for such assets. Moreover, depending upon the status of these assets at the time of a borrower's default, they may be substantially worthless. The types of collateral owned by the borrowers who are a counterparty in investments will vary widely, but are expected primarily to be auto loans, real estate, receivables, inventory, bank accounts, property, plant and equipment. During times of recession and economic contraction, there may be little or no ability to realize value on any of these assets,

or the value which can be realized in liquidation or otherwise may be substantially below the assessed value of the collateral. A default that results in a Client holding devalued collateral would materially adversely affect the Client.

While PSCUS may invest in secured investments for Clients, the collateral and security arrangements in relation to such investments will be subject to such security or collateral having been correctly created and perfected and any applicable legal or regulatory requirements. This may restrict the giving of collateral or security by a borrower under an investment, such as, for example, thin capitalization, over-indebtedness, financial assistance and corporate benefit requirements. If an investment does not benefit from the expected collateral or security arrangements this may affect the value of the investments made by the Clients.

If a default were to occur in relation to an investment in which a Client has invested, and the platform or Client (as applicable) exercises its rights to enforce the collateral or security arrangements that support such investment, the value of recoveries under those arrangements may be smaller than the value of the Client's investment, (whether due to external factors such as changes in the market for the assets to which the security or collateral relates, general economic conditions or otherwise).

***Risks specific to equity investments in platforms***

PSCUS may invest in the listed or unlisted equity of a platform. Investments in unlisted equity, by its nature, involves greater valuation and performance uncertainties and liquidity risks than investments in listed securities.

In comparison with listed and quoted investments, unlisted companies:

- may have shorter operating histories and smaller market shares, rendering them more vulnerable to competitors' actions and market conditions, as well as general economic downturns;
- often operate at a financial loss;
- are more likely to depend on the management talents and efforts of a founder or small group of persons and, if any such persons were to cease to be involved in the management or support of such companies, this could have a material adverse impact on their business and prospects and the investment in them; and
- generally have less predictable operating results and may require significant additional capital to support their operations, expansion or competitive position.

Investments which are unlisted at the time of acquisition may remain unlisted and may therefore be difficult to value and/or realize.

Certain of these investments are expected to be in entities which are smaller companies. Smaller companies, in comparison to larger companies, often have a more restricted depth of management and higher risk profiles. Investors should not expect they will necessarily be able to realize, within a period which they would otherwise regard as reasonable, investments in such companies and any such realizations that may be achieved may be at considerably lower yields than expected.



**Item 9      Disciplinary Information**

There are no legal or disciplinary events that are material to an evaluation of PSCUS's advisory services or the integrity of its management.

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

- A.** Neither PSCUS nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or registered representative of a broker-dealer.
- B.** Neither PSCUS nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor or an associated person of the foregoing entities.
- C.** Material Relationships

In reliance on certain no-action relief previously granted by the SEC, we have entered into service arrangements with certain investment advisor affiliates (each, a “Participating Affiliate”) which permit us to use investment offerings, investment management capabilities and related services, including personnel, of the Participating Affiliates in providing advice to our clients. Currently, our Participating Affiliates include Pollen Street Capital Limited (“PSCL”) and PSCCH, each an England and Wales incorporated limited company, each of which is an investment advisor, authorized and regulated by the UK Financial Conduct Authority. PSCL and PSCCH provide advice to PSCUS with respect to both U.S. and non-U.S. based Clients. PSCL and PSCCH are not required to be registered under the Advisers Act, but operate in compliance with certain related requirements and undertakings as prescribed by the SEC. In addition to its activities with respect to PSCUS, PSCL and PSCCH each operates its own investment advisory firm, each serves as the investment manager to a number of funds and other clients and, in those capacities, each engages in a broad range of advisory and non-advisory activities. PSCL’s and PSCCH’s significant activities unrelated to PSCUS may limit PSCL’s or PSCCH’s advice to or other involvement with PSCUS and may give rise to conflicts of interest. PSCL or PSCCH may recommend to its clients, or invest in on behalf of its clients, in securities or other investment opportunities that are the subject of recommendations to, or discretionary trading on behalf of PSCUS’s Clients. Potential conflicts are managed in accordance with the group’s Conflicts of Interest Policy and Allocation Principles.

PSCUS provides sub-management and separate account management services to the UK Investment Trust, the primary investment manager of which is PSCCH. To the extent that the UK Investment Trust invests in a Fund managed by PSCUS, any management fee or performance-based fee customarily charged by such Fund is waived in order to avoid fee layering. In addition, no fee is charged by PSCUS to the UK Investment Trust or to any separate account it manages on its behalf.

PSCUS organizes and sponsors private limited partnerships. These pooled investment vehicles managed by PSCUS are controlled by affiliated general partner entities. Except for independent directors, employees and persons acting on behalf of the general partners are subject to the supervision and control of PSCUS. Thus, the general partners and any supervised persons acting on its behalf are “persons associated with” the registered investment adviser so that the SEC could enforce the requirements of the Advisers Act on the general partners.

- D.** PSCUS does not receive any compensation for the recommendation of other investment advisers to its Clients.

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

- A.** PSCUS has adopted a written Code of Ethics (the “Code”) designed to address and avoid potential conflicts of interest as required under Rule 204A-1 of the Advisers Act. The Code sets forth a standard of business conduct and compliance with federal securities laws by all of PSCUS’s directors, officers, and partners (or other persons occupying a similar status or performing similar functions); employees; and any other person who provides advice on behalf of PSCUS and is subject to the firm’s supervision and control (“associated persons”). The Code contains policies and procedures that ensure that all personal securities trading by associated persons is conducted in such a manner as to avoid conflicts of interest or any abuse of an individual’s position of trust and responsibility. PSCUS prohibits personal trading of certain securities and instruments; requires pre-clearance for most securities transactions including any purchase of an IPO or private placement; requires periodic reporting of employees’ personal securities transactions and holdings; and requires prompt internal reporting of Code violations. As part of its Code, PSCUS has established procedures to prevent the abuse of material, non-public information, which includes procedures for, among other things, the use and maintenance of restricted trading lists.

A copy of PSCUS’s Code of Ethics is available to clients and prospective clients upon written request to: Chief Compliance Officer, Pollen Street Capital (US) LLC, 747 3<sup>rd</sup> Avenue, 19<sup>th</sup> Floor, New York, NY 10017.

- B.** Certain Client Documents allow the Clients to participate in transactions in which the general partner, PSCUS or any of their affiliates, including other Clients and Fund investors, has a direct or indirect interest. PSCUS, its affiliates and respective employees, or a related entity each may have an investment in each Fund. Certain Separate Account Clients also separately invest in the Funds, in which case fees associated with the managed account assets are not charged on the assets invested in the Funds and fees associated with the Funds are not charged on managed account assets. In addition, with respect to certain securitizations of loans or receivables, an affiliate of PSCUS may take equity interests in the vehicle through which such loans or receivables are securitized. Employees are restricted from trading the individual securities listed on the shared restricted list of PSCUS and its Pollen Street group affiliates. The Code is designed to ensure that the personal securities transactions, activities and interests of PSCUS’s employees will not interfere with making decisions in the best interest of Clients and implementing such decisions while, at the same time, allowing employees to invest for their own accounts.
- C.** PSCUS or its related persons may invest in the same securities (or related securities, e.g., warrants, options or futures) that it or a related person recommends to Clients. The senior management of the firm must determine that such transaction does not affect PSCUS’s fiduciary duty to any Client. In addition, any such transaction would be done in accordance with PSCUS’s Code of Ethics, PA Dealing Policy, Conflicts of Interest Policy, and Allocation Principles, as applicable.
- D.** Any purchase or sale of securities by PSCUS or its related persons at or about the same time that PSCUS buys or sells the same investments for a Client would require pre-clearance by the CCO of PSCUS and, if applicable, the Head of Risk & Compliance for the PSC group. Allowances for these investments are generally only made where there is an over-allotment or excess capacity in an offering of the equity or warrants of a platform. Further, any such transaction would be done in accordance with PSCUS’s Code of Ethics, PA Trading Policy and Conflicts of Interest Policy, as applicable.

## Item 12 Brokerage Practices

### A. Selecting or Recommending Broker-Dealers

*Best Execution.* Although PSCUS's Clients' strategy does not typically require the use of broker-dealers, PSCUS will occasionally use brokers in connection with the purchase and sale of bonds for cash management purposes. PSCUS has complete discretion in selecting the broker that it uses for transactions and the commission rates that Clients pay such brokers. PSCUS's overriding objective in effecting portfolio transactions is to seek to obtain best execution for its Clients' securities transactions. It is not necessary to select the broker offering the lowest commission rate. PSCUS may cause a Client account to pay a broker a commission in excess of that which another broker might have charged for effecting the same transaction in recognition of the value of the brokerage and other services provided by the broker.

*Allocations.* PSCUS allocates investments among the accounts of its Clients in a manner which it believes to be fair and equitable. Allocations of investment opportunities should not be based on any of the following, or similar, reasons:

- to prefer one Client or group of investors over another; or
- to produce greater fees;
- to develop a relationship with a Client or prospective Client; or
- as compensation for past services or benefits rendered to PSCUS or any employee or related person or to induce future services or benefits to be rendered to PSCUS or any employee or related person.

In determining how investment opportunities are allocated, the firm's investment committee ("IC") will take into account considerations including, but not limited to:

- pre-existing tactical plan of a Client or Clients and corresponding capital commitments;
- investment policy/investment restrictions;
- concentration limits/asset diversification;
- available capital;
- target yield/amortization profile;
- alternative opportunities;
- jurisdiction and currency;
- size, nature and type of opportunity;
- regulatory and legal; and
- such other factors as the IC deems relevant.

An allocation may be made wholly to one Client, or split between Clients on the basis of a weighting fairly determined and documented by the IC. This does not automatically mean that the fairest or best outcome for investors is to split opportunities equally or pro rata between those Clients depending on each Client's available capital.

To the extent an opportunity comprises a forward flow arrangement that is allocated to two or more Clients of PSCUS or an affiliate, then in addition to applying the foregoing considerations to the respective forward capital outlay of the Clients, care will be taken to ensure that the originating platform has in place an appropriate methodology to ensure fair allocation of individual underlying loans or receivables between the Clients.

*Principal Transactions and Cross Trades.* Section 206(3) of the Advisers Act makes it unlawful for an adviser acting as principal for its own account, to knowingly sell any security to or purchase any security from a client (principal transaction), or acting as broker for a person other than such client, to knowingly effect any sale or purchase of any security for the account of such Client (agency cross transaction), without disclosing to the Client in writing before the completion of such transaction the capacity in which he is acting and obtaining the consent of the Client for each transaction. For the purposes of this rule, PSCUS treats the Funds and other pooled vehicles in which it has a direct or indirect ownership interest of 25% or more of the outstanding ownership interests (excluding carried profits or similar interests) as principal accounts. Employees of PSCUS may not engage in principal transactions between a personal account (including the account of a family member) and any Client account. An Employee may not cause one Client account to sell a security to another Client account in a cross transaction if any employee or other affiliate of PSCUS will receive any compensation from any source for acting as broker. Prior to the execution of a principal transaction, the written disclosure to the Client of the capacity in which PSCUS is acting, and the written consent of the Client to be party to a principal transaction, will be secured and provided to the Chief Compliance Officer.

PSCUS will only engage in cross transactions (causing one Client account to buy or sell securities from or to another Client account) when the transaction is in the interests of, and consistent with the investment objectives and policies of, both accounts involved in the transaction. If a cross transaction is considered, it is PSCUS's policy to carry out all cross transactions in an equitable and fair manner for all Clients involved. Any cross transaction between Client accounts will be made for cash consideration and PSCUS will execute the transaction at the current market price of the security. If a market price is not available on the day in question, then the cross transaction shall be done at the mid-market price based upon relevant bid/ask quotes determined on the basis of reasonable inquiry. No brokerage commission, fee (except for customary transfer fees) or other remuneration shall be paid in connection with any cross transactions between Client accounts.

#### *1. Research and Other Soft Dollar Benefits*

PSCUS does not presently use soft dollars. In the event that PSCUS uses soft dollars, it will do so solely to pay for products or services that qualify as "research and brokerage services" within the meaning of Section 28(e) of the Securities Exchange Act of 1934, as amended (the "1934 Act").

PSCUS recognizes that soft dollar services could influence PSCUS's judgment and create conflicts of interest in allocating brokerage business between firms that provide soft dollar services and firms that do not. PSCUS will have an incentive to select or recommend a broker based on PSCUS's interest in receiving soft dollar services rather than Clients' interest in receiving the most favorable execution. These conflicts of interest are particularly influential to the extent that PSCUS uses soft dollars to pay expenses it would otherwise be required to pay itself.

PSCUS will address any such conflicts of interest by annually evaluating the trade execution services that PSCUS receives, if any, from the brokers that it uses to execute trades for Clients. Such evaluation will include comparing those services to the services available from other brokers. PSCUS will consider, among other things, alternative market makers and market centers, the quality of execution services, the value of continuing with various soft dollar services and adding or removing brokers, increasing or decreasing targets for each broker and the appropriate level of commission rates.

#### *2. Brokerage for Client Referrals*

If PSCUS chooses to use a broker for future transactions, PSCUS may direct a certain amount of brokerage to a broker in return for the broker's referral of prospective Clients or Fund investors. Directing brokerage in exchange for client or investor referrals creates a conflict of interest in that PSCUS has an incentive to refer its Clients' brokerage business to brokers to which it might not otherwise direct transactions. During its last fiscal year, PSCUS did not direct Client transactions to a particular broker in return for Client referrals. PSCUS has policies and procedures to review its brokerage practices regularly, including its use of brokers from which PSCUS receives Client or Fund investor introductions.

3. *Directed Brokerage*

Not applicable.

**B.** Aggregation of Orders

Not applicable.

### **Item 13    Review of Accounts**

- A.**     The firm's investment committee is responsible for reviewing Client investment portfolios. Client positions will be reviewed on a periodic basis (daily, weekly, monthly etc.) as deemed appropriate with the assistance of the portfolio management and risk management teams. Performance, certain investment positions, exposure levels, and investment opportunities are among some of the matters that may be reviewed.
- B.**     See Item 13.A. above.
- C.**     Annually, PSCUS assists each Fund in furnishing all investors with (i) audited written financial statements prepared in accordance with generally accepted accounting principles, accompanied by the report of its independent certified public accountants, (ii) unaudited financial information and updates on the fund's activities on a monthly or quarterly basis (as applicable and in accordance with the Client Documents) and (iii) tax information necessary for the completion of tax returns. PSCUS provides Separate Account clients with such reports that are required by such Separate Account's Client Documents.

**Item 14    Client Referrals and Other Compensation**

- A.**     PSCUS does not receive any economic benefit, including sales awards or prizes, from any third party for providing advisory services to the Clients.
- B.**     PSCUS or its related persons do not directly or indirectly compensate any person who is not a supervised person of PSCUS for client referrals.



## **Item 15 Custody**

PSCUS is deemed pursuant to Rule 206(4)-2 under the Advisers Act to have custody of the assets of certain limited partnership clients where the general partners of these entities are related persons of the firm and have the legal authority to transfer or dispose of the assets as well as deduct fees and other expenses from the funds. Such funds or accounts are each subject to an annual audit by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and the audited financial statements are distributed to each limited partner/investor. The audited financial statements will be prepared in accordance with generally accepted accounting principles and distributed within 120 days of each such limited partnership's fiscal year end. Fund investors are urged to carefully review these financial statements.

For Separate Accounts, Clients receive statements on at least a quarterly basis directly from the account custodians. Clients are urged to carefully review these statements, and should compare these statements to any account information provided by PSCUS.

**Item 16 Investment Discretion**

PSCUS contractually assumes discretionary authority over the assets of each Fund under an investment management agreement entered into among PSCUS, the Fund and the Fund's general partner or other controlling entity.

PSCUS contractually assumes discretionary authority with each Separate Account under an investment management agreement with the Client.

PSCUS contractually assumes discretionary authority with respect to the UK Investment Trust and its subsidiaries under the sub-management agreement with PSCCH.

## **Item 17    Voting Client Securities**

PSCUS intends to vote proxies or similar corporate actions in accordance with the best interest of the applicable Client(s), taking into account such factors as it deems relevant in its sole discretion. Upon receipt of a proxy request, PSCUS's operations department contacts the senior investment professional responsible for the issuer. The portfolio management team reviews the information, determines what is in the best interests of the Client(s) including whether it is in the best interests of the Client(s) to vote the proxy. PSCUS may choose to abstain from the exercise of voting rights. PSCUS does not permit Clients to direct how it will vote on specific proxies.

PSCUS's proxy voting policy is designed to ensure that if a material conflict of interest is identified with connection with a particular proxy vote, that the vote is not improperly influenced by the conflict. Conflicts of interest may arise from time to time in relation to proxy voting requirements. PSCUS shall monitor all proxies for any potential conflicts. If a material conflict of interest arises, PSCUS will determine what is in the best interests of the Client(s) and may take appropriate steps to eliminate such conflict.

Clients that wish to obtain information about how PSCUS voted their securities or a copy of PSCUS's proxy voting policies and procedures may contact the Chief Compliance Officer of PSCUS, in writing, at 747 3<sup>rd</sup> Avenue, 19<sup>th</sup> Floor, New York, NY 10017.

**Item 18 Financial Information**

- A.** PSCUS does not require or solicit prepayment of more than \$1,200, six months or more in advance.
- B.** PSCUS does not believe it has any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to its Clients.
- C.** PSCUS has not been the subject of a bankruptcy petition at any time during the past ten years.