



**NXT Capital Investment Advisers,  
LLC 191 North Wacker Drive  
30<sup>th</sup> Floor  
Chicago, IL  
60606**

**DISCLOSURE  
BROCHURE**

**March 11, 2022**

This Disclosure Brochure (the “Brochure”) provides information about the qualifications and business practices of NXT Capital Investment Advisers, LLC (“NXT Advisers”). NXT Advisers’ registration as an investment adviser does not imply a certain level of skill or training.

If you have any questions about the contents of this Brochure, please contact NXT Advisers’ Chief Compliance Officer using the contact information listed below. The information contained in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about NXT Advisers is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Contact Information**

Brian Franc

Chief Compliance Officer

T: 312-450-8000

F: 312-450-8100

E: [chiefcomplianceofficer@nxtcapital.com](mailto:chiefcomplianceofficer@nxtcapital.com)

## Table of Contents

Item 2 – Material Changes.....	4
Item 4 - Advisory Business .....	6
Item 5 - Fees and Compensation .....	7
Item 6 - Performance-Based Fees and Side-by-Side Management .....	9
Item 7 - Types of Clients .....	11
Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss .....	12
Item 9 - Disciplinary Information .....	30
Item 10 - Other Financial Industry Activities and Affiliations .....	30
Item 11 – Code of Ethics, Participation or Interest of Client Transactions and Personal Trading .....	44
Item 12 – Brokerage Practices.....	49
Item 13 - Review of Accounts.....	56
Item 14 - Client Referrals and Other Compensation .....	57
Item 15 - Custody .....	57
Item 16 - Investment Discretion .....	58
Item 17 - Voting Client Securities.....	59
Item 18 - Financial Information .....	60
Item 19 - Requirements for State-Registered Advisers.....	60

## **Item 2 – Material Changes**

This Brochure, dated March 11, 2022, serves as an other than annual update to NXT Advisers' Brochure dated June 29, 2021. The following describes what we believe are material changes made in this update. In addition, we routinely make updates throughout the Brochure to improve and clarify the description of our business practices, compliance policies, and procedures, as well as to respond to evolving industry best practices.

### **➤ Item 4**

- We have provided updates to reflect NXT Advisers' regulatory assets under management as of September 30, 2021; remove references to our Real Estate Business as we currently do not have active Clients for the Real Estate Business; and to update John Finnerty's title of Chairman, CEO as well as President

### **➤ Item 8**

- We have updated disclosures regarding Interest Rate Risk relating to LIBOR cessation and Environmental, Social and Governance Matters and the Russia-Ukraine Conflict

### **➤ Item 10**

- We have added or updated several disclosure sections listed under "Other Financial Industry Activities and Affiliations", including:
  - Affiliated Service Providers; Conflicts as to ORIX USA Group; Information Barriers and the Restricted List; Board/Creditor Committee Representation; Cross Trades and Principal Trades; Capital Structure Conflict; Loan Participations and Assignments; Engagement of Consultants; Conflicts Regarding Valuation; Pre-existing Relationships; Restrictions Arising under the Securities Laws; Conflicts Resolution Process; Other Affiliates and Client Agreements

### **➤ Item 11**

- We have added or updated several disclosure sections listed under "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading", including:
  - Participation or Interest in Client Transactions – Conflicts as to ORIX USA Group; Participation or Interest in Client Transactions – Conflicts Related to ORIX Persons; Participation or Interest in Client Transactions – Possible Future Activities; Principal Transactions and Cross Transactions; Service

Providers; Other Activities of NXT Advisers and NXT Related Persons

- Item 12
  - We have updated the Aggregation and Allocation of Investment Opportunities and Policies and Procedures sections

Other changes to this Brochure include additional and clarifying disclosures concerning risks, conflicts of interests and the conflict resolution process.

**Important Note About This Brochure**

This Brochure is not:

- an offer or agreement to provide advisory services to any person
- an offer to sell interests (or a solicitation of an offer to purchase interests) in any Client (as defined in Item 4)
- a complete discussion of the features, risks or conflicts associated with any Client

As required by the Investment Advisers Act of 1940, as amended (“Advisers Act”), NXT Advisers ( “we”, “us” or “our”) will provide this Brochure to current and prospective Clients and can also, in our discretion, provide this Brochure to current or prospective investors in a Client, together with other relevant Client Agreements and agreements (e.g. limited liability company agreement/limited partnership agreement/indenture/offering circular/private placement memorandum/investment management or similar agreement, etc.) (the “Client Agreements”) prior to, or in connection with, such persons’ investment in a Client. Additionally, this Brochure is available through the SEC’s Investment Adviser Public Disclosure website.

Although this publicly available Brochure describes the investment advisory services and products that we provide, persons who receive this Brochure (whether or not from us) should be aware that it is designed solely to provide information about us as necessary to respond to certain disclosure obligations under the Advisers Act. As such, certain information in this Brochure will differ from the more specific and complete information about each Client included in the relevant Client Agreements, certain of which are provided to current and eligible prospective investors only by us or another authorized party. To the extent that there is any conflict between discussions herein and similar or related discussions in any Client Agreements, the relevant Client Agreements shall govern and control.

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

NXT Capital Investment Advisers, LLC (“NXT Advisers”) is an indirect subsidiary of NXT Capital Group, LLC and we refer to NXT Capital Group, LLC and its direct and indirect subsidiaries collectively as “NXT Capital” throughout this Brochure.

NXT Capital Group, LLC is an indirect, wholly-owned subsidiary of ORIX Corporation USA (“ORIX USA”), which constitutes the U.S. and Latin America businesses for Tokyo-based ORIX Corporation (NYSE: IX; TSE: 8591), a public company (“ORIX”).

We provide investment advisory services to investment entities (each a “Client” and collectively with NXT Affiliated Clients (defined below), “Clients”) that invest in secured loans of the type originated or available for purchase by NXT Capital’s Direct Lending Group (the “Direct Lending Group” and such loans “DL Loans”). NXT Advisers does not originate any DL Loans.

Our Clients will generally consist of entities established in conjunction with structured finance transactions such as collateralized loan obligations, privately placed pooled investment vehicles, investment partnerships, trusts or separate investment accounts that invest in DL Loans. Certain NXT Capital affiliated entities also receive investment advisory services from us and are treated by us as Clients (“NXT Affiliated Clients”). All Clients other than NXT Affiliated Clients are considered “Non-Affiliated Clients”, even where NXT Capital or an affiliate maintains an investment in such Client.

Our investment advice to Clients is generally limited to DL Loans; however, we do manage Direct Lending Group equity received by Clients as a result of a debt-to-equity conversion and / or restructuring. Clients generally invest in DL Loans by purchasing an assignment or participation in one or more DL Loans. For more information regarding DL Loans and their associated risks, please see Item 8, “Methods of Analysis, Investment Strategies and Risk of Loss”.

Except as otherwise described herein, investments for each Client are managed in accordance with the Client’s particular investment objectives, strategies, restrictions and guidelines as outlined in the respective Client Agreements and are generally not tailored to the individualized needs of any particular investor in a Non-Affiliated Client. At inception, however, NXT Advisers, in consultation with prospective investors, will sometimes elect to establish specific investment criteria for a Non-Affiliated Client. Such criteria can, but will not necessarily, include specific requirements or restrictions (including concentration limits) related to: industry; investment product type; geography; and investment size. Information about each Non-Affiliated Client, and the particular investment objectives, strategies, restrictions, guidelines and certain risks associated with an investment, is included in the respective Client Agreements, which are made available to investors only through us or another authorized party. Since we do not provide individualized advice to the investors in a Non-Affiliated Client (and an investment in a Non-Affiliated Client does not, in and of itself, create an advisory relationship between us and the investor), investors must consider whether a particular Non-Affiliated Client meets their investment objectives and risk tolerance prior to investing.

NXT Capital provides structured financing solutions to private equity sponsor-owned and other middle-market companies through its Direct Lending Group. NXT Affiliated Clients will generally be allocated and retain a piece of each DL Loan that we offer to our Non-Affiliated Clients that invest in DL Loans ("DL Client(s)") and, except as otherwise agreed to with a particular Non-Affiliated DL Client, an individual Non-Affiliated DL Client will generally not be allocated an amount that exceeds the total amount of the DL Loan allocated to and retained by NXT Affiliated Clients. This can serve to reduce the amount of a DL Loan that is allocated to Non-Affiliated DL Clients.

NXT Capital, which began operations in April 2010, was founded by Robert Radway, NXT Capital's Chairman and former Chief Executive Officer, and other members of NXT Capital's executive team.

Prior to founding NXT, Mr. Radway, and Neil Rudd, NXT Capital's former Chief Financial and Administrative Officer, founded and served in the same positions at Merrill Lynch Capital, a middle market focused commercial finance business that operated as a subsidiary of Merrill Lynch Bank USA. Merrill Lynch Capital was sold to GE Capital in February 2008. Prior to forming Merrill Lynch Capital, Mr. Radway held a senior executive position and Mr. Rudd held a senior corporate development position with Heller Financial. Heller Financial was a NYSE-traded commercial finance company that was sold to GE Capital in October 2001. Mr. Rudd retired effective December 31, 2020 and Mr. Radway retired effective September 30, 2021. Mr. Radway currently serves in an advisory role to NXT Capital.

Effective January 1, 2021, John Finnerty assumed the role of President and effective October 1, 2021, John assumed the role of Chairman, Chief Executive Officer of NXT Capital. John has served as Senior Managing Director, Direct Lending of NXT Capital since NXT Capital began operations in April 2010 and is member of the NXT Advisers Investment Committee. John has over 30 years of experience in middle-market commercial finance. Before joining NXT Capital, he was the Chief Credit and Risk Officer for Merrill Lynch Capital, where he had primary responsibility for all credit decisions, portfolio management and underwriting and also served as Chairman of the Credit Committee. Previously, John served as Group Senior Credit Officer for the company's Direct Lending Group.

We offer discretionary and non-discretionary advisory services. As of September 30, 2021, NXT Advisers managed discretionary and non-discretionary Client assets totaling approximately \$7,732,144,000 (rounded) in 22 accounts across a combination of pooled investment vehicles, separately managed accounts, and collateralized loan obligation issuers.

#### **Item 5 - Fees and Compensation**

Clients pay us asset management fees which are generally based on the actual amount of Client assets under management rather than the Client's total investment commitment. Assets under management for purposes of calculating these fees are generally based on the aggregate

outstanding principal balance of DL Loans and the fair value of Client assets other than DL Loans, such as equity investments received upon a debt to equity conversion. We can also negotiate on a case by case basis with Clients fees that are based on the performance of the assets owned by the Client. Please see Item 6, "Performance-Based Fees and Side-by-Side Management". All asset management and origination fees are specifically negotiated with each Client. We have no set fee schedules.

Client Agreements related to certain multi-investor loan funds we manage allow us, in our sole discretion, to waive, reduce or rebate all or any portion of our asset management fees for the benefit of any limited partner, including NXT Related Persons (as defined in Item 6, "Performance-Based Fees and Side-by-Side Management") and persons related to NXT Capital's former owners, and we have waived all management fees in these multi-investor loan funds for NXT Related Persons and employees of NXT Capital's former owner. Additionally, in certain circumstances, NXT Advisers has waived all management fees for certain investors and clients. These management fee waivers do not impact management fees paid by any other investors in these loan funds or other Client accounts.

Additionally, our affiliates receive loan fees which, absent a requirement in the relevant Client Agreements (or otherwise in our sole discretion), are not rebated to Clients (e.g. structuring, underwriting, administrator or agent fees). The management fees payable by a Client will not be reduced in connection with our (or our affiliates') receipt of any origination fees, loan fees, or other fees, compensation, or reimbursements payable by or with respect to Clients.

We will generally calculate these asset management fees and invoice our Clients for payment monthly or quarterly in arrears in accordance with the Client Agreements. Generally, Clients (and, indirectly, the investors therein) bear all expenses as defined in the Client Agreements, which expenses could include, without limitation, (1) organizational, offering, legal, filing, recording, auditing, consulting, administration, accounting, tax, insurance, banking, rating agency and other professional fees and expenses; (2) expenses associated with periodic reporting and any amendments to Client Agreements; (3) expenses associated with financial statements and tax returns; (4) insurance, interest and other expenses incurred in respect of borrowings, if any; (5) other expenses associated with the acquisition, credit ratings, holding, monitoring, settlement, workout and disposition of a Client's investments (including, without limitation, any brokerage, transaction, custody or hedging costs, and any other third party professional fees such as legal and consulting fees and valuation or appraisal fees); (6) the costs and expenses of any custodians, lenders, independent review parties, fund administrators, investment banks and other financing or banking sources and providers; (7) any indemnity expenses; and (8) the costs and expenses of any litigation involving a Client.

#### *Conflicts Arising from Expense Allocations*

Our Expense Allocation Policy requires that if any of the expenses outlined above are incurred by a Client, NXT Advisers, NXT Capital or NXT Affiliated Client and/or one or more other Clients managed by NXT Advisers, such expenses shall be allocated among the Client, NXT Advisers, NXT Capital or NXT Affiliated Client and such other Clients managed by NXT Advisers as



relevant in the particular circumstances, first, in accordance with any specific allocation methodology for expenses agreed to with our Clients and second, in a fair and equitable manner, as determined in accordance with our and NXT Capital's policies and procedures. In some cases, a shared expense will be allocated *pro rata* among those who benefit from such expense in accordance with total assets or amount invested in assets related to the expense while, in other cases, each relevant beneficiary of an expense item will bear an equal share of the related expense. Such allocations involve inherent conflicts of interest, and there can be no assurance that allocations will reflect the relative benefit to each party.

For a more complete discussion of Client fees, compensation and other expenses, please refer to the respective Client Agreements and Item 12, "Brokerage Practices".

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

"Side-by-side management" refers to the simultaneous management of multiple types of Client accounts and/or investment products. Clients can have similar, complementary or competing investment objectives, policies or strategies. Side-by-side management gives rise to a variety of potential and actual conflicts of interest for us, our affiliates, including ORIX USA, NXT Capital and NXT Affiliated Clients, any persons under common control, including each of their respective officers, directors, security holders, members, managers, partners, agents, shared personnel and employees, including those who have directly or indirectly invested in a Non-Affiliated Client (collectively "NXT Related Persons"), including, as discussed below, the incentive to favor certain accounts with performance-based fees or accounts in which NXT Related Persons have an economic interest.

As discussed in Item 5, "Fees and Compensation" and Item 11, "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading", NXT Related Persons could: (1) be entitled to a performance fee or an origination fee with respect to one or more Clients; (2) directly or indirectly maintain investments in DL Loans for their own accounts; and (3) have directly or indirectly invested in a Non-Affiliated Client. Accordingly, we could face a conflict of interest when considering how to allocate limited investment opportunities among multiple Clients, each having different fee structures, and accounts in which NXT Related Persons have an economic interest. In addition, the existence of a performance fee creates an incentive for us to make more speculative investments on behalf of a Client than we would otherwise make in the absence of such performance-based compensation. We also have a conflict of interest regarding investment decisions or investment allocations made on behalf of NXT Affiliated Clients since we would generally have an incentive to favor a Client that is under common control.

To assist in mitigating against the potential risks outlined above, Non-Affiliated Client Agreements often contain one or more of the following requirements: (1) NXT Affiliated Clients will generally retain a piece of each DL Loan offered to a Non-Affiliated DL, (2) the Non-Affiliated DL Client retains discretion as to whether or not to purchase a Loan we offer to them and (3) certain Loan eligibility criteria, concentration limitations and other criteria and restrictions apply to investments by the Non-Affiliated DL Client. In addition, through our

investment allocation policies and procedures, Code of Ethics and other policies and procedures, we seek to promote fair and equitable treatment of Clients on an overall basis, over time, based on considerations that are unrelated to our economic interests. However, these can have the effect of reducing the amount of a Loan that is allocated to Non-Affiliated DL Clients. Please see Item 12, "Brokerage Practices".

DL Loans and equity investments, if any, held by our Clients are not typically publicly traded and their fair values often are not readily determinable. For most Clients we, or NXT Capital, value the DL Loans, in good faith, pursuant to our and NXT Capital's written valuation policies and procedures and in accordance with U.S. generally accepted accounting principles, which in the case of DL Loans that are held for investment purposes means using the historical cost method, including an allowance for loan loss reflecting anticipated inherent losses in the portfolio. Direct Lending equity investments are valued under the alternative fair value method. Under this method, investments that do not have readily determinable fair values are measured at cost minus other-than-temporary impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or similar investment of the same issuer. For some Clients we provide estimated fair market values for the DL Loans owned by the Client as these Clients utilize fair value accounting or require fair values for financial statement disclosures. The fair value of DL Loans are generally determined using a cash flow model and discounting each Loan's expected cash flows at current market rates for comparable loans and these fair values are not utilized to determine asset management fees charged on DL Loans. Such valuations comprise certain good faith determinations made by us, or NXT Capital, which are subjective in nature. Valuations involve inherent conflicts of interest, as we have an incentive to reflect higher valuations to increase fees payable to us or our affiliates and to improve performance presented to current and prospective Clients and investors. Actual amounts realized with respect to a Loan could vary significantly from the value at which the Loan is held at any time.

Clients have from time to time entered, and may enter in the future, into separate agreements, commonly referred to as "side letters," or other similar agreements (each a "Side Letter"), with particular investors, in connection with a particular investor's admission to such Client, without notice or approval of any other investor. A Side Letter has the effect of establishing rights under, or altering or supplementing, the terms of the Client's Client Agreements with respect to such investor in a manner that could be more favorable to such investor than those applicable to other investors of such Client. Such terms vary by investor and in some cases do include, but are not limited to, those relating to "most favored nation" status, transparency, information rights, observer rights on the board of a company in which the Client has invested, reductions in management fee and/or carried interest expenses allocated to such Client, revenue sharing, carried interest, Client distributions, indemnification and exculpation or other preferential terms, such as access to co-investment opportunities. No Side Letter provided to an investor or a third party by the Client and/or NXT Advisers or its affiliates will necessarily entitle any other investor or third party (who does not otherwise also have in place a Side Letter) to the rights granted in such Side Letter.

Please see Item 10, “Other Financial Industry Activities and Affiliations” for additional information regarding NXT Advisers’ affiliates, NXT Advisers’ policies for allocating investment opportunities to Clients, and potential conflicts of interest.

### **Item 7 - Types of Clients**

Our Clients will generally consist of entities established in conjunction with structured finance transactions such as collateralized loan obligations, privately placed pooled investment vehicles, investment partnerships, trusts or separate investment accounts that invest in DL Loans.

Except as otherwise described herein, investments for a Non-Affiliated Client are managed in accordance with the respective Client’s particular investment objectives, strategies, restrictions and guidelines as outlined in the respective Client Agreements and are generally not tailored to the individualized needs of any particular investor of the Non-Affiliated Client. At inception, however, NXT Advisers, in consultation with prospective investors, will sometimes elect to establish specific investment criteria for a Non-Affiliated Client. Such criteria can, but will not necessarily, include specific industry restrictions and concentrations, investment product type concentrations, geographic restrictions, and investment size restrictions. Investors in our Non-Affiliated Clients will generally consist of financial institutions, investment companies, insurance companies, corporate or public pension funds, endowments, foundations, family offices or individuals who are qualified purchasers and / or accredited investors. In addition, certain NXT Capital employees and affiliates (including ORIX Persons) have directly or indirectly invested, or in the future may invest, in Non-Affiliated Clients - please see Item 6, “Performance-Based Fees and Side-by-Side Management”.

Investors in Clients organized as pooled investment vehicles often have conflicting investment, tax and other interests with respect to their investments in a Client. The conflicting interests among the investors generally relate to or arise from, among other things, the nature of investments made by a Client, the structuring of the acquisition of investments and the timing of the disposition of investments. As a consequence, conflicts of interest arise in connection with decisions made by NXT Advisers or its affiliates, including with respect to the nature or structuring of investments, that are more beneficial for one investor than for another investor, especially with respect to investors’ individual tax situations. In selecting and structuring investments appropriate for a Client, NXT Advisers and its affiliates will generally consider the investment and tax objectives of the applicable pooled investment vehicle, not the investment, tax or other objectives of any investor individually, though to the extent an affiliate of NXT Advisers or an ORIX Person is an investor in the Client, NXT Advisers will experience a conflict of interest as it will have an incentive to take actions that benefit such affiliated investor even if such actions do not benefit the pooled investment vehicle or other unaffiliated investors.

NXT Advisers currently does not require a minimum account size, except for investors in certain Clients organized as pooled investment vehicles and securitized vehicles as described in the relevant Client Agreements. With respect to certain Clients organized as a pooled investment vehicle, NXT Advisers requires minimum initial subscriptions from investors as outlined in the

relevant Client Agreements and can accept lower subscription amounts than any such minimum in the sole discretion of NXT Advisers or the general partner of such vehicle, including from ORIX USA Group entities or ORIX Persons.

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

As described in Item 7, “Types of Clients”, our Clients will generally consist of entities established in conjunction with structured finance transactions such as collateralized loan obligations, privately placed pooled investment vehicles, investment partnerships, trusts or separate investment accounts that invest in DL Loans. Some Clients will also hold equity investments as a result of a debt to equity conversion. As investment manager we provide our Clients with certain investment advice and services as outlined in the Client Agreements.

Investment advice and services generally consist of the selection, analysis, and due diligence of DL Loans before recommending for investment or disposition by the Client and other portfolio management, administrative and advisory functions for the Client.

#### **Direct Lending Group - Methods of Analysis**

The Direct Lending Group primarily originates and provides first lien and second lien senior secured Middle Market Loans, as defined below, (including term loans, delayed draw term loans, revolving credit facilities, unitranche loans, stretch senior loans, first lien term loans behind revolvers, split lien loans and last out term loans). These Middle Market Loans are made to private equity sponsor-owned and other U.S.-based companies with EBITDA typically ranging from \$5 million to \$75 million that have characteristics including stable cash flows, leading market positions and experienced management teams. The Direct Lending Group will also selectively purchase similar Middle Market Loans from other loan originators. The Direct Lending Group looks to partner with experienced sponsors and quality management teams. The Direct Lending Group will sometimes also acquire a minor, non-controlling portion of the equity in certain of its borrowers.

The Direct Lending Group and its investment professionals evaluate each investment opportunity relative to defined credit policies and criteria which have been established and refined based on lessons learned over the past 25+ years. The Direct Lending Group does not invest directly in technically complex sectors in which they do not have experience or expertise (e.g. Oil & Gas) nor in companies that are considered morally sensitive / headline risk situations (i.e. guns, payday loans, etc.).

DL Loans will generally have at least one financial covenant. Financial covenants, in the event of a covenant default, provide a mechanism for the senior lenders to approach the private equity sponsor to facilitate corrective actions at the underlying borrower (including capital support) before enterprise value declines below the amount of debt capital at risk. On a limited basis, the Direct Lending Group can originate “covenant lite” loans.

The Direct Lending Group focuses on building a highly diversified, low volatility DL Loan portfolio for its Clients with high recovery rates in the event of default. Regular reviews of obligor, product, sponsor and industry concentrations are conducted by NXT Capital’s Direct

Lending Investment Committee.

### Summary of Material Risks

Our investment activities involve a significant degree of risk of loss that a Client and its investors should be prepared to bear. As it is not possible to identify all of the risks associated with investing, this section contains a discussion of certain primary risks associated with our investment activities. The particular risks applicable to a Client will depend on the nature of its investment strategy or strategies and the types of investments held by it. Investors in a Non-Affiliated Client should review the applicable private placement memorandum or similar offering document or the applicable Client Agreements for specific information regarding the risks associated with an investment in a specific Non-Affiliated Client.

While we seek to manage Clients so that risks are appropriate to the return potential for the strategy, it is often not possible to fully mitigate risks. Any investment includes the risk of loss and there can be no guarantee that a particular level of return will be achieved. Mandates can be limited to certain types of investments and generally will not be diversified across asset classes or even within asset classes. Moreover, the Clients are generally not intended to provide a complete investment program for investors and we expect that the assets we manage do not represent all of an investor's assets. Investors are responsible for appropriately diversifying their assets to guard against the risk of loss.

The value of DL Loans and any equity investments owned by our Clients will generally fluctuate with, among other things, the financial condition of the obligors of a DL Loan or equity investment, general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry or geographic area and changes in prevailing interest rates. The values of equity investments are typically more volatile than the value of DL Loans.

### Political, Social and Economic Uncertainty Risks.

Social, political, economic and other conditions and events (such as natural disasters, epidemics and pandemics, terrorism, conflicts and social unrest) will occur that create uncertainty and have significant impacts on issuers, industries, governments and other systems, including the financial markets, to which Clients or obligors are exposed. As global systems, economies and financial markets are increasingly interconnected, events that once had only local impact are now more likely to have regional or even global effects. Events that occur in one country, region or financial market will, more frequently, adversely impact issuers in other countries, regions or markets, including in established markets such as the United States. These impacts can be exacerbated by failures of governments and societies to adequately respond to an emerging event or threat.

Uncertainty can result in or coincide with, among other things: increased volatility in the loan, securities, derivatives and currency markets; a decrease in the reliability of market prices and difficulty in valuing assets (including DL Loans and other interests held by our Clients); greater

fluctuations in spreads on debt investments and currency exchange rates; increased risk of default (by both government and private obligors and issuers); further social, economic, and political instability; nationalization of private enterprise; greater governmental involvement in the economy or in social factors that impact the economy; changes to governmental regulation and supervision of the loan, securities, derivatives and currency markets and market participants and decreased or revised monitoring of such markets by governments or self-regulatory organizations and reduced enforcement of regulations; limitations on the activities of investors in such markets; controls or restrictions on foreign investment, capital controls and limitations on repatriation of invested capital; the significant loss of liquidity and the inability to purchase, sell and otherwise fund investments or clear and settle transactions (including, but not limited to, a market freeze); unavailability of currency hedging techniques; substantial, and in some periods extremely high, rates of inflation, which can last many years and have substantial negative effects on credit and securities markets as well as the economy as a whole; recessions; and difficulties in obtaining and/or enforcing legal judgments.

For example, in late 2019 and 2020, a novel coronavirus (SARS-CoV-2) and related respiratory disease (COVID-19) emerged in China and spread rapidly to across the world, including to the United States. This outbreak has led and for an unknown period of time will continue to lead to disruptions in local, regional, national and global markets and economies affected thereby.

With respect to the market for DL Loans, this outbreak has resulted in, and until fully resolved is likely to continue to result in, the following among other things: (1) government imposition of various forms of “stay at home” orders and the closing of “non-essential” businesses resulting in significant disruption to the businesses of many middle-market loan borrowers including both supply chains and demand, and in lay-offs of employees, which effects are hoped to be temporary but could be permanent for some of these businesses; (2) increased draws by borrowers on revolving lines of credit; (3) increased requests by borrowers for amendments and waivers of their credit agreements to avoid default, increased defaults by such borrowers and/or increased difficulty in obtaining refinancing at the maturity dates of their loans; (4) volatility and disruption of the loan market including greater volatility in pricing and spreads and difficulty in valuing loans during periods of increased volatility, and liquidity issues; and (5) rapidly evolving proposals and/or actions by state and federal governments to address problems being experienced by the markets and by businesses and the economy in general which may or may not adequately address the problems facing the loan market and middle market businesses. This outbreak is having, and any future outbreaks could have, an adverse impact on the loan market and the economy in general, which could have a material adverse impact on, among other things, the ability of the NXT Capital to make loans in general, on the volume and type of loans originated or held for investment or for sale thereby, and on the volume and type of amendments and waivers granted to borrowers and remedial actions taken in the event of a borrower default, each of which could negatively impact the amount of loans available to Clients and returns to Clients, among other things. Furthermore, NXT Advisers’ ability to operate effectively, including the ability of its personnel or its service providers and other contractors to function, communicate, oversee investments, and travel to the extent necessary to carry out the Clients’ investment strategies and objectives and NXT Advisers’

business and to satisfy its obligations to the Clients, their investors, has been, and potentially could continue to be impacted by existing and potentially future COVID-19 policies (internal or external). The spread of COVID-19 among NXT Advisers' personnel and its service providers would also significantly affect NXT Advisers' ability to properly oversee the affairs of the Clients (particularly to the extent such impacted personnel include key investment professionals or other members of senior management), which could result in a temporary or permanent suspension of a Client's investment activities or operations. As of the date of this Brochure, it is impossible to determine the scope of this outbreak, or any future outbreaks, how long any such outbreak, market disruption or uncertainties will last, the effect any governmental actions will have or the full potential impact on NXT Advisers, NXT Capital, borrowers and Clients.

Although it is impossible to predict the precise nature and consequences of these events, or of any political or policy decisions and regulatory changes occasioned by emerging events or uncertainty on applicable laws or regulations that impact Clients' investments, it is clear that these types of events are and will impact Clients and borrowers and in many instances will be negatively impacted. The middle-market companies that are obligors on the loans in which Clients invest are being significantly impacted by these emerging events and the uncertainty caused by these events. Clients will be impacted if, among other things, (1) amendments and waivers are granted (or are required to be granted) to borrowers permitting deferral of loan payments, (2) borrowers default on their loans, are unable to refinance their loans at maturity, or go out of business permanently, and/or (3) the value of loans held by Clients decreases as a result of such events and the uncertainty they cause. There can be no assurance that such emerging events will not cause a Client to suffer a loss of any or all of its investments or interest thereon. Clients will also be negatively affected if the operations and effectiveness of NXT Capital, NXT Advisers, obligors, borrowers or their key personnel or service providers are compromised or if necessary or beneficial systems and processes are disrupted.

Each of the Risks of Loss in this Item 8 of this Brochure is subject to these *Political, Social and Economic Uncertainty Risks*, and should be reviewed and analyzed in light thereof.

#### General Economic and Market Conditions

The success of the Clients' activities can be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the Clients' investments), trade barriers, currency exchange controls, national regulation and changes in laws and rules, and national and international political circumstances (including wars, terrorist acts or security operations). In addition, there is a risk of market disruptions resulting from certain events (e.g., power outages, terrorist attacks, military action, pandemics, or economic and diplomatic sanctions) which could affect the Clients' investment activities and performance. These factors can affect the level and volatility of securities prices and the liquidity of Clients' investments. Unexpected volatility or illiquidity could impair the profitability or result in losses. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies, financial instrument futures and options. Such intervention often is intended directly to influence prices and can, together with other factors, cause all of

such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. The Clients' portfolios are not necessarily designed to benefit from market volatility and can lose value in times of volatility or directly due to market volatility.

#### Market Crisis and Governmental Intervention

The global financial markets have undergone pervasive and fundamental disruptions which have led to extensive and unprecedented governmental intervention. Such intervention was in certain cases implemented on an "emergency" basis without much or any notice with the consequence that some market participants' ability to continue to implement certain strategies or manage the risk of their outstanding positions was suddenly and/or substantially eliminated. In addition, as one would expect given the complexities of the global financial markets and the limited time frame within which governments were able to take action, these interventions have sometimes been unclear in scope and application, resulting in confusion and uncertainty which in itself was materially detrimental to the efficient functioning of such markets as well as previously successful investment strategies.

The United States Federal Reserve and non-U.S. governments have taken significant and historic steps to intervene in the financial markets. Future government interventions can lead to a change in valuations of securities that is detrimental to the Clients' investments. Government intervention is subject to inherent uncertainties relating to prevailing economic conditions and political considerations.

NXT Advisers believes that it is possible that emergency intervention will likely take place again in the future and that the regulation of financial markets is likely to be increased in the future. It is impossible to predict the impact of any such intervention and/or increased regulation on the performance of the Clients or the fulfillment of their investment objective.

#### Government Response to COVID-19

Various U.S. state and federal regulatory authorities have recently implemented, or are considering the implementation of, policies, orders or similar regulatory actions encouraging or requiring financial institutions and other regulated financial market participants to provide debt forbearance or other forms of debt relief to borrowers or other debtors as a result of adverse economic conditions or other adverse conditions affecting such debtors. In response to the global pandemic, the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act") was signed into law and provides more than \$2 trillion of U.S. federal economic relief to businesses, governmental entities, and individuals affected by COVID-19. In particular, the CARES Act provides for loans and other credit support for small businesses and certain other eligible businesses, states and municipalities. In addition, the Federal Reserve Board announced on March 23, 2020 that it will establish the Term Asset-Backed Securities Loan Facility (known as "TALF 2020") to support the issuance of certain eligible asset-backed securities, and state and federal banking regulators have issued policy statements and guidance regarding provision of loan forbearance and related actions by their regulated financial institutions. The full effects of legal and regulatory actions that have been or could be taken in response to the global health pandemic (including, without limitation, the scope



or duration thereof) is not known at this time.

#### Market Disruption

The Client could incur major losses in the event of disrupted markets, and other extraordinary events can cause a disconnect with historical pricing relationships. The risk of loss from a disconnect from historical prices is compounded by the fact that in disrupted markets many positions become illiquid, making it difficult or impossible to close out positions against which the markets are moving. The financing available from NXT Advisers' banks, dealers and other counterparties is typically reduced in disrupted markets. Such a reduction could result in substantial losses to Client. In 1994, in 1998 and again in the so-called "credit crisis" of 2008, a sudden restriction of credit by the dealer community resulted in forced liquidations and major losses for a number of private investment funds. In addition, market disruptions caused by unexpected political, military and terrorist events can from time to time cause dramatic losses, and such events can result in otherwise historically low-risk strategies performing with unprecedented volatility and risk.

#### Risks of Investments Generally

All investments entail a significant degree of risk, including the risk of complete loss; and, therefore, should be undertaken only by investors capable of evaluating the risks associated with the investment and bearing the risks of such investments. Additional risks and uncertainties, including those not currently known to NXT Advisers or that NXT Advisers currently believes to be immaterial, can materially and adversely affect NXT Advisers' investment strategies and the value of investments. Past performance of any security is not necessarily indicative of future results. Therefore, investors should not assume that future performance of any specific investment or investment strategy will be profitable. NXT Advisers does not provide any representation or guarantee that investors' goals will be achieved. Depending on the different types of investments, there are varying degrees of risk.

No guarantee or representation is made that any Client or its related investment programs or strategies will be successful. NXT Advisers' investment objective for the Client is to create significant capital appreciation or interest income. For defensive and other purposes, Client can invest in cash equivalents, money market funds, U.S. Treasury bonds and similar instruments, and/or purchase or enter into hedging instruments. The Client' investment programs or strategies involve, without limitation, risks associated with no or limited diversification and high concentration, leverage, investments in speculative assets and the use of speculative investment strategies and techniques, systems risks and other inherent risks.

Certain investment techniques (e.g. use of direct leverage or indirectly through leveraged investments) can, in certain circumstances, magnify the impact of adverse market moves to which the Client could be subject. NXT Advisers does not intend to attempt to minimize such risks for its Clients. NXT Advisers' efforts and methods of seeking to minimize such risks not accurately predict future risk exposures. There is no assurance that the risk management techniques, based in part on the observation of historical market behavior, will predict market divergences that are larger than historical indicators. Also, we make no assurance that the

information used to manage risks is accurate, complete or current, and such information can be misinterpreted.

#### Investment Analysis

When assessing the investment opportunities, NXT Advisers will rely on resources that could provide limited or incomplete information. In certain instances, NXT Advisers relies on publicly available information and data filed with various government regulators. Although NXT Advisers expects that it will evaluate information and data as NXT Advisers deems appropriate and will seek independent corroboration when reasonably available, NXT Advisers will not evaluate all publicly available information and data and will not be in a position to confirm the completeness, genuineness or accuracy of the information and data that it will evaluate. As a result, there can be no assurance that the due diligence exercise carried out by NXT Advisers will reveal or highlight all relevant facts or pertinent risks that could be necessary or helpful in evaluating the investment opportunities. Any failure to have identified the relevant facts could potentially result in an inappropriate investment decision, which can have a material adverse effect on the value of any investment in, or made by, an Client.

#### Use of Expert Networks and Data Analytics

In connection with the evaluation of potential investment opportunities, NXT Advisers could engage expert networks and/or make use of data analytics, including data provided by third-party vendors. NXT Advisers seeks to avoid inadvertently obtaining confidential information from such sources and has therefore implemented policies and procedures to mitigate the risk that the use of expert networks or data analytics could result in the receipt of confidential information by NXT Advisers' investment professionals. However, because NXT Advisers' business operates on an integrated platform without information barriers, if such controls fail and an investment professional obtains material non-public information, NXT Advisers and its affiliates could be restricted in acquiring or disposing of investments on behalf of Clients and other managed accounts, which could impact the returns generated for Clients.

#### Litigation

NXT Advisers, its Client, and perhaps certain of their investors can be a party to lawsuits initiated by third parties, including a portfolio company, other shareholders or governmental bodies. There can be no assurance that any litigation, once begun, will be resolved in favor of the Client. As a result, a Client could be exposed to the risk of monetary damages and other sanctions or remedies. In addition, NXT Advisers can be subject from time to time to formal or informal investigations or inquiries by the SEC and other governmental and self-regulatory organizations in connection with its activities. Litigation and regulatory investigations can require significant amounts of NXT Advisers' time, and the expense of defending against claims by third parties and paying any amounts pursuant to settlements or judgments would generally be borne by Client and would reduce net assets or could require Client investors to return distributed capital and earnings.

#### Devotion of Time and Attention by Management

Subject to any key person devotion of time obligations included in a Client's Client

Agreements, NXT Advisers' investment professionals will devote such time and effort in conducting activities on behalf of each Client as NXT Advisers reasonably determines is appropriate to perform its duties to such Client. It is possible that such time and attention to a particular Client will be insufficient to adequately manage the affairs of such Client, and investment returns for such Client can suffer as a result of this. It is also possible that comparatively more time and attention will be devoted to a different Client depending on business needs of such Client. In addition, NXT Advisers personnel have an incentive to spend greater time with certain Clients that pay higher management fees and/or performance fees and/or with which NXT Advisers' personnel have a particular relationship. As a result, the investment returns of such Client can suffer as compared to the other Client which receive more time and attention.

#### Competition; Availability of Investments

The markets in which Client invest are competitive for attractive investment opportunities and, as a result, the ability to not obtain such opportunities can reduce expected investment returns. There can be no assurance that NXT Advisers will be able to identify or successfully pursue attractive investment opportunities in such environments. Among other factors, competition for suitable investments from other pooled investment vehicles, the public equity markets and other investors reduce the availability of investment opportunities. Competitive investment activity by other firms and institutions will reduce a Client's opportunity for profit by generally increasing price pressure on desired assets, reducing mis-pricings in the market as well as the margins available on those mis-pricings that can still be identified.

#### Institutional Counterparty Risk

The institutions, including brokerage firms and banks, with which the Client will trade or invest, could encounter financial difficulties that impair the operational capabilities or the capital position of the Client. In addition to the risk of a counterparty or broker defaulting, there also is the risk that major institutional investors could be compelled to withdraw from the Client or their counterparties or brokers will be required to restrict the amount of credit previously granted due to their own financial difficulties, resulting in forced liquidation of substantial portions of the portfolios.

#### Risks Associated with Loans Originated by the Direct Lending Group

The Direct Lending Group primarily originates and provides Middle Market Loans. "Middle Market Loans" are typically defined as debt issued as part of a Loan facility to companies with EBITDA typically ranging from \$5 million to \$75 million that is not broadly syndicated to institutional investors. Middle Market Loans share many of the same characteristics as more broadly syndicated loans, including, in most cases, a senior secured position in the company's capital structure and floating rate interest payments. Middle Market Loans tend to be privately held and are often not publicly rated. Because a more limited number of investors participate in Middle Market Loans, the trading volume for Middle Market Loans is likely to be smaller than that for broadly syndicated Loans. The risks of Middle Market Loans include (among others): (1) limited liquidity and secondary market support, (2) the possibility that earnings of the obligor are insufficient to meet its debt service, (3) the declining creditworthiness and potential for insolvency of the obligor of such Middle Market Loan during

periods of economic downturn and (4) the obligor generally is a small or mid-size company representing only local or regional interests. Middle Market Loans are generally subject to market value volatility that are often not apparent from historical volatility studies and that could be significant at times. An economic downturn could severely disrupt the market for Middle Market Loans and adversely affect the value of outstanding Middle Market Loans and the ability of the obligors thereof to repay principal and interest. Moreover, the default history for Middle Market Loans is limited, actual defaults could be greater than indicated by historical data and the timing of defaults could vary significantly from historical observations.

“Second Lien Loans” are secured by liens on the collateral securing a Middle Market Loan that are subordinated to the liens of at least one other class of obligations of the related obligor, and thus, the ability of the second lien lender to exercise remedies after a Second Lien Loan becomes a defaulted Loan is subordinated to, and limited by, the rights of the senior creditors holding such other classes of obligations. In many circumstances, the holder of the Second Lien Loan is prevented from foreclosing on the collateral securing the Second Lien Loan until the related senior loan is paid in full. Moreover, any amounts that might be realized as a result of collection efforts or in connection with a bankruptcy or insolvency proceeding involving a Second Lien Loan must generally be turned over to the senior secured lender until the senior secured lender has realized the full value of its own claims. In addition, Second Lien Loans can contain provisions requiring the Second Lien Loan’s interest in the collateral to be released in certain circumstances. These lien and payment obligation subordination provisions could materially and adversely affect the ability to realize value from Second Lien Loans.

“First Lien Term Loans Behind a Revolver” are term Middle Market Loans that typically have a first lien on the obligor’s non-current and related assets and, as additional collateral, typically have a second lien on an obligor’s current and related assets (the associated revolver carries a first lien on the obligor’s current and related assets). For such First Lien Term Loans Behind a Revolver, the risks relating to a holder’s second lien on the obligor’s current assets are similar to the risks relating to Second Lien Loans. In such cases, the creditors holding the revolver will have a senior security interest in an obligor’s current assets.

A “Last Out Term Loan” is a senior secured Middle Market Loan that is generally fully subordinated in right of payment or application of proceeds (other than permitted interest and principal payments) to the related senior secured loans of the same obligor until such related senior secured loans are paid in full. There is a risk that those lenders whose loans are part of the “last out” portion of such credit facility will not receive payment in full if there are insufficient amounts available to pay both the senior and subordinate portions of such credit facility.

A “Unitranche Loans” is a hybrid loan structure that combines senior and subordinated debt into one debt instrument at a blended interest rate that falls between the rates of two traditional types of debt, senior and mezzanine. Unitranche loans are considered a fairly new product and their performance relative to traditional senior loans has not been fully evaluated through a credit cycle. Moreover, the more complicated terms now appearing in

intercreditor agreements among unitranche lenders have not been widely tested in bankruptcy or significant workout situations. Accordingly, default and loss expectations are more difficult to estimate.

#### Credit Risk / Restructuring Risk

DL Loans can default for a variety of reasons. Defaulted DL Loans can require substantial workout negotiations or a restructuring that could entail, among other things, a substantial reduction in the interest rate, a substantial write-down of principal and a substantial change in the terms, conditions and covenants with respect to such defaulted Loan. DL Loans have significant credit risks and material losses could occur. As with other debt obligations, claims and collateral can be difficult to enforce in the event of a default. In addition, a Client is likely to incur additional expenses to the extent if it is required to seek recovery upon a default or to participate in the restructuring of a Loan. No assurance can be made that full or significant recovery of principal and/or interest will be received or that any collateral realized will be sufficient to recover the full amount of the Client's investment in a Loan. Additionally, if an obligor issues equity investments in connection with a bankruptcy reorganization or the restructuring of any Loan owned by a Client, the Client would subsequently own equity investments or similar interests in the obligor.

#### Risks Associated with Equity Investments

Equity investments are subject to significant risks such as the risk of further dilution because of additional issuances of equity by the company, the risk that the equity investments will have limited minority protections and the risk that there is no liquidity for the equity investment due to the company not creating a liquidity event or the inability to sell such equity investment in the public markets.

#### Bankruptcy Risk

Bankruptcy of one or more obligors could reduce or eliminate the return on a Loan. There is a significant risk that one or more of the obligors to DL Loans owned by our Clients could enter bankruptcy proceedings. Such proceedings might result in, among other things, a substantial reduction in the interest rate and a substantial write down of the principal of the related Loan(s). There are several significant risks inherent in the bankruptcy process. First, rulings in a bankruptcy case are the product of adversarial proceedings determined by a court with equitable powers and are beyond the control of specific creditors. Second, a bankruptcy filing can adversely and permanently affect the obligor making such filing. The obligor could lose its market position, key tenants, key employees, relationships with important suppliers, access to the capital markets or other sources of liquidity and otherwise become incapable of restoring itself as a viable entity. If for this or any other reason, a Chapter 11 reorganization is converted to or becomes a liquidation, the liquidation value of the obligor might not equal the liquidation value that was believed to exist at the time the Loan was acquired by our Client. Third, the duration of a bankruptcy case is difficult to predict. A creditor's return on investment can be adversely affected by delays while a plan of reorganization is being negotiated, approved by parties in interest and confirmed by the bankruptcy court until it ultimately

becomes effective. For example, in general, unsecured creditors' claims for interest accrued between the bankruptcy filing and a reorganization plan's consummation are not allowed. Fourth, the administrative costs of the debtor and official committees in connection with the bankruptcy case are frequently high and will be paid out of the debtor's estate prior to any return to general unsecured creditors. If the bankruptcy case involves protracted or difficult litigation, or turns into a liquidation, substantial assets could be devoted to such administrative costs; a creditor's costs in monitoring and enforcing its investment also could substantially increase. Certain claims that have priority by law (for example, claims for taxes) could also be significant. Finally, under certain circumstances, creditors' claims against bankrupt or insolvent entities are subject to equitable subordination or recharacterization as equity (particularly where the creditor is an insider or otherwise controls the debtor), and transfers made to creditors could be subject to avoidance and disgorgement as preferences or fraudulent conveyances as described above.

#### Liquidity Risk

There is typically no established trading market for the majority of the DL Loans owned by our Clients. Such DL Loans are not generally traded in organized exchange markets but are sometimes traded by banks and other institutional investors engaged in loan syndications. Because DL Loans are privately syndicated, and Loan agreements are privately negotiated and customized, DL Loans are not purchased or sold as easily as publicly traded securities.

Historically the trading volume in the market for loans such as the DL Loans has been small relative to the high-yield debt securities market. In addition, DL Loans are less liquid and, unlike more broadly syndicated loans, have no established trading market. Given the limited trading market for DL Loans, and the uncertainty as to their fair value at any point in time, if a Client seeks to sell a Loan it might not be able to do so at a favorable price or at all.

#### Interest Rate Risk

DL Loans held by our Clients are generally tied to the London Interbank Offered Rate, or "LIBOR," to determine payment obligations, financing terms, hedging strategies, or investment value. LIBOR is the offered rate for short-term Eurodollar deposits between major international banks. In 2017, the UK Financial Conduct Authority ("FCA") announced the FCA's intention to cease compelling banks to provide the quotations needed to sustain LIBOR from the end of 2021. On March 5, 2021, the FCA and LIBOR's administrator, ICE Benchmark Administration (IBA), announced that most LIBOR settings will no longer be published after the end of 2021 and a majority of U.S. dollar LIBOR settings will no longer be published after June 30, 2023. It is possible that the FCA may compel the IBA to publish a subset of LIBOR settings after these dates on a "synthetic" basis, but any such publications would be considered non-representative of the underlying market. Actions by regulators have resulted in the establishment of alternative reference rates to LIBOR in most major currencies. Various financial industry groups have been planning for transition away from LIBOR, but there are obstacles to converting certain securities and transactions to new reference rates. Markets are developing slowly and questions around liquidity in these rates, and how to appropriately adjust these rates to mitigate any economic value transfer at the time of transition, remain a significant concern. It is difficult to predict the

full impact of the transition away from LIBOR on Clients. The transition process may involve, among other things, increased volatility or illiquidity in markets for instruments that currently rely on LIBOR. The transition may also result in a reduction in the value of certain LIBOR-based investments held by the Clients or reduce the effectiveness of related transactions such as hedges. Any such effects of the transition away from LIBOR, as well as other unforeseen effects, could result in losses for Clients.

#### Prepayment Risk

DL Loans are generally prepayable in whole or in part at any time at the option of the obligor thereof at par plus accrued unpaid interest thereon and without any additional prepayment fee or penalty. The rate of prepayments, refinancings, amortization, defaults and recoveries with respect to DL Loans are influenced by various factors including:

- changes in obligor performance and requirements for capital;
- the level of interest rates and the shape of the yield curve;
- the availability of credit being extended and/or credit underwriting standards applied in the commercial industries;
- natural disasters such as hurricanes, earthquakes, floods or other natural disasters, which could result in uninsured losses; and
- changes in the overall economic environment.

We cannot predict the actual rate of prepayments, refinancing, accelerated amortization or defaults and recoveries which will be experienced with respect to the DL Loans held by our Clients. Consequently, there exists a risk that DL Loans acquired by a Client at a price greater than par could experience a capital loss as a result of such a prepayment. Any inability of NXT Advisers to reinvest payments or other proceeds in DL Loans with comparable interest rates in an expedient manner could result in a Client realizing a return that is less than the return the Client would have realized with respect to the prepaid Loan had such Loan been held to maturity. There is no assurance that a Client will be able to reinvest proceeds in DL Loans with comparable interest rates or (if it is able to make such reinvestments) as to the length of any delays before such investments are made. In addition, certain of the DL Loans could include excess cash flow capture and other mandatory prepayment provisions which can accelerate the amortization of the applicable DL Loans.

#### Maturity Repayment Risk

A significant portion of the DL Loans owned by our Clients will have most or all of the principal due at maturity. The ability of an obligor to make such a large payment upon maturity typically depends upon its ability either to refinance the Loan prior to maturity, generate sufficient cash flow to repay the Loan at maturity or to engage in a sale of all or a portion of the business securing a DL Loan. The ability of an obligor to accomplish any of these goals will be affected by many factors, including the availability of financing at acceptable rates to such obligor, the financial condition of such obligor, the marketability of the collateral (if any) securing such Loan, the operating history of the related business, tax laws and the prevailing general economic conditions. Consequently, such obligor might not have the ability to repay the Loan at maturity and, unless it is able to refinance such debt, it could default in payment at

maturity, which could result in losses to our Clients. Significant numbers of obligors on DL Loans are likely to face the need to refinance their debt over the next few years, and significant numbers of collateralized loan obligation transactions (historically an important source of funding for DL Loans) have reached or are close to reaching the end of their reinvestment periods or the final maturities of their own debt. As a result, there could be significant pressure on the ability of obligors on DL Loans to refinance their debt over the next few years unless the volume of new collateralized loan obligation transactions or other sources of funding exist at such time to provide such refinancing. If such sources of funding do not exist, significant defaults in DL Loans could occur, and there could be downward pressure on the prices and markets for debt instruments, including DL Loans.

#### *Investing in Loans Indirectly by Participation Interests or Directly by Assignment*

A Client generally acquires interests in DL Loans either directly (by way of an “Assignment”) or indirectly (by way of a “Participation Interest”). As described in more detail below, holders of Participation Interests are subject to additional risks not applicable to a holder of an Assignment.

The purchaser of an Assignment in a Loan typically succeeds to all the rights and obligations of the assigning selling institution (a “Selling Institution”) and becomes a lender under the loan or credit agreement with respect to that Loan. In contrast, a Participation Interest acquired by a Client in a Selling Institution’s portion of a Loan typically results in a contractual arrangement only with such Selling Institution, not with the obligor under the Loan. In the case of a Participation Interest, a Client will generally have the right to receive payments of principal, interest and any fees to which it is entitled only from the Selling Institution and only upon receipt by the Selling Institution of such payments from the obligor. As a result, the Client will assume the credit risk of both the obligor and the Selling Institution, which will remain the legal owner of record of the applicable Loan. In the event of the insolvency of the Selling Institution, a Client, by owning a Participation Interest, could be treated as a general unsecured creditor of the Selling Institution and might not benefit from any set-off between the Selling Institution and the obligor. In purchasing a Participation Interest, a Client generally will have no or limited rights to enforce compliance by the obligor with the terms of the loan or credit agreement or other instrument evidencing such Loan, and the Client typically would not directly benefit from the collateral supporting the Loan in which it has purchased the Participation Interest; although most underlying agreements with respect to any Loan do provide that the Selling Institution shall obtain the participant’s consent prior to voting on any amendment, modification or waiver that forgives principal, interest or fees, reduces principal, interest or fees that are payable, postpones any payment of principal, interest or fee or releases any material guarantee or collateral. Please also see “Client’s Limited Control of the Administration and Amendment of Loans” below.

#### *Client’s Limited Control of the Administration and Amendment of DL Loans*

As discussed in Item 17, “Voting Client Securities”, our client agreements set forth the authority we have on behalf of the Client to exercise rights with loans or securities held by the Client



consistent in our proxy voting policies and procedures and the applicable Client agreement. We will exercise or enforce or refrain from exercising or enforcing a Client's rights in connection with DL Loans or any related documents or elect to accept or refuse amendments or waivers of the terms of any Loan and related documents in accordance with our customary business practices. As a result, Clients who elect or grant us these authorities will be relying on our customary business practices with respect to the management of DL Loans. As such, Clients will generally have no right to compel us to take or refrain from taking any actions other than in accordance with our customary business practices and the provisions of the respective Client Agreement.

Certain Client Agreements can provide us the authority to (1) elect to exercise remedies with respect to the obligor of a Loan or the collateral securing such Loan without prior notice to or the consent of the Client or its investors and (2) (a) without the consent of the Client or its investors or (b) in some instances, with the consent of an independent investment professional authorized to act on behalf of the Client, cause a Client to consent to all or certain amendments, waivers or modifications to the DL Loans requested by obligors or the lead agents for syndicated loans. Such authority could cause a Client to extend or defer the maturity, adjust the outstanding balance of any Loan, reduce or forgive interest or fees, release material collateral or guarantees, or otherwise amend, modify or waive the terms of any related Loan agreement, including the payment terms thereunder. Any amendment, waiver or modification of a Loan could postpone the expected maturity of the Loan and/or reduce the likelihood of timely and complete payment of interest or principal under the Loan. We will make any such determinations in accordance with our customary business practices and the terms of the Client Agreements.

#### *Syndicated Loan Risk*

A Client's Assignment or Participation Interest in a DL Loan is often a part of a syndicated bank facility, that is, a loan offered by a group of lenders providing funds to an obligor. The terms and conditions of the underlying agreements with respect to any syndicated DL Loan can be amended, modified or waived only by the agreement of the requisite percentage of lenders under the related DL Loan agreement with limited exceptions. Generally, any such amendment, modification or waiver requires a majority or a super majority (measured by outstanding loans or commitments) or, in certain circumstances, a unanimous vote of the lenders. Consequently, the terms and conditions of the payment obligation and collateral rights arising from the underlying agreements with respect to any DL Loan could be amended, modified or waived in a manner contrary to our preferences or the preferences of a DL Client, as relevant, if a sufficient number of the other lenders voted in favor of such modification, amendment or waiver. Similarly, a desired amendment, modification or waiver would not proceed if it were unable to obtain the vote of a sufficient number of the other lenders. There can be no assurance that any rights or obligations arising from the underlying agreements with respect to any DL Loan will maintain the terms and conditions to which we or our DL Client originally agreed or subsequently would prefer. Similarly, the exercise of remedies could be subject to the vote of a specified percentage of the lenders under the underlying agreements with respect to any DL Loan and we and our DL Clients often will not be in total

control of this specified percentage, which could cause remedies to be exercised differently than desired for us and our DL Clients.

#### Agented Loan Risk – DL Loans

The DL Loans purchased by our DL Clients are expected to consist substantially of agented loans. Under the underlying documents with respect to agented DL Loans, a financial institution or other entity (including NXT Affiliated Clients) will be designated as the administrative agent and/or collateral agent or a person acting in a similar capacity. Under these arrangements, the obligor grants a lien to the agent on behalf of the holders of the associated indebtedness and directs payments to the agent, which, in turn, will distribute payments to the holders of the associated indebtedness, including our DL Clients. As is typical in such agency arrangements, the agent is the party responsible for administering and enforcing the DL Loan and generally is permitted to take actions only in accordance with the instructions of a majority or super majority in commitments and/or principal amount of the associated indebtedness. In the case of DL Loans that are part of a capital structure that includes both senior and subordinated indebtedness, the agent can only take such action in accordance with the instructions of one or more senior tranches of the related indebtedness without any right to vote or consent (except in certain limited circumstances) by the subordinated tranches of the related indebtedness. In many cases, the DL Loans held by our DL Clients represent less than the amount of associated indebtedness sufficient to direct actions with respect to such DL Loans or represent subordinated debt which is precluded from acting and, consequently, we would be able to direct such actions only if our instructions were made in conjunction with other holders of associated indebtedness that together with our DL Clients compose the requisite percentage of the related indebtedness then entitled to direct such action. Conversely, if holders of the required amount of the associated indebtedness other than our DL Clients desire to take certain actions, such actions could be taken even if we did not support such actions. Furthermore, if a DL Loan is subordinated to one or more senior loans made to the obligor, our ability to exercise such rights are often subordinated to the exercise of such rights by the senior lenders. However, as is typical for such DL Loans, certain actions, including amendments to the payment terms of the DL Loans, typically cannot be taken without consent of all holders of the related indebtedness, including our DL Clients. If the DL Loan is a syndicated revolving loan or delayed draw term loan, other lenders could fail to satisfy their full contractual funding commitments for such DL Loan, which could create a breach of contract resulting in a lawsuit by the obligor against the lenders and adversely affect the fair market value of such DL Loan.

There is a risk that a loan agent becomes bankrupt or insolvent. Such an event would delay, and possibly impair, any enforcement actions undertaken by holders of the associated indebtedness, including attempts to realize upon the collateral securing the DL Loan and/or direct the agent to take actions against the related obligor or the collateral securing a DL Loan and actions to realize on proceeds of payments made by obligors that are in the possession or control of such loan agent.

In addition, agented DL Loans typically allow for the agent to resign with certain advance

notice. Such DL Loans might not, however, contain provisions for holders of the associated indebtedness to remove the agent thereunder. Therefore, under circumstances where removal of the agent would be in the best interests of the holders of the associated indebtedness (including our DL Clients), the underlying loan documents would have to be amended by the requisite holders of the associated indebtedness with the agreement of the agent to remove the agent thereunder.

Please also see Item 15, Custody, for a discussion of the agent.

#### Leverage Risk

Where consistent with Client Agreements we can elect for a Client to utilize leverage and incur indebtedness in connection with acquiring DL Loans. The greater the total borrowings of a Client relative to its investments, the greater will be its risk of loss and possibility of gain. In addition, money borrowed by a Client will be subject to interest costs, which will be a direct expense of such Client, and, to the extent not covered by income attributable to the investments acquired, could adversely affect the operating results of the Client.

The use of leverage magnifies the potential for gain or loss on amounts invested. The use of leverage is generally considered a speculative investment technique and increases the risks to a Client. Under the terms of any credit facility or other debt instrument a Client enters into, the Client is likely to be required by its terms to use the net proceeds of certain or any investments that it sells to repay amounts borrowed under such facility or instrument before applying such net proceeds to any other uses.

If the value of the assets held by a Client decreases, leveraging would cause net asset value to decline more sharply than it otherwise would have had the Client not leveraged, thereby magnifying losses or eliminating the Client's stake in a leveraged Loan. Similarly, any decrease in a Client's income will cause its net income to decline more sharply than it would have had the Client not borrowed. A Client's ability to service its debt will depend largely on its financial performance and will be subject to prevailing economic conditions and competitive pressures.

#### Information Technology and Cybersecurity Risks.

NXT Advisers, Clients and other market participants increasingly depend on complex information technology and communications systems to conduct business functions. The computer systems, networks and devices used by NXT Advisers, Clients and their respective service providers to carry out routine business operations employ a variety of protections designed to mitigate damage or interruption from computer viruses, network failures, computer and telecommunication failure, infiltration by unauthorized persons and security breaches. Despite the various protections utilized, systems, networks or devices are subject to a number of different threats or risks that could adversely affect the Clients and their investors. NXT Advisers and Clients could be negatively impacted as a result of a cybersecurity breach. Cybersecurity breaches can include: unauthorized access to systems, networks or devices; infection from computer viruses or other malicious software code; and attacks that shut down, disable, slow or otherwise disrupt operations, business processes, or website

access or functionality. Other incidents, such as user errors, power outages and catastrophic events such as fires, floods, hurricanes and earthquakes, may also result in cybersecurity breaches. Third parties may also attempt to fraudulently induce employees, investors, third-party service providers, or other users of NXT Advisers' systems to disclose sensitive information to gain access to NXT Advisers' data or that of the Clients. Cybersecurity breaches may cause disruptions and impact business operations, potentially resulting in financial losses to the Clients; impediments to trading; the inability of NXT Advisers and other service providers to transact business; violations of applicable privacy and other laws (including the release of private investor information); regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs; as well as the inadvertent release of confidential information. Similar adverse consequences could result from cybersecurity breaches affecting issuers of securities in which the Clients invest; counterparties with which the Clients engage in transactions; governmental and regulatory authorities; exchange and other financial market operators; and other persons with which the Clients, NXT Advisers or one of their respective service providers does business. In addition, substantial costs may be incurred by these entities in order to prevent any cybersecurity breaches in the future.

*Environmental, Social and Governance ("ESG") Matters.*

ESG is only one of the many factors NXT Advisers will consider in making an investment and where consistent with the Client Agreements of the relevant Client, and there is no guarantee that will successfully implement and make investments in companies that create a positive ESG impact. To the extent that NXT Advisers engages with companies on ESG-related practices and potential enhancements thereto, such engagements may not achieve the desired financial and social results, or the market or society may not view any such changes as desirable. Successful engagement efforts on the part of NXT Advisers will depend on its skill in properly identifying and analyzing material ESG and other factors and there can be no assurance that the strategy or techniques employed will be successful.

ESG factors have the ability to affect a Client's exposure to certain companies, sectors, regions, countries or types of investments, which could negatively impact the Client's performance depending on whether such investments are in or out of favor. Additionally, NXT Advisers' consideration of ESG factors and application of its ESG policy when evaluating an investment is expected in certain instances to cause NXT Advisers not to make an investment that it would otherwise have made or to make a management decision with respect to an investment differently than it would have made in the absence of such consideration, which carries the risk that a Client could underperform compared to investment vehicles or accounts that do not take ESG factors into account, or which are advised by managers not subject to the same ESG policy. In particular, NXT Advisers has identified as part of its ESG policy a limited number of restricted industries in which it generally will not invest on behalf of a Client. Certain other industries that NXT Advisers has identified as presenting higher sustainability risks are further subject to careful evaluation prior to investment consideration.

Integrating ESG factors into the investment due diligence and decision-making process is qualitative and subjective by nature, and ESG factors, issues and considerations are expected to vary among Clients and their respective investments (and will not apply to such Clients or their investments in every instance) based on the particular facts and circumstances and the Client Agreements of the respective Client. The act of selecting and evaluating material ESG factors is subjective by nature, and there is no guarantee that the criteria utilized by NXT Advisers or any judgment exercised by NXT Advisers will reflect the beliefs or values, or internal policies or preferred practices, of any particular Client or investor. In evaluating a company, NXT Advisers is dependent upon information and data obtained through voluntary or third-party reporting that if incomplete, inaccurate or unavailable, could cause NXT Advisers to incorrectly assess a company's ESG practices and/or related risks and opportunities. ESG-related practices differ by region, industry and issue and are evolving accordingly, and a company's ESG-related practices or NXT Advisers' assessment of such practices could change over time.

#### *Russia-Ukraine Conflict*

There is currently an ongoing military conflict between the Russian Federation and Ukraine which, in a relatively short period of time, has caused disruption to global financial systems, trade and transport, among other things. In response, multiple other countries have put in place global sanctions and other severe restrictions or prohibitions on the activities of individuals and businesses connected to the Russian Federation. However, the ultimate impact of the Russia-Ukraine conflict and its effect on global economic and commercial activity and conditions, and on the operations, financial condition and performance of any Client account or any particular industry, business or investee country and the duration and severity of those effects, is impossible to predict.

The Russia-Ukraine conflict may have a significant adverse impact and result in significant losses to a Client account. Such impact may include significant reductions in revenue and growth, unexpected operational losses and liabilities and reductions in the availability of capital. It may also limit the ability of a Client account to source, diligence and execute new investments and to manage, finance and exit investments in the future. Developing and further governmental actions (military or otherwise) may cause additional disruption and constrain or alter existing financial, legal and regulatory frameworks and systems in ways that are adverse to the investment strategy which a Client account intends to pursue, all of which could adversely affect a Client account's ability to fulfill its investment objectives.

#### *Legal and Regulatory Risk*

Changes in US federal, state and local laws and regulations can occur at any time and include the adoption of new laws and regulations, and the amendment or repeal of existing laws and regulations by governmental regulatory authorities and self-regulatory organizations (such as the SEC, the US Commodity Futures Trading Commission, the Internal Revenue Service, the US Federal Reserve and the Financial Industry Regulatory Authority). Changes in laws and regulations could adversely impact the investments held in Clients.

### Uncertainty of Financial Projections

NXT Advisers or its affiliates generally evaluate potential investments on the basis of financial projections for such investments. Projections are only estimates of future results which rely on assumptions made at the time of the projections. There can be no assurance that NXT Advisers can attain these projected results, and actual results can vary significantly from the projections. In addition, general economic and market conditions, which are not predictable, can have a material adverse impact on the reliability of the projections.

### Interpretation of the Client Agreements

The Client Agreements are detailed agreements that establish complex arrangements among the investors, Clients, general partners, NXT Advisers and other entities and individuals. Questions will arise from time to time under these documents regarding the parties' rights and obligations in certain situations, some of which will not have been contemplated at the time of the Client Agreements' drafting and execution. In these instances, the operative provisions of the Client Agreements, if any, could permit more than one reasonable interpretation. At times there will not be a provision directly applicable to the situation. While the relevant Client Agreements will be construed in good faith and in a manner consistent with applicable legal and fiduciary obligations, the interpretations adopted will not necessarily be, and need not be, the interpretations that are the most favorable to the Clients or the investors.

### Investments Longer than Term

Client Accounts invest in investments, which may not be advantageously disposed of prior to the expiration of the respective vehicle life terms. It can take what we would expect to be a reasonable period of time from the expiration of the term to wind up their affairs and dispose of assets, in accordance with the terms of the Client Agreements. In light of the foregoing, prospective investors should note that this can cause the selling, distribution, or otherwise disposal of investments at a disadvantageous time.

### Item 9 - Disciplinary Information

Not Applicable to NXT Advisers.

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

Neither NXT Advisers, NXT Capital nor any of their employees are registered, or have a pending application to register, as a (1) broker-dealer, (2) futures commission merchant, (3) commodity pool operator, (4) commodity trading advisor, or (6) an associated person of the foregoing entities. NXT Capital does have individuals who maintain FINRA licenses with an affiliated broker-dealer.

An affiliate, NXT Capital, LLC, and the general partners of six of our Clients have filed notices of exemption from registration as commodity pool operators pursuant to Commodity Futures Trading Commission Regulation 4.13. NXT Capital, LLC does not provide any hedging products

to our Clients.

The following briefly summarizes certain potential and actual conflicts of interest which can arise from the overall investment activity of NXT Advisers, its Clients and its affiliates, but is not intended to be an exhaustive list of all such conflicts. The scope of the activities of the affiliates of NXT Advisers and the clients (including funds) advised by affiliates of NXT Advisers could give rise to conflicts of interest or other restrictions and/or limitations imposed on a Client in the future that cannot be foreseen or mitigated at this time. See also the additional discussion about additional potential and actual conflicts of interest in Item 11.

#### *Affiliated Service Providers*

NXT Advisers uses the services of ORIX USA and its subsidiaries (collectively, “ORIX USA Group”) for certain non-investment related services including human resources, legal and compliance and related support services and general services, and the services of NXT Capital for portfolio transaction services, finance and accounting, audit, administrative, back office services and information and technology support services, in each case, without specific consent by Clients, except to the extent explicitly restricted by a Client in or pursuant to its Client Agreements, or inconsistent with applicable law. The agreements documenting these arrangements are services agreements between NXT Advisers and ORIX USA, and between NXT Advisers and NXT Capital, respectively. NXT Advisers remains fully responsible for Clients from a legal and contractual perspective. Subject to a Client’s Client Agreements and other than reimbursement for certain expenses, no additional fees will be charged for the affiliates’ services except as set forth in the Client Agreements. When engaging an affiliate, NXT Advisers, because of its financial or other business interest, has an incentive to recommend its affiliate even if another person is more qualified to provide the applicable services. Depending on the types of services, the fees for those services are paid by Clients or covered by NXT Advisers. Arrangements such as these can create potential conflicts of interest in that NXT Advisers could be viewed as placing its interests and the interests of its affiliates ahead of Clients’ interests. NXT Advisers will seek to negotiate the fees for such services on an arm’s length basis.

#### *Conflicts as to ORIX USA Group*

NXT Advisers is indirectly wholly-owned by NXT Capital Group, LLC. NXT Capital Group, LLC is indirectly wholly-owned by ORIX USA, a diversified financial services company and wholly-owned subsidiary of ORIX. The relationship of NXT Advisers as an owned subsidiary of NXT Capital Group, LLC and ORIX USA creates several potential conflicts of interest as described below. In addition, the ORIX USA Group entities, separately from NXT Advisers, invest and trade in securities or other financial interests and makes other investments for their own proprietary accounts utilizing strategies and types of securities that, from time to time, will compete or be in conflict with NXT Advisers’ activities on behalf of Clients. NXT Advisers and its personnel will be incentivized by virtue of its relationship with NXT Capital and ORIX USA to compete less vigorously with NXT Capital and ORIX USA for investment opportunities, or otherwise conduct its activities (e.g., with respect to the timing of its transactions) in a manner that disadvantages Clients. NXT Advisers and its affiliates may also give advice and

take action in the performance of their respective duties to one Client, which may differ from the timing and nature of actions taken with respect to another Client. In fact, such actions could at times be adverse to Clients, as NXT Advisers would have an incentive to favor the interests of its affiliate in such circumstances. In addition, the portfolio strategies that NXT Advisers or ORIX USA Group use could conflict with the transactions and strategies NXT Advisers employs in managing another account, which could affect the prices and availability of the securities and other financial instruments in which NXT Advisers invests on behalf of Clients. In addition, ORIX USA Group, ORIX Persons (as defined below), NXT Advisers and its other affiliates or Clients (each, an “Investing Party”) are expected to, from time to time, make an investment in, or a loan to, a company in which one or more other Investing Party is expected to invest, or already has invested, in a different part of the capital structure, which means that one investor’s interest in that company can have different rights, preferences and privileges than the company interests held by a Client. See “*Capital Structure Conflict*” below for additional information regarding these conflicts.

Certain ORIX USA Group entities, their respective employees, the family members of their employees or affiliated employees, officers, directors, principals, members and consultants (collectively, “ORIX Persons”) are currently, and are expected to remain, investors in certain Clients, which gives rise to certain conflicts of interest. As noted above, NXT Capital is the owner of NXT Advisers and is part of the ORIX USA Group. NXT Advisers may feel obligated to permit the ORIX USA Group entities to invest on terms (for example, preferential investment, withdrawal and distribution rights, favorable trade allocations and pricing, lower fees and transparency) that are better than those available to other unaffiliated investors. In addition, the ORIX USA Group’s entities’ investment in certain Clients creates an incentive for NXT Advisers to allocate investment opportunities to Clients in which an ORIX USA Group entity invests or to an ORIX USA Group entity itself, instead of other Clients in which an ORIX USA Group entity may have a lesser, or no, investment.

ORIX USA Group entities and its supervised persons will have relationships or arrangements with other affiliated (or other associated) financial services companies that could pose material conflicts of interest for NXT Advisers.

#### *Information Barriers and the Restricted List*

NXT Advisers and ORIX USA Group currently operate without information barriers that other firms from time to time implement to separate persons who make investment decisions from others who could possess material non-public information that could influence such decisions. In an effort to manage possible risks arising from NXT Advisers’ decision not to implement such screens, NXT Advisers maintains a Code of Ethics, as described in Item 11, and provides training to supervised persons with respect to conflicts of interest and how such conflicts are resolved under NXT Advisers’ policies and procedures. In addition, NXT Advisers’ compliance department (“Compliance”) maintains a list of restricted issuers as to which NXT Advisers and its affiliates could have access to material non-public information and in whose securities Clients are not permitted to trade without prior approval from Compliance. In the event that any employee of ORIX USA Group, including an employee of NXT Advisers, obtains



material non-public information, NXT Advisers will be restricted in engaging in transactions to acquire or dispose of investments on behalf of Clients that otherwise could have been initiated on their behalf, which could impact the returns generated for Clients. Similarly, if one ORIX USA Group entity acquires confidential or material non-public information, all other ORIX USA Group entities, including NXT Advisers, will be restricted in acquiring or disposing investments on behalf of their clients, including the Clients. NXT Advisers can encounter conflicting duties to its Clients, other clients, and ORIX USA Group entities, or have an incentive to avoid taking actions that would impede the operation of the foregoing, and it is possible that those companies and the Clients can be restricted in their ability to participate in transactions involving the applicable issuer (including the sale of existing investments in the applicable issuer or declining to receive non-public information or pursue an investment opportunity that would prevent another of such companies from trading securities of an issuer). The inability to sell securities of such issuers in these circumstances could materially adversely affect the investment results of a Client, including, but not limited to, a material loss with respect to an individual investment or differing results than those obtained by another client or ORIX USA Group with respect to the same investment.

NXT Advisers chooses to refrain from directing the purchase or sale of DL Loans issued by persons about whom NXT Related Persons have information that they determine might prohibit them from trading such DL Loans in accordance with applicable law. In addition, NXT Related Persons could elect not to receive material non-public information with respect to various obligors. In these cases, NXT Related Persons might not have access to information relating to obligors of DL Loans that is or could be known to other persons who are investing in the same Loan. Notwithstanding the maintenance of a restricted list and other internal controls, it is possible that the internal controls relating to the management of material non-public information could fail and result in NXT Advisers, or one of its investment professionals, buying or selling a security while ORIX USA Group is in possession of material non-public information. Inadvertent trading while ORIX USA Group is in possession of material non-public information could have adverse effects on the reputation of NXT Advisers, resulting in the imposition of regulatory or financial sanctions, and as a consequence, negatively impact NXT Advisers' ability to perform investment management services on behalf of Clients. In addition, while NXT Advisers and ORIX USA Group currently operate without information barriers, ORIX USA Group and NXT Advisers could be required by certain regulations, or decide that it is advisable, to establish information barriers. In such event, ORIX USA Group's ability to operate as an integrated platform could change, which would limit access to certain of NXT Advisers' personnel and impair their ability to manage Clients' investments in the manner in which they currently manage investments.

#### *Board/Creditor Committee Representation*

NXT Advisers and/or NXT Related Persons have or possibly in the future, serve as members of the board of directors or the bondholder's creditors' committee of a company the securities of which might be held by Clients. This is typically the result of a financially troubled obligor filing bankruptcy or entering reorganization or work out proceedings. As a general matter, employee membership on a board of a company requires pre-clearance from

## Compliance.

As a member of a board of directors or the bondholder's creditors' committee, employees of NXT Advisers and/or Clients (including funds) and other investment or proprietary accounts, including employee-owned investment vehicles, owned or advised by NXT Advisers or NXT Related Persons (collectively, and including NXT Related Persons, NXT Affiliated Clients and Non-Affiliated Clients, "Related Entities") might acquire material non-public information about corporations or other entities or their securities. NXT Advisers and the Related Entities are not obligated, and may not be permitted, to disclose any of that information to or for the benefit of their Clients, or otherwise act on the basis of that information in providing services to its Clients. This could cause a conflict of interest between NXT Advisers' (or its Related Entities') legal and/or contractual duty not to disclose material non-public information and its duty to act in the best interest of Clients. In addition, see *"Information Barriers and the Restricted List"* for additional information regarding the impact of receipt of material non-public information.

The participants of such board of directors or bondholder's creditors' committee would be interested in obtaining an outcome that is in their respective individual best interests and there can be no assurance of obtaining results most favorable to the Client in such proceedings. By participating on such committees, NXT Advisers or a Related Entity, as applicable, given the specific facts and circumstances, may be deemed to have duties to other creditors represented by the committees, which might expose NXT Advisers or a Related Entity, as applicable, to liability to such other creditors who disagree with NXT Advisers' or a Related Entity's actions. Furthermore, by participating on such committees, NXT Advisers or a Related Entity, as applicable, could be contractually obligated to hold the related assets even if the NXT Advisers believes it would be in the best interests of the NXT Advisers and/or the Related Entity to sell. In addition, NXT Advisers and/or a Related Entity may also have or establish relationships with, and participate on credit committees with respect to, obligors (through holding debt obligations issued by such obligors or otherwise) whose equity securities or debt obligations are held by a Client, and such debt obligations or equity securities may have interests different from or adverse to the other DL Loans held by a Client. NXT Advisers seeks to limit these types of memberships and service arrangements and gives careful consideration to the pros and cons (as to NXT Advisers) associated with personnel serving as a member of the board of directors or a bondholder's creditors' committee.

### Cross Trades and Principal Trades

NXT Advisers can cause Clients to make investments in affiliated or associated entities. As further described below, NXT Advisers affects principal transactions where a Non-Affiliated Client will invest in DL Loans of obligors in which an NXT Related Person has a debt, equity or Participation Interest, in each case in accordance with applicable law. NXT Advisers will provide disclosures to and obtain the consent and approval of the Non-Affiliated Client or the Non-Affiliated Client's designated representative in accordance with Section 206(3) of the Advisers Act and the applicable Client Agreements for these principal transactions. All Client purchases of DL Loans will be executed on an arm's length basis.

NXT Advisers and its affiliates sometimes act in multiple capacities (for example, act as principal or agent as described below in addition to acting as adviser on behalf of a Client) and has and can effect transactions with or for an account in instances in which NXT Advisers and its affiliates and/or their personnel have multiple interests. NXT Advisers might invest in Clients or recommend that Clients invest in an affiliated fund or associated entity and cause the Clients to make such investments. Investments in an affiliated fund may be of any class or category of shares with the understanding that fees associated with such class or category need not be the lowest fees offered.

NXT Advisers can be compensated for causing Clients to make investments in affiliated or associated entities. In addition, NXT Advisers considers several factors when making an investment decision and has no obligation to determine whether investments in other affiliated funds, or a comparable, non-affiliated collective investment fund or vehicle, would be subject to lower fees and expenses than the selected affiliated or associated entities. In connection with such investments, unless provided otherwise in the Client's Client Agreements, the Client will pay all fees pertaining to the affiliated fund and no portion of the affiliated fund's advisory, administrative or other fees will be offset against fees payable in accordance with the Client Agreements. Accordingly, unless provided otherwise in the Clients' Client Agreements, the Client will pay separate fees and NXT Advisers will have an incentive to cause the Client to make investments in the other affiliated funds so the affiliate can earn additional fees. The Client can prospectively revoke its consent to invest in affiliated funds at any time by written notice to NXT Advisers. Additionally, the interests of the Client, as an investor, could conflict with the interests of the underlying affiliated fund or NXT Advisers or NXT Related Persons in their capacity as service providers to the underlying affiliated fund, which would create a conflict of interest for NXT Advisers.

*NXT Advisers can cause Clients to engage in cross trades*

NXT Advisers can cause a Client to buy or sell the same security from or to another Client or a client advised by an affiliate of NXT Advisers, in accordance with applicable legal and regulatory requirements, when it believes, in its sole discretion, that such a transaction would be advantageous or otherwise beneficial to each of the Clients involved. For example, a cross trade may be effected in a less liquid or otherwise difficult to transact in Loan, when, in the opinion of NXT Advisers personnel, it would reduce the risk of market impact or otherwise reduce the costs associated with the contemplated trade. Such transactions create conflicts of interest because, by not exposing such buy and sell transactions to market forces, a Client could possibly not receive the best price otherwise possible, or NXT Advisers might have an incentive to improve the performance of one Client by selling underperforming assets to another Client in order, for example, to earn fees. In such case, NXT Advisers and such affiliates can have a potentially conflicting division of loyalties and responsibilities regarding the Client and the other parties to such trade. Under certain circumstances, NXT Advisers and its affiliates may determine that it is appropriate to avoid such conflicts by purchasing or selling an asset at a fair value that has been calculated pursuant to NXT Advisers' valuation procedures to another Client managed or advised by NXT Advisers or such affiliates. In

addition, in the future and with the prior blanket authorization of a Client, which can be revoked at any time thereafter, if NXT Advisers enters into agency cross-transactions where it or any of its affiliates acts as broker for such Client and for the other party to the transaction, to the extent permitted under applicable law. To the extent that any such transactions are affiliate transactions, NXT Advisers shall obtain the Client's written consent to such transaction or obtain consent and/or approval by another manner that is permitted pursuant to then applicable law and the relevant Client Agreements.

Additionally, in connection with such transactions, NXT Advisers, its affiliates, and/or their professionals (i) could have significant investments, or intentions to invest, in the Client that is selling and/or purchasing such an investment or (ii) otherwise have a direct or indirect interest in the investment (such as through certain other participations in the investment). NXT Advisers and its affiliates generally receives management or other fees in connection with their management of the relevant Clients involved in such a transaction, and generally are entitled to share in the investment profits of the relevant Clients.

#### NXT Advisers effects principal trades

NXT Advisers expects to effect principal transactions or transactions which constitute principal transactions where a Client invests in DL Loans and securities of obligors or issuers in which NXT Advisers and/or its affiliates have a debt, equity or Participation Interest or should acquire assets from NXT Advisers or one of its affiliates, in each case in accordance with applicable law, which would include NXT Advisers obtaining the consent and approval of or on behalf of the Client prior to engaging in any such principal transaction or transactions that constitute a principal transaction between the Client and NXT Advisers or its affiliates. The purchase, holding and sale of such DL Loans and securities by a Client may enhance the profitability of NXT Advisers' or such affiliates' own investments in such companies. Additionally, a Client may acquire DL Loans originated by NXT Capital in the secondary market. Under either such circumstance, to the extent that applicable law requires disclosure to and the consent and approval of a Client to any purchase or sale transaction on a principal basis with NXT Advisers or its affiliates, such requirements may be satisfied with respect to a Client and all investors therein as described above with respect to principal transactions.

Please refer to "Principal Transactions and Cross Transactions" in Item 11 for additional disclosures on the conflicts of interest related to principal trades and cross trades.

#### Capital Structure Conflict

From time to time, Clients will acquire securities, assets, or other investments of an issuer that are senior or junior to or *pari passu* with the securities, assets or other investments of the same issuer that are held by, or are acquired for, other Investing Parties (e.g., a Client could acquire senior debt while another Investing Party could acquire subordinated debt or preferred equity). In such cases, Clients could potentially have different rights, preferences and privileges than those afforded to other Investing Parties. To the extent that Clients hold securities or other financial interests (e.g., bank debt) in an issuer with rights, preferences and privileges that are different than interests held by an Investing Party in the same issuer,

it is possible that NXT Advisers and its affiliates can be presented with decisions when and/or where the interests of the Investing Parties and the Clients are in conflict. These conflicts of interest associated with investing in multiple layers of an issuer's capital structure become more acute when the issuer experiences financial or operational challenges and/or if debt tranches owned by one or more Clients become equitized such that those Clients become borrowers of the other Clients. In particular, if an issuer becomes insolvent or enters bankruptcy, Clients or other Investing Parties invested in different parts of the issuer's capital structure will have conflicting interests related to the satisfaction of the issuer's obligations or indebtedness and one Client's interest may be subordinated or otherwise adversely affected by virtue of other Investing Parties' involvement and actions relating to such investment—including, as an example, Clients or other Investing Parties in the more junior portion of the capital structure will be more interested in the issuer taking greater risk if their securities are already essentially worthless. Clients or other Investing Parties in the more senior portion of the capital structure will prefer the issuer take fewer risks and convert its remaining assets to cash to preserve whatever value determined to be remaining in the more senior securities of the issuer's capital structure.

In addition, Clients invest in different instruments or classes of securities of the same issuer where certain Clients or other Investing Parties own the majority of, or otherwise control, one or more of such different instruments or classes of securities. As a result, one or more Clients and/or other Investing Parties could have different investment objectives or pursue or enforce rights with respect to a particular issuer in which another Investing Party has invested, and those activities could have an adverse effect on a Client. For example, where an issuer experiences financial or operational difficulties, if a Client holds subordinated and unsecured debt, and another Client or Investing Party holds senior secured debt instruments, of the same issuer, the latter Client or Investing Party may enforce or help other senior secured creditors enforce their rights against the issuer and as a result, the former Client's investment may be reduced substantially or to zero. If a Client or Investing Party holds voting instruments with respect to any debt or equity of an issuer and another Client does not hold such power, NXT Advisers or its affiliate, acting on behalf of the former Client, may vote on certain matters in a manner that has an adverse effect on the positions held by the latter Client (*e.g.*, regarding whether the Client agrees to waive certain covenants or make certain amendments). Conversely, if a Client holds voting instruments of an issuer, NXT Advisers or its affiliate's vote on behalf of such Client on certain matters could end up benefiting the other Clients or Investing Parties and harming the Client with voting instruments, especially with the benefit of hindsight (*e.g.*, if the Client agrees to certain covenant, waivers or amendments, but the issuer and the Client's investment in such issuer end up getting further impaired).

A conflict would exist whereas NXT Advisers can be incentivized to make decisions for the benefit of one Investing Party to the detriment of another, including a Client (*e.g.*, due to the prospect of earning more carried interest, management fees or other fees, if dissatisfaction would cause one of the Investing Parties to redeem capital or discontinue its relationship with NXT Advisers, or if the Investing Party is affiliated with NXT Advisers and, therefore, NXT

Advisers has an incentive to increase returns to such Investing Party).

In such circumstances, NXT Advisers faces certain conflicts in making decisions with respect to such securities given their different rights and economic interests in the issuer that may have an adverse effect on one or more of the Investing Parties. Generally speaking, NXT Advisers expects that a Client will make such investments when, at the time of its investment, NXT Advisers believes that (a) such investment presents an attractive investment opportunity for the Client and (b)(i) the possibility of actual adversity between the Client and other Investing Party is remote or (ii) in light of the particular circumstances, NXT Advisers believes that such investment is appropriate for the eligible Client, notwithstanding the potential for conflict. The Investing Parties would generally not both take control positions in different parts of an issuer's capital structure. In addressing certain of the potential conflicts of interest described herein, NXT Advisers and/or its affiliates could, but will not be obligated to, take one or more actions on behalf of a Client, including any one or more of the following: (i) causing a Client or other Investing Party to remain passive in a situation in which it is otherwise entitled to vote, which could mean that such Client defers to the decision or judgment of an independent, third-party investor in the same class of equity or debt securities or other financial instruments held by another Investing Party; (ii) referring the matter to one or more persons that is not affiliated with NXT Advisers to review or approve of an intended course of action with respect to such matter; (iii) consulting with the Client on such matter or otherwise requesting that the Client (or limited partners or an advisory board) approve such matter; (iv) establishing information barriers to separate NXT Advisers' investment professionals or assigning different teams of NXT Advisers' investment professionals, in each case, who are supported by separate legal counsel (internal or external) or other advisers, to act independently of each other in representing different Investing Parties or Investing Parties that hold different classes, series or tranches of an issuer's capital structure; (v) as between two Investing Parties, ensuring (or seeking to ensure) that the underlying investors therein own interests in the same securities or financial instruments and in the same proportions so as to preserve an alignment of interest; or (vi) causing a Client to divest itself of a security or financial instrument or particular class, series or tranche of an issuer's capital structure it could otherwise have held on to, including causing a Client to sell a security or financial instrument to one or more other investing parties (or vice versa), limited partners, or investors in such other Client. There can be no assurance that any of these measures will be feasible or effective in any particular situation, and it is possible that the outcome for the Client will be less favorable than could otherwise have been the case if NXT Advisers had not had duties to other Clients or relationships with other Investing Parties, as applicable.

The determination to take any of the actions described above are expected to vary based on the particular facts and circumstances surrounding each investment by two or more Clients (or a Client and an Investing Party) in different classes, series or tranches of an issuer's capital structure (as well as across multiple issuers or borrowers within the same overall capital structure), and as such, investors should expect some degree of variation, and potentially inconsistency, in the manner in which potential or actual conflicts are addressed. Based on

the terms, including seniority, of their respective holdings in an issuer, or other factors, different investors will sometimes have conflicting or competing interests in negotiating the terms of their investments, determining whether to buy, sell or hold an investment or determining whether to exercise a right or consent with respect to an investment. As a result, when different Clients and/or NXT Related Persons invest in a common issuer, in negotiating the price of the relevant securities, characterizations, rates of interest or stated dividends, nature of the covenants, and other terms and conditions of such securities, some of our Clients' interests (including NXT Affiliated Clients and Non-Affiliated Clients) could conflict with the interests of other Clients or those of an NXT Related Person that is not a Client. For example, interests could diverge if questions arise subsequently as to whether payment obligations and covenants should be enforced, modified or waived, or whether debt should be refinanced or restructured. Similarly, in troubled situations, decisions including whether to enforce claims, or whether to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any work-out or restructuring could raise similar conflicts of interest. NXT Advisers will, to the extent Non Affiliated Clients and NXT Affiliated Clients or other NXT Related Persons hold investments of differing seniority in the same issuer, seek to manage such conflicts in good faith and in a manner consistent with its duties to its Non Affiliated Clients. Conflicts can also arise among holders of the same interests based on other holdings or facts specific to a Client. NXT Advisers will seek to make determinations on behalf of each Client in accordance with NXT Advisers' fiduciary duty. NXT Advisers intends to resolve such situations in an impartial manner, but there can be no assurance that their own interests will not influence their conduct.

Because NXT Capital is the owner of NXT Advisers, NXT Advisers would experience a conflict of interest in making determinations regarding the senior securities held by a Client, as decisions on behalf of such Client to enforce remedies or take other actions against the obligors under such senior securities or the related collateral could adversely impact the value of the more junior securities held by another Investing Party. In such situation, NXT Advisers is incentivized to decline to enforce such remedies or take such actions on behalf of the senior securities held by the Client in order to protect the value of the junior securities held by the other Investing Party, which could adversely affect the returns to such Client. To address such conflicts, an Investing Party would generally not take a control position in one part of an issuer's capital structure while another affiliated entity takes a control position in another part of the same issuer's capital structure.

NXT Affiliated Clients expect to invest in a range of asset classes throughout the corporate capital structure (including some or all of the following: first lien loans, second lien loans, mezzanine loans, debt securities and equity securities) of issuers in which Non-Affiliated Clients or other NXT Related Persons also invest, typically in loans and other debt. As a result, Non-Affiliated Clients will sometimes hold interests in issuers that are of a different class or type than the class or type of interest held by NXT Affiliated Clients or other Related Persons. The interests held by NXT Affiliated Clients or other Related Persons can be senior, *pari passu* or junior to the Non-Affiliated Client's interests in such issuers. In particular, Non-Affiliated Clients (1) could invest in loans issued by issuers in which NXT Affiliated Clients have a debt,

equity or Participation Interest that will generally be junior to the interest held by the non-affiliated clients, and (2) will invest in loans which could be junior, senior or *pari passu* with interests held by NXT Affiliated Clients that are also lenders under the same credit facility. In some cases, an NXT Related Person that is not an NXT Affiliated Client could hold in equity interest in an issuer of a Loan held by a Client. Additionally, investments in an issuer of the same class and type as another Non-Affiliated Client could be held in a different amount than those of the other Non-Affiliated Clients or of NXT Affiliated Clients.

Certain additional conflicts exist if NXT Advisers manages a senior loan investment in a default, workout or bankruptcy scenario for Non-Affiliated Clients and NXT Affiliated Clients or other NXT Related Persons that are not Clients hold a more junior loan or interest in the issuer or vice versa. In such cases, NXT Advisers has an incentive to take actions that are in the best interests of NXT Affiliated Clients or which could benefit another NXT Related Person that is not a Client but has an interest in the same issuer, but which can be adverse to the best interests of the Non-Affiliated Clients. In such a scenario, NXT Advisers anticipates that when a Non-Affiliated Client and NXT Affiliated Clients hold investments of differing seniority in the same issuer and such issuer enters into a default, workout or bankruptcy scenario, NXT Advisers will address these situations on a case by case basis and can engage separate counsel to represent the junior loan investors and senior loan investors, respectively to mitigate potential conflicts. In certain circumstances Non-Affiliated Clients and/or NXT Affiliated Clients could be prohibited from exercising (or NXT Advisers could deem it appropriate to refrain from exercising) voting or other rights in order to mitigate the relevant potential conflicts. Similarly, although rare, when an NXT Related Person, including ORIX USA or an NXT Affiliated Client, has an interest in an issuer that could be in conflict with the interests held by another Client, NXT Advisers will consider, on a case-by-case basis, how to mitigate the conflict and, in each case, will take steps reasonably designed to assure that NXT Advisers acts in accordance with its fiduciary duty and deals with the NXT Related Person on a basis consistent with similar dealings with a third-party.

As described above, to the extent a Client holds securities that are different (including with respect to relative seniority) than those held by another Investing Party in the same issuer, NXT Advisers can have conflicting loyalties between its duties to such Investing Parties, as well as with respect to the interests of such Investing Parties. There can be no assurance that the term of or return on a Client's investment in an issuer will be equivalent to or better than the term of or returns obtained by the other Investing Parties participating in such investment.

Similarly, the ability of NXT Advisers to implement the Client's strategies effectively could be limited to the extent that contractual obligations entered into in respect of activities of NXT Advisers and/or other Investing Parties impose restrictions on such Client engaging in transactions that NXT Advisers may be interested in otherwise pursuing.

The Clients that employ one investment strategy may be negatively impacted by the activities by or on behalf of other Investing Parties of another investment strategy, and transactions



for Clients that employ one investment strategy may be impaired or effected at prices or terms that may be less favorable than would otherwise have been the case had a particular course of action not been pursued with respect to the Investing Parties that employ a different investment strategy. In certain instances, personnel of NXT Advisers can be expected to obtain information about an issuer thereby limiting NXT Advisers' ability to buy or sell securities of the issuer on behalf of other Investing Parties. These conflicts are magnified with respect to issuers that undergo restructuring or become insolvent. It is possible that in connection with a restructuring, insolvency, bankruptcy or similar proceeding Clients may be limited (by applicable law, courts or otherwise) in the positions or actions they may be permitted to take due to other interests held or actions or positions taken by other Investing Parties of a different investment strategy.

Although it is expected that Clients will, when they invest alongside one or more Investing Parties, generally dispose of their interests in an investment in the same proportion as, and on the same terms as, the Investing Parties dispose of their interests in such investment, subject to legal, tax, regulatory or other considerations, as determined by the relevant general partners or investment managers in their sole discretion, there can be no assurance that the interests in an investment held by Clients will be harvested on as favorable terms as the interests in such investment held by the Investing Parties. Further, the disposal by another Investing Party can possibly depress the market value of the continuing investment of certain Clients or reduce the price available to the Clients, which may also be disposing of their investment. For example, because NXT Advisers or its affiliate may have an incentive to show realized returns in connection with other fundraising activities or because one Investing Party's term may expire before the end of another Investing Party's term, such parties may dispose of the investment at different times. Investments disposed of at different times will likely be disposed of at different valuations and, as a result, each Investing Party may realize different returns as compared to the same investment held by such other party. These variations in timing may be detrimental to a Client. At the same time, if NXT Advisers determines it is advisable for a Client to exit an investment at the same time as another Investing Party, the Client may dispose of its interest earlier or later than it ordinarily would have and may, as a result, experience lower returns than it otherwise may have earned on such investments.

In addition, the terms of Clients' investment, including the type of security purchased, could be different from the terms of another Investing Party's investment or the type of security the Client purchases. Conflicts could arise after a Client, on the one hand, and other Investing Parties, on the other hand, make investments in the same issuer with respect to the issuer's strategy, growth and financing alternatives and with respect to the manner and timing of the one Investing Party's exit from the investment compared to the other Investing Party's exit.

#### Loan Participations and Assignments

From time to time, certain Clients could offer to other Clients, affiliates of NXT Advisers, or clients of affiliates of NXT Advisers, or other third parties, participations in and/or assignments or sales of DL Loans and other securities that an affiliate of NXT Advisers or the

Client has originated or purchased. In determining the target amount to allocate to a particular Loan origination, the Client will take into consideration the fact that it anticipates selling, assigning or offering participations in such investment to the Clients and other parties as described above. If the Client is not successful in offering such participations, assignments or sales, the Client will be forced to hold such excess until such time as it can be disposed. This could result in the Client being “overweighted” with respect to a particular borrower, issuer or company, which could adversely affect the performance of the Client. See “Investing in Loans Indirectly by Participation Interests or Directly by Assignment” in Item 8 for additional information regarding risks involved in loan participations and assignments.

#### Engagement of Consultants

An NXT Related Person, acting as the general partner or manager of a Client, can engage the services of certain consultants or other advisers with relevant experience and expertise to work actively with such Client and the fees, costs and expenses associated with the engagement, retainer or employment of such consultant or adviser will generally not be borne by the NXT Related Person, NXT Advisers or any of their respective affiliates. NXT Advisers and the NXT Related Person will have an incentive to engage a consultant, rather than as an employee or partner of NXT Advisers or its affiliates since the Client will be responsible for the related fees, costs and expenses. See also the discussion on outsourcing in “Service Providers” in Item 11.

#### Conflicts Regarding Valuation

NXT Advisers and/or its affiliates will be responsible for a variety of important matters affecting each Client. Among other matters, we, with the assistance of NXT Capital where applicable, will determine the value of the DL Loans and other instruments held by each Client. Such valuation can affect reported Client performance. As discussed in Item 6, “Performance-Based Fees and Side-by-Side Management,” such valuations comprise certain good faith determinations made by us, or NXT Capital, which are subjective in nature. Valuations involve inherent conflicts of interest, as we have an incentive to reflect higher valuations to increase performance fees payable to us or our affiliates and to improve performance presented to current and prospective Clients and investors. Actual amounts realized with respect to a Loan could vary significantly from the value at which the Loan is held at any time. If NXT Capital has a specific reserve on a DL Loan, NXT Advisers does not charge a management fee on that DL Loan’s principal balance.

#### Pre-existing Relationships

NXT Advisers and NXT Related Persons have pre-existing relationships with a significant number of DL Loan obligors. In servicing and administering the DL Loans, each of NXT Advisers and NXT Related Persons may take into account its relationship or the relationships of its affiliates with obligors or issuers and their respective affiliates, which can create conflicts of interest. Various NXT Related Persons also have relationships with numerous investors, including institutional investors and their senior management. In addition, any NXT Related Person can leverage its relationships with private equity sponsors who are affiliated with its obligors as referral sources for investments. The existence and development of these

relationships can potentially influence whether or not NXT Advisers undertakes a particular investment and, if so, the form and level of such investment. Furthermore, NXT Advisers, in connection with actions taken in the ordinary course of business in accordance with its fiduciary duties to its Clients (including NXT Affiliated Clients), may take or refrain from taking, or be required to take, or be prohibited from taking, certain actions. Accordingly, certain investments or strategies involving the management or realization of particular investments that NXT Advisers would possibly not be undertaken on behalf of a Client in view of such relationships.

#### Restrictions Arising under the Securities Laws

The activities of NXT Advisers and its affiliates (including, without limitation, the holding of securities positions or having one of its personnel on the board of directors of a company) could result in securities law restrictions on transactions in securities held by a Client, affect the prices of the investments or the ability of the Client to purchase, retain or dispose of such investments, or otherwise create conflicts of interest for the Client, any of which could have an adverse Impact on the performance of the Client.

#### Conflicts Resolution Process

In the case of all known conflicts of interest and as a general matter, NXT Advisers' determination as to which factors are relevant, and the resolution of such conflicts, will be made using its best judgment, but in its sole discretion. In resolving conflicts, NXT Advisers considers various factors, including the interests of the applicable Clients with respect to the immediate issue and/or with respect to their longer term courses of dealing. When conflicts arise, the following factors generally mitigate, but will not eliminate, conflicts of interest: (i) NXT Advisers will consider the appropriateness of an investment from the viewpoint of a Client; (ii) many important conflicts of interest will generally be resolved by set procedures, restrictions or other provisions contained in the Client Agreements of each Client; (iii) where NXT Advisers deems appropriate, unaffiliated third parties may be used to help resolve conflicts, such as the use of an independent reviewer to opine as to the fairness of a purchase or sale price; or (iv) prior to subscribing for interests in an NXT Advisers-managed fund or signing an investment management agreement or asset management agreement, each investor receives information relating to significant potential conflicts of interest arising from the proposed activities of the fund or separately managed account.

While NXT Advisers endeavors to resolve all conflicts in a fair and impartial manner, there can be no assurance that its own interests will not influence its conduct and decisions.

#### Other Affiliates

NXT Advisers has a supplementary list of related persons who are not listed in Section 7.A of Schedule D of Form ADV Part 1A due to the fact that such affiliated companies are deemed to be "operationally independent" in accordance with applicable federal securities laws and NXT Advisers has no reason to believe that its relationship with such related persons creates a material conflict of interest for the Clients.

We and NXT Affiliated Clients are indirectly owned by ORIX USA and we could have a conflict of interest regarding investment decisions or investment allocations made on behalf of NXT Affiliated Clients since we have an incentive to favor a Client that is under common control. Please see Item 12, “Brokerage Practices” for information regarding NXT Advisers’ trade allocation and aggregation of trade policies, and Item 11, “Code of Ethics, Participation or Interest in Client Transactions and Personal Trading” for information regarding NXT Advisers’ Code of Ethics.

Other than NXT Affiliated Clients and ORIX USA Group as discussed herein and in Item 11, we do not have any other relationships with companies owned or controlled by ORIX that would be considered material to our investment advisory business or would be considered to cause a conflict of interest with our Clients.

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

##### **Code of Ethics**

We and NXT Capital have adopted a Code of Ethics in accordance with Rule 204A-1 under the Advisers Act covering such matters as (1) general standards of business and personal conduct; (2) the proper use and safeguarding of confidential information; (3) prohibitions against securities transactions when in possession of material, nonpublic information; (4) personal conflicts of interest, including outside activities, contributions and gifts; and (5) personal securities transactions policies (the “Code of Ethics”).

The Code of Ethics states that no Access Person (as defined under the Advisers Act) shall purchase or sell any security listed on our restricted list. Additionally, no Access Person shall acquire a security in an initial public offering or in a limited offering without obtaining prior approval for such purchase from our Chief Compliance Officer.

We will provide our Code of Ethics to any Client or prospective Client upon request. Such request should be made to our Chief Compliance Officer using the contact information provided on the Cover Page.

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

##### **Conflicts as to ORIX USA Group**

Because ORIX USA is the indirect 100% owner of NXT Capital and invests and holds equity interests in entities that could be obligors under DL Loans that may be eligible for acquisition by Clients, NXT Advisers could have a conflict of interest in making determinations regarding such loans as decisions to enforce remedies or take other actions against the obligors under such loans or the related collateral could adversely impact the financial interests of ORIX USA. NXT Advisers, as a matter of policy, does not consider the financial interests of our affiliates, including ORIX USA, when making determinations regarding loans owned by Clients and only seeks to make determinations in the best interest of Clients. Additionally, NXT Advisers seeks to engage with affiliated borrowers like those under DL Loans that may be eligible for

acquisition by a Client in a manner that is consistent with its engagement with non-affiliated borrowers. NXT Advisers seeks to conduct all arrangements on an arms-length basis and believe that our internal processes are reasonably designed to assure that determinations with respect to DL Loans are made in good faith and reflect what NXT Advisers believes to be a Client's best interest. Please see Item 10, "Other Financial Industry Activities and Affiliations" for a discussion of potential investment-related conflicts.

Under certain circumstances, NXT Advisers can recommend to Clients, or buy or sell for Clients, securities in which NXT Advisers or its affiliates have a material financial interest. Because of the relationship of ORIX USA Group and its personnel with NXT Advisers, conflicts of interest exist (or may in the future exist) in connection with NXT Advisers' allocation of investment opportunities as between ORIX USA Group and other Clients. NXT Advisers has adopted investment allocation policies and procedures designed to mitigate this conflict. In all cases, allocation requirements (if any) set forth in a Client's Client Agreements will control. Following this priority allocation, if the investment opportunities are suitable for one or more Client, transactions will be allocated on a fair, equitable and consistent basis over time. Please see Item 12, "Brokerage Practices" for additional information regarding NXT Advisers' trade allocation and aggregation of trade policies.

#### *Conflicts Related to ORIX Persons*

Clients from time to time invest in securities of companies in which ORIX Persons and other related persons of NXT Advisers and its affiliates have previously invested for their own accounts. Furthermore, ORIX Persons and other related persons of NXT Advisers and its affiliates from time to time invest for their own accounts in securities of companies in which Clients have previously invested. If such persons have differing interests from the Clients with respect to such investments (for example, with respect to the information, availability and timing of liquidity), a conflict of interest would exist. There can be no assurance that the return of a Client participating in a transaction would be equal to and not less than another Client or ORIX Person or other related persons of NXT Advisers and its affiliates participating in the same transaction or that it would have been as favorable as it would have been had such conflicts not existed.

ORIX Persons currently have, and in the future may have, family members that are actively involved in industries and sectors in which the Clients invest or have business, personal, financial or other relationships with companies in such industries and sectors or other industries, which gives rise to conflicts of interest. For example, such family members might be officers, directors, personnel or owners of companies which are actual or potential investments of the Client or other counterparties of the Clients. Moreover, in certain instances, Clients may purchase or sell assets from or to, or otherwise transact with companies that are owned by such family members or in respect of which such family members have other involvement.

NXT Advisers and ORIX Persons from time to time or in the future, receive certain intangible and/or other benefits and/or perquisites arising or resulting from their activities on behalf of a

Client, including benefits and other discounts provided from service providers. For example, airline travel or hotel stays incurred as Client expenses may result in “miles” or “points” or credit in loyalty/status programs to NXT Advisers and/or ORIX Persons, and such benefits, rewards and/or amounts (whether or not de minimis or difficult to value), will exclusively benefit NXT Advisers and/or such personnel even though the cost of the underlying service is being borne by the Client. Any such benefits, rewards and/or amounts will not offset any management fee payable by the Client or otherwise shared with such Client.

#### Possible Future Activities

NXT Advisers expects to expand the range of services that it provides over time. NXT Advisers and its affiliates will not be restricted in the scope of their business or in the performance of their services (whether now offered or undertaken in the future) even if such activities could give rise to additional conflicts of interest, which could, but will not necessarily, be similar to those described herein and which cannot be foreseen or mitigated at this time. NXT Advisers has, and will continue to develop, relationships with a significant number of companies, financial sponsors and Clients. As a result, it is not possible to summarize, and the summary of conflicts herein is not intended to be an exhaustive list of, all of the conflicts that could arise in connection with the activities of NXT Advisers or Related Entities and have a material and adverse impact on the prices and availability of investments or the performance of such investments.

#### Service Providers

NXT Capital, LLC originates, for a fee from borrowers, debt investment opportunities for Clients. As a result, NXT Capital, LLC or one of its affiliates receives origination or disposition fees for the acquisition or sale of debt investments.

Certain advisors and other service providers (including accountants, administrators, lenders, bankers, brokers, attorneys, consultants and investment or commercial banking firms) to the Clients may also provide goods or services to, or have business, personal, financial or other relationships with NXT Advisers or its affiliates. Such advisors and service providers may be affiliates of NXT Advisers, sources of investment opportunities or commercial counterparties. Additionally, certain employees of NXT Advisers may have family members or relatives employed by such advisors and service providers. These relationships may influence NXT Advisers in deciding whether to select or recommend such a service provider to perform services for Clients. In certain circumstances, advisors and service providers, or their affiliates, may charge different rates or have different arrangements for services provided to NXT Advisers or its affiliates as compared to services provided to Clients, which in certain circumstances may result in more favorable rates or arrangements than those payable by Clients. Neither the Clients nor their investors will receive the benefit of any such favorable rate or any discount provided to NXT Advisers, its personnel or its affiliates, and the management fee paid by any Client will not be reduced in connection with such favorable rate or discount.

NXT Advisers has in the past contracted and may in the future in its discretion, contract directly

with, or recommend to a Client that it contract for services with, an NXT Related Person or an affiliate. When making such a recommendation, NXT Advisers, because of its financial or other business interest, has an incentive to recommend such person even if another person is more qualified to provide the applicable services and/or can provide such services at a lesser cost.

Additionally, ORIX Persons, and/or their family members or relatives may have ownership, employment, or other economic or other interests in certain service providers. These relationships can influence NXT Advisers in determining whether to select or recommend such service provider to perform services for a Client. NXT Advisers, because of financial, business interest, or other reasons, may favor such retention even if a better price and/or quality of service could be obtained from another person.

Services required by a Client (including some services historically provided by NXT Advisers or its affiliates to Clients) may, for certain reasons including efficiency and economic considerations, be outsourced in whole or in part to third parties or licensed software, in each case in the discretion of NXT Advisers or its affiliates. This can create a conflict of interest because NXT Advisers and its affiliates have an incentive to outsource such services at the expense of the Clients to, among other things, leverage the use of ORIX Persons. Such services may include, without limitation, deal sourcing, asset management, information technology, licensed software, depository, data processing, client relations, administration, custodial, marketing and marketing reviews, accounting, servicing, valuation, trading, legal, human resources, client services, compliance, corporate secretarial and tax support, director services and other similar services. Outsourcing also may not occur universally for all Clients and accordingly, certain costs can possibly be incurred by a Client for a third-party service provider that is not incurred for comparable services by other Clients. The decision by NXT Advisers to initially perform a service for a Client in-house does not preclude a later decision to outsource such services (or any additional services) in whole or in part to a third-party service provider in the future and NXT Advisers has no obligation to inform such Clients or investors of such a change. In addition, certain internal service providers (such as internal accountants) may “shadow” or otherwise review the reports of other services provided by such third parties. The costs and expenses of any such third-party service providers will be borne by the relevant Clients.

#### *Other Activities of NXT Advisers and NXT Related Persons*

NXT Advisers and certain NXT Related Persons are active investors and providers of advisory, capital markets and other services across a variety of asset classes including, without limitation, private credit and private equity. As discussed in “Service Providers” above, affiliates of NXT Advisers, including NXT Capital and certain NXT Related Persons, also act as servicers, administrative agents or in similar capacities and provide certain administrative and back office services for ORIX USA and other NXT Related Persons. In most cases, NXT Advisers or an NXT Related Person will receive fees from, or otherwise have financial or beneficial interests in, each Client which could differ from the fees paid to NXT Advisers by, or the financial or beneficial interests that NXT Advisers or NXT Related Persons have in, a Client. Such compensation does not offset any other fees paid to NXT Advisers. Similarly, NXT

Advisers or an NXT Related Person could serve as a general partner, adviser, officer, director, member, sponsor or manager of, or invest directly or indirectly in, a Related Entity (or other entity, such as an employee owned investment vehicle) that invests directly or indirectly in instruments similar or identical to those in which a Client invests. It is possible such investments would be held in different proportions than those held by a Client and may be held in different tranches of the same credit facilities in which a Client holds an investment or the timing of such investments or nature of actions taken with respect to such investments could vary and conflict with the interests of a Client. In some cases, NXT Related Persons and NXT Affiliated Clients could hold an equity or other interest in an obligor that is more junior to the interests held by another Client, which could create conflicts with the interests of such Client. See “Capital Structure Conflict” above for a further discussion of such conflicts of interest. When serving in multiple capacities, NXT Advisers and NXT Related Persons could take action with respect to a Client’s DL Loans which could differ from the timing or nature of any action taken with respect to the investments of a Non-Affiliated Client or which could conflict with the interests of a Client. As a result of such actions, the prices and availability of investments in which a Non-Affiliated Client invests or could seek to invest, and the performance of the investment owned by a Non-Affiliated Client, could be materially adversely affected. NXT Advisers and NXT Related Persons will often have obligations to other persons (including Related Entities), the fulfillment of which might not be in the best interests of a Client.

NXT Related Persons can originate, hold, purchase, sell, trade or take other actions for their own respective accounts, or for the accounts of a respective Client, on a principal or agency basis, with respect to DL Loans, securities and other investments and financial instruments of all types. NXT Related Persons will not be restricted in their performance of any such services or in the types of debt or equity investments which they may make. NXT Related Persons may have economic interests in or other relationships with obligors or issuers in whose debt obligations or securities a Client may invest. In particular, NXT Related Persons and NXT Affiliated Clients may make and/or hold an investment in an obligor’s or issuer’s debt obligations or securities that may be *pari passu*, senior or junior in ranking to an investment in such obligor’s or issuer’s debt obligations or securities made and/or held by a Client, may serve on boards of directors, boards of managers or boards of members of such obligors or issuers, or may otherwise have ongoing relationships with such obligors or issuers or with their partners, security holders, members, managers, officers, directors, agents or employees. Additionally, one or more Related Entities could hold such investments on balance sheet without being advised by NXT Advisers or an NXT Related Person with respect thereto or, alternately, NXT Advisers or an NXT Related Person could advise or manage one or more the Related Entities’ investments. See “Capital Structure Conflict” and “Board/Creditor Committee Representation” in Item 10 for further discussions of relevant conflicts of interest. As a result, NXT Advisers’ interests, and those of NXT Related Persons, can conflict with the interests of a Client; and the arrangements and activities described herein can result in restrictions and/or limitations being imposed upon a Client. It is not possible to describe every conflict of interest that might arise (or has arisen) as a result of the activities of NXT Advisers and these Related Entities, and there is no limitation or restriction



on NXT Advisers or any Related Entity with regard to acting as an adviser (or in a similar role) to other persons or engaging in any other permissible investment or business activity.

NXT Advisers, its affiliates or its personnel and NXT Related Persons can provide services to or serve as officers (whether supervisory or managing), directors, principals, employees, partners, managers, members, agents, nominees or signatories of, entities that operate in the same or a related line of business as a Client, including NXT Affiliated Clients and other investment funds managed by NXT Advisers or its affiliates or NXT Capital and its affiliates. In serving in these multiple capacities, they may have obligations to other clients or investors in those entities (including Related Entities), the fulfillment of which may not be in the best interests of other Clients. A Client may compete with these and other entities managed by the NXT Advisers and its affiliates for capital and investment opportunities. Although the personnel of NXT Advisers will devote as much time to a Client as NXT Advisers deems appropriate to perform its duties in accordance with the applicable Client Agreements and reasonable commercial standards, the personnel could have conflicts in allocating its time and services among the Client and other Clients, funds or other investment accounts managed by the NXT Advisers or its affiliates or the other accounts of a Related Entity as to which such person is a shared personnel. See “Devotion of Time and Attention by Management” in Item 8.

Various potential and actual conflicts of interest arise from the overall investment activity of NXT Related Persons. In the ordinary course of business, ORIX USA and other NXT Related Persons originate existing and new DL Loans and/or make other debt or equity investments. NXT Advisers cannot be sure that the interests of NXT Capital, LLC, in its role as originator and agent of DL Loans or as a lender in a credit facility of which a DL Loan is a part, will not conflict with the interests of a Client, or that any such conflicts would be resolved in the manner that is most favorable to such Client. Any such conflict that is not resolved in a Client’s favor could decrease the value of DL Loans or otherwise have a material adverse effect on such Client. In addition, NXT Capital or an affiliate thereof (including NXT Advisers) will receive fees in connection with the services it renders in connection with a DL Loan or a related credit facility.

From time to time, certain NXT Capital employees could be allowed to directly or indirectly invest in certain Non-Affiliated Clients. If such NXT Capital employees are also providing investment advisory services on our behalf to a Non-Affiliated Client, they could have a conflict of interest in connection with investment decisions or investment allocations made on behalf of a Client since they have an incentive to favor a Non-Affiliated Client in which they have directly or indirectly invested. This section briefly summarizes some of these conflicts but is not intended to be an exhaustive list of all such conflicts. Investors in a Non-Affiliated Client should review the applicable private placement memorandum or similar offering document or the applicable Client Agreements for specific information regarding the conflicts of interest relating to a specific Non-Affiliated Client.

## **Item 12 – Brokerage Practices**

### **Selecting or Recommending Broker-Dealers**

Client transactions involving DL Loans generally do not require the engagement of a broker-dealer, as DL Loans are generally originated by NXT Capital or acquired directly from the Agent Bank.

If we were required to use a broker-dealer for any Client Loan or equity investment transaction where the Client would be incurring the broker-dealer fees and expenses, we would be subject to our fiduciary duty to seek best execution for the Client's transaction. Best execution is not limited solely to the consideration of the best available commission rate. Factors we would consider in selecting a broker-dealer if required for such Client Loan transactions could include, without limitation:

- The price at which the transaction is to be executed
- Certainty of execution of transaction with broker-dealer
- Commission rates and any other related expenses
- Financial strength of broker-dealer
- Any potential conflicts of interest with broker-dealer

Although we would generally not place portfolio transactions with those brokers and dealers who also furnish research, execution and other services in a formal soft dollar arrangement with us or a Client, any broker-dealer we select could, from time to time, provide unsolicited, proprietary research at no stated cost or requirement of executing a particular amount of transactions.

#### *Allocation of Investment Opportunities – General Practices*

Allocation determinations are inherently subjective and give rise to conflicts of interest due to the inherent biases and other judgements that are part of the process. For example, in allocating an investment opportunity among Clients with differing fee, expense and compensation structures, NXT Advisers has an incentive to allocate investment opportunities to the Clients from which NXT Advisers or NXT Related Persons derive, directly or indirectly, higher fees, compensation or other direct or indirect benefits. While NXT Advisers determines how to allocate investment opportunities using its best judgment, considering such factors as it deems relevant, but in its sole discretion, there can be no assurance that a Client's actual allocation of an investment opportunity, if any, or the terms on which that allocation is made will be as favorable as they would be if the conflicts of interest to which NXT Advisers is subject, discussed herein, did not exist. In addressing such conflicts in accordance with NXT Advisers' fiduciary duty to its Clients, NXT Advisers has developed an Allocation Policy that provides a general framework for how investment opportunities are allocated amongst Client accounts with similar investment strategies. Clients will be provided a summary of the general policy and practices with respect to the allocation of investment opportunities through this ADV brochure and relevant Client Agreements.

As discussed in "Conflicts as to ORIX USA Group" in Item 10, ORIX USA Group, in which NXT Advisers is a part of the ORIX USA Group, invests and trades in securities or other financial

instruments (including but not limited to loans) and makes other investments for its own proprietary accounts utilizing strategies and types of securities that, from time to time, compete with, or can be in conflict with NXT Advisers' activities on behalf of its Clients. ORIX USA is a wholly-owned subsidiary of ORIX Corporation, which itself offers investments globally, whether directly or through subsidiary entities. Furthermore, registered investment advisory entities that are part of ORIX USA Group manage Client accounts in different investment strategies, including but not limited to, private equity, leveraged finance, middle-market credit, and debt strategies. Certain Client accounts have investment programs and/or objectives that overlap with or otherwise compete with those of other Clients.

Subject to the terms of a Client's Client Agreements and each investment strategy or product's specific allocation policies, the Client will generally have no right to participate in any investment opportunities sourced by ORIX USA Group, ORIX Corporation or any of its affiliates, or other affiliates of ORIX Advisers. In addition, Clients will generally not have the right to participate in other investment opportunities approved by NXT Advisers unless those investment opportunities have a similar investment strategy as those described in the applicable Client Agreements; provided, however, notwithstanding anything to the contrary, a Client may have a mandate that includes allocations to multiple investment strategies within NXT Advisers and/or within the other registered investment adviser entities within ORIX USA Group, and in each such case will be considered a Client of each of such investment adviser (regardless of which registered investment adviser contracted with such Client) solely for the purposes of determining the allocation to each such investment adviser's strategy. It should also be noted that NXT Advisers has subadvisory arrangements with ORIX Advisers. To the extent there is ambiguity on which investment committee approved a particular investment opportunity, for example, if an NXT Advisers' employee is a member of two different investment committees, which can occur from time to time, NXT Advisers will in its sole discretion make a good faith determination regarding identification of the relevant investment team that sourced the investment opportunity. Subject to the terms of the Client's Client Agreements, such other ORIX entities, including ORIX USA Group, will continue to invest for other accounts (including on their own behalf), without regard to whether any investment might be appropriate for another Client.

As a general matter, it is expected that each Client account will participate primarily in investments sourced by the responsible investment teams, allocated across the responsible investment teams Clients in accordance with NXT Advisers' Allocation Policy and each investment adviser's specific allocation policies. While the investment program of certain Client accounts may permit the making of investments sourced by investment teams other than the responsible investment team, such Client accounts have no right or entitlement to receive an allocation of any such investment opportunity from such other investment team. As a result, Client accounts managed by the responsible investment team will have priority over the other Client accounts not managed by such investment team with respect to investment opportunities sourced by the responsible investment team that might otherwise be appropriate for other Client accounts not managed by such investment team unless, as noted above, a Client has a mandate that includes allocations to multiple investment team strategies.

In any event, the other Client accounts not managed by the responsible investment team or that do not have a mandate to strategies managed by such responsible investment team will have no right or entitlement to, and such other Client accounts' investors should have no expectation that any such other Client account will receive an allocation of, such investment opportunities. In addition, unless otherwise specified in its Client Agreement, a Client account will not have exclusivity over investment opportunities sourced by the responsible investment team and such investment opportunities will in certain cases instead be allocated, in whole or in part, to other Investing Parties that are managed by the responsible investment team in accordance with NXT Advisers' Allocation Policy and each investment team's specific allocation policies. Therefore, subject to the terms of the Client's Client Agreements and each investment team's specific allocation policies, for non-discretionary Client accounts currently subject to an affiliate sub advisory agreement, investment opportunities will generally be first allocated to ORIX USA Group and other ORIX Persons and then other discretionary Clients, and then will be allocated among non-discretionary Client accounts for which the responsible investment team sourcing the applicable investment opportunity are directly responsible and, thereafter, as determined by NXT Advisers in its sole discretion. For non-discretionary Client accounts currently subject to an affiliate sub advisory agreement, investment opportunities will generally be allocated among ORIX USA Group, other ORIX Persons and Client accounts for which the responsible investment team sourcing the applicable investment opportunity are directly responsible, such instance being determined in the sole discretion of the responsible investment team, taking into account such factors that it deems appropriate in light of the circumstances, including relative size of the accounts of the potential Investing Parties and, to the extent applicable, any other factors noted below. It should also be recognized that absent a capital commitment from a discretionary Client or a specific instruction from a Client as to its level of demand, NXT Advisers' determination of Client demand will be based on the facts and circumstances related to each investment opportunity and NXT Advisers' good faith application of the factors noted herein.

Without limiting the foregoing, and subject to the terms of a Client's Client Agreement and other contractual commitments, the responsible investment team will make allocation decisions between or among Clients and other Investing Parties in its discretion, taking into account the respective investment programs, current portfolios and available capital commitments of each Client and such other accounts (and any other factors it may deem relevant, including some or all of the following, where applicable: Client investment guidelines and restrictions, the potential available capital of a Client, including debt available or incurred by a Client (regardless of whether such Client has given discretion to NXT Advisers and regardless of whether a Client that has given NXT Advisers discretion has included such amount of debt in its commitment to NXT Advisers), ability of a Client to meet the transaction's timing, investable cash requirements, leverage requirements and/or other terms as applicable, nature of the relationship with the Client and whether the Client has given NXT Advisers investment discretion or not, tax and regulatory considerations, demand for a particular opportunity, minimum size requirements, a Client's tolerance for volatility and risk, desired concentration, exposure and diversification targets, including with respect to strategy and portfolio, expected timing of realization of the investment, a Client's liquidity needs, domicile of the investment,

the stage of its lifecycle that the Client might be in at the time of the trade, and other factors that the team determines are consistent with the fair and equitable treatment of all Clients over time).

Because ORIX USA Group and other ORIX Persons are affiliates of NXT Advisers, NXT Advisers has an incentive to retain more favorable investment opportunities for ORIX USA Group and other ORIX Persons and offer less attractive opportunities to Non-Affiliated Clients and certain of the allocation principles noted above are likely to result in a materially greater portion of certain opportunities being allocated to ORIX USA Group and other ORIX Persons. In addition, as described above, ORIX USA Group and other ORIX Persons often have a higher demand than Non-Affiliated Clients and NXT Advisers may have an incentive to allocate to ORIX USA Group or other ORIX Persons first prior to Non-Affiliated Clients. Further, other Investing Parties now, or possibly in the future, have investment programs and/or objectives that overlap with or otherwise compete with that of a Client and/or may otherwise adversely affect the Client. It is expected that there will be investment opportunities that are suitable to one or more Investing Party. However, given the considerations outlined herein, there can be no guarantee that a Client will be allocated any investments or that, to the extent any Client does make investments, as to the portion of any such investment that will be made available to any Client. The application of the allocation requirements set forth in Clients' Client Agreements and the factors set forth above can result in allocation at times on a non-pro rata basis and there can be no assurance that a Client will participate in all investment opportunities that fall within its investment objectives.

NXT Advisers could determine, for any number of reasons, that it is in the best interests of one or more of its Clients to sell all or a portion of an investment held by that Client (or group of Clients), but not necessarily for other Clients or for the ORIX USA Group proprietary account. Similarly, NXT Advisers could separately decide, for any number of reasons, that it is in the best interests of an ORIX USA Group proprietary account to sell all or a portion of an investment it holds, while NXT Advisers might determine that such a sale is not necessarily appropriate for one or more other Clients, including those holding a portion of the same investment. In certain circumstances, including where an ORIX USA Group proprietary account has already sold or intends to sell a portion of an investment it holds to a Client or third party that is not a Client, certain Clients or third parties that are not Clients can have contractual rights to participate in (on a pro rata basis with, and on the same terms and conditions as ORIX USA Group proprietary accounts (and any of its other Clients or third parties participating therein)) any sale, transfer, conveyance or other disposition (a "Transfer") of such an investment held in an ORIX USA Group proprietary account ("Tag-Along Rights"). The conditions for these Tag-Along Rights may be different for each Client or third party who has such rights and the conditions with respect to the Tag-Along Rights may be more favorable for certain Clients or other third parties than for others. NXT Advisers will be responsible for ensuring that all Tag-Along Right conditions of Clients are met whenever the ORIX USA Group proprietary account completes a Transfer of its interest in an investment for credit related reasons. For Clients who do not have contractual Tag-Along Rights when a decision is based on creditworthiness factors, NXT Advisers will offer those Clients Tag-Along Rights, on a pro rata basis with, and on the same terms and conditions

as the ORIX USA Group proprietary account and any of its Clients participating therein, when doing so would be in the best interests of the Client. Where a determination is made that doing so is in the best interests of the Client, NXT Advisers will combine the amounts desired to be sold for both the ORIX USA Group proprietary account, other Clients and/or third parties and jointly work to sell the full aggregate amount on the same terms and conditions. If the full aggregate amount cannot be sold, NXT Advisers will generally allocate the amount that can be sold between the ORIX USA Group proprietary account and each other Client on a pro rata basis and if not pro-rata, on an equitable basis in the best interest of the Clients. The existence of the Tag-Along Rights create conflicts of interest, as the party holding such Tag-Along Rights will be entitled to participate in the Transfer on a pro rata basis, thus causing a reduction in the amount to which the ORIX USA Group proprietary account would be entitled in connection with any such Transfer and creating an incentive for ORIX Advisers to increase the amount of the ORIX USA Group proprietary account's pro rata portion of any such Transfer. Accordingly, NXT Advisers may in certain cases cause the ORIX USA Group proprietary account to Transfer more than its pro rata portion of an investment to account for the portion allocable to a party with Tag-Along Rights, thus ensuring the ORIX USA Group proprietary account receives the full amount of its pro rata allocation and correspondingly reducing the portion of the Transfer allocable to any other Client holding an interest in the investment, which in certain circumstances could lead to ORIX USA Group or NXT Advisers profiting more from such Transfer than they would otherwise, and decreasing the portion of such profits that benefit the other applicable Client(s) that hold a portion of such investment.

#### *Policies and Procedures*

We have policies and procedures in place with respect to the fair and equitable allocation of investment opportunities to our Clients, including NXT Affiliated Clients, on an overall basis over time. A Client that retains the discretionary authority over investments will have the ability to approve or decline an investment opportunity presented to them. Such Clients should understand that delays in approving such an investment opportunity could result in an allocation not being available. Further, if an investment opportunity is dependent upon a proprietary balance sheet investment amount that may exceed existing dollar limits, NXT Capital is required to obtain parent company approval to exceed such limits, which could result in an investment opportunity not being available to one or more Clients.

We endeavor to make purchase and sale decisions with respect to DL Loans held by Clients in the best interests of each Client. Each Client has its own investment objectives, restrictions, guidelines and characteristics that can differ from those of other Clients to a greater or lesser extent. Additionally, Clients could be subject to different regulatory, legal or tax considerations, or have different capital availability (including fund life end target dates). Where these factors differ between Clients, a decision that is appropriate for one Client will not always be appropriate for other Clients.

Our investment allocation methodology for DL Loans applies to the total final commitment amount allocated to NXT Capital of any DL Loan originated, underwritten and approved by NXT Capital's Credit Committee and does not include amounts that have been committed by NXT Capital, LLC on a non-discretionary basis on behalf of preferred syndication partners and or

third-party lenders. While in certain circumstances this will reduce the amount of a DL Loan available for allocation to clients under our investment allocation methodology, NXT Capital believes that assuring that preferred syndication partners and third-party lenders receive allocations outside of the allocation methodology allows NXT Capital to compete effectively for lending/investment opportunities which, in turn, enhances our ability to provide lending/investment opportunities to Clients.

Under our allocation policy, NXT Affiliated Clients will generally be allocated and retain a piece of each DL Loan that we offer to our Non-Affiliated DL Clients. Based on the determined amount to be held by NXT Affiliated Clients, NXT Affiliated Clients can retain the total allocation and no allocation would then be made to Non-Affiliated DL Clients per the allocation policy. As a result, Non-Affiliated Clients are unlikely to participate in smaller transactions.

At inception of the advisory relationship with each DL Client, NXT establishes targeted ranges (minimum and a maximum investment amounts) for such DL Client. Ranges are established in the discretion of NXT Capital, in consultation with the applicable DL Client, and are based on the investment objectives and / or limitations of the respective DL Client as stated in their respective Client Agreement. The ranges can vary over time based on remaining DL Client investment capacity and concentration limits; for example, DL Clients with large unfunded commitments are from time to time adjusted within these targeted ranges to meet minimum allocation or other contractual requirements, such as the maximum amount of unfunded commitments the respective DL Client may have. The establishment or adjustment of a range for a particular DL Client will not impact the range established for another DL Client. Ranges for certain DL Clients include a minimum, while for other Clients no such minimum exists. Minimums can vary among Clients.

In accordance with NXT Adviser's allocation policy, when considering allocation of a particular opportunity, each DL Client's demand for a particular opportunity, within its applicable range, is generally determined based on dollars available for allocation, product level eligibility, deal level eligibility, Client aggregate limitations, DL Loan Fund hold size limitations and remaining capacity within each Client account. When the amount of aggregated demand from our DL Clients for an investment opportunity relating to a DL Loan exceeds the total amount available for allocation, we believe that it is fair and equitable over time, and in the long-term best interests of each DL Client, to allocate the specific investment opportunity as follows (subject to the certain situations that must be allocated to NXT Affiliated Clients based on minimum dollar amounts as described above): first, to those DL Clients for which the opportunity meets any minimum allocation rights established pursuant to the ranges described above or other allocation requirements under relevant Client Agreements; and second, equitably among our DL Clients according to our policies and procedures. The presence of minimum allocation rights for some DL Clients results in reduced allocations to other DL Clients, depending upon the total amount available for allocation, and the addition of new DL Clients, in particular those with minimum allocation rights, will result in further reduced allocations to existing DL Clients, in certain cases causing certain DL Clients (particularly those without minimum allocation rights) to receive very small allocations or to be excluded from an opportunity entirely. If an

opportunity is so small that the aggregate of all applicable minimum allocation rights would exceed the size of the opportunity, or the opportunity would otherwise result in a de minimis allocation to a particular DL Client, then such DL Client will from time to time be excluded from the opportunity (though subject to any required DL Client approvals, will not necessarily be required to be excluded and may not in all cases be excluded), and the remaining amount may be allocated at the discretion of NXT Advisers. The existence and impact of the target ranges, including NXT Advisers' subjective determination of each DL Client's allocation of an opportunity within its range, its establishment and application of minimum allocation rights for certain DL Clients, and its ability to re-allocate amounts that fall below certain minimums and de minimis thresholds, creates conflicts of interest, as NXT Advisers will have an incentive to apply its discretion in applying this process in a manner that creates a likelihood of favorable opportunities being directed toward accounts that would be most beneficial to NXT Advisers and there can be no assurance that an allocation to any DL Client would be as favorable in light of such conflicts as it would have been had such conflicts not existed.

If the amount of the investment opportunity relating to a DL Loan exceeds the amount of aggregated demand from our DL Clients, we will generally syndicate the excess amount first to our preferred syndication partners and after that to other third-party lenders. Consistent with the above, we could determine, for any number of reasons, that it is in the best interests of one or more of our DL Clients to sell all or a portion of a DL Loan held by that DL Client or group of DL Clients, but not necessarily for other DL Clients. Similarly, we could decide, for any number of reasons, that it is in the best interests of an NXT Affiliated Client to sell all or a portion of a DL Loan being held by NXT Affiliated Clients, while we might determine that such a sale is not necessarily appropriate for one or more of our other DL Clients.

All investment allocations of DL Loans are reviewed and approved by our Chief Compliance Officer before the closing of each DL Loan. An investment opportunity in a DL Loan can be allocated on a basis different than specified above if such deviation is determined to be fair and equitable to all of our DL Clients over time and the reasons for the deviation are documented and approved by our Chief Compliance Officer before the DL Loan is closed.

Our policies and procedures strictly prohibit the allocation of an investment opportunity to a Client solely based on the expected returns of the investment opportunity, the amount or structure of the asset management fees, the existence of any performance fees, the direct or indirect participation of NXT Related Persons in either of the foregoing or the Client itself, or whether the Client's investment entity is public or private, proprietary or third party.

### **Item 13 - Review of Accounts**

We have established policies and procedures to monitor and manage the individual investments in, and the overall investment objectives of, each Client. Policies and procedures related to the review of individual DL Loans are described in Item 8, "Methods of Analysis, Investment Strategies and Risk of Loss".



The overall investment objectives of each Client are generally managed and monitored by the completion of periodic tests, performed by our Finance, Operations or Asset Management Groups, to ensure compliance with the investment objectives and requirements outlined in the Client Agreements. For certain Clients, a trustee acting on behalf of the Client will run periodic tests to ensure compliance with the investment objectives and requirements outlined in the Client Agreements. These tests are generally performed when a new investment is made by the Client and on required reporting dates outlined in the Client Agreements. The Client Agreements also outline our specific reporting requirements, which generally consist of monthly and/or quarterly written reports to the Client describing, among other items, the current characteristics of the assets owned by the Client, and cash distributions made by or on behalf of the Client. The report can also contain updates of current market events or compliance items. We have developed policies and procedures and appropriate systems and controls to ensure that we are able to meet the specific reporting requirements outlined in the Client Agreements. NXT Advisers will, from time to time, in its sole discretion, provide additional information relating to a Client to one or more investors in such Client as it deems appropriate. In addition, NXT Capital's loan review function will periodically review a sample of the completed tests for timely completion and accuracy.

#### **Item 14 - Client Referrals and Other Compensation**

Other than the fees disclosed in Item 5, "Fees and Compensation", and Item 6, "Performance Based Fees and Side-by-Side Management", we and NXT Capital do not receive any compensation, or other economic benefits, for providing investment advisory services.

NXT Advisers does have an agreement with a non-U.S. affiliate (related party), Robeco Institutional Asset Management B.V. to act as promoter for NXT Adviser portfolio management services and distributor for units of certain funds. Clients incur no additional fees pursuant to this agreement.

NXT Capital has no other active agreements to compensate non-related third parties for (1) Client referrals or solicitations or (2) identifying and placing interests in our Clients with investors but could enter into such agreements in the future.

#### **Item 15 - Custody**

We are deemed to have "custody" of Client accounts within the meaning of Rule 206(4)-2 under the Advisers Act when we have access to or authority over Client funds and/or securities (e.g. where we or an affiliate serves as general partner of a Client that is a pooled investment vehicle). For those Clients where we have determined that we have deemed custody and to the extent required by Rule 206(4)-2, a Qualified Custodian (as defined in Rule 206(4)-2) will be hired and will be required to provide the Client periodic account statements (generally on a quarterly basis) indicating the amounts of any funds and/or securities in their account as of the end of the statement period and any transactions in the account during the statement period. If such Client is a pooled investment vehicle, investors will typically receive audited financial statements on an annual basis (within 120 days of the pooled investment vehicle's

fiscal year end) in lieu of periodic account statements. Clients and investors should review these statements carefully. Additionally, Clients or investors should immediately contact our Chief Compliance Officer using the contact information provided on the Cover Page if they are not provided the applicable statements on a timely basis or if they should discover any discrepancy between the statements and any reports we provide the Client or investor.

As noted in Item 13, “Review of Accounts”, we can provide investors in a Client, separately, with reports or account statements providing information about the account. Investors in a Client should compare these reports or account statements carefully to the account statements they receive from a custodian or the audited financial statements they receive from us, if any.

Further NXT Capital, LLC serves as the administrative agent for certain DL Loans in which our Clients invest. Funds related to such loans and attributable to such Clients (“Client Funds” related to “Client Loans”) are commingled in an account established by NXT Capital, LLC for that purpose (the “Agent Account”) with funds attributable to other lenders (including NXT Capital, LLC and NXT Affiliated Clients) and/or related to other loans (“Other Funds” and “Other Loans”). The Agent Account is held with a Qualified Custodian in NXT Capital, LLC’s name for the benefit of lenders which would include Clients who are lenders under various loans and holds only cash and not loans. No account statements for the Agent Account are provided to our Clients. In its role as administrative agent, NXT Capital, LLC performs a variety of traditional services pursuant to credit agreements in accordance with negotiated guidelines regarding the movement of cash into and out of the Agent Account for such purposes as collecting and distributing loan proceeds or payments.

As administrative agent, NXT Capital, LLC must apply the terms of the credit agreement in dealing with funds in the Agent Account and has no authority to determine how such funds are used, allocated or disbursed; however, other than the terms of the credit agreements, nothing prevents an administrative agent from withdrawing cash from the Agent Account for unrelated purposes. Therefore, and in light of recent SEC Staff guidance, we are now considered to have custody over the Client Funds in the Agent Account for purposes of Rule 206(4)-2 under the Advisers Act.

#### **Item 16 - Investment Discretion**

NXT Advisers’ investment decisions and advice with respect to each Client are subject to such Client’s Client Agreements. Any limitations on NXT Advisers’ authority on behalf of a Client, and the procedures NXT Advisers follows before assuming authority over a Client (e.g., execution of a power of attorney), are set forth in each Client’s Client Agreements.

NXT Advisers is appointed as investment manager or asset manager of each of the Clients pursuant to either an investment management agreement, collateral management agreement or asset management agreement. The Client Agreements of each Client generally allow NXT Advisers and its affiliates to exercise discretionary authority (both limited discretion in some case and non-discretionary investment recommendations), subject to the investment guidelines and investor approvals as described in the Client Agreements for such Client, and

to perform the day-to-day investment operations for the Client.

If a Client has retained NXT Advisers to manage an account on a non-discretionary basis (“Non-Discretionary Client”), there is the potential for the Non-Discretionary Client to be disadvantaged because NXT Advisers or its affiliate generally must obtain the Non-Discretionary Client’s approval prior to effecting investment transactions, including the purchase, extension, renewal and/or disposition of investments (or portion thereof), on their behalf (unless otherwise agreed to with the Non-Discretionary Client). Therefore, in certain instances, a Non-Discretionary Client could be precluded from participating in certain investment opportunities if NXT Advisers or its affiliate is unable to obtain the Non-Discretionary Client’s consent in a timely fashion. As a result of these and other factors, the performance of non-discretionary accounts could be adversely impacted or can be different from (and be better or worse than) the performance of discretionary accounts following the same strategy.

#### **Item 17 - Voting Client Securities**

The assets owned by each Client we manage generally consist of DL Loans and equity investments that are privately negotiated transactions; however, a Client could, from time to time, own equity investments in which it has the right to vote via shareholder proxy. The Client Agreements establish whether or not we have authority to vote any proxies on behalf of the Client.

Our Compliance Manual contains policies and procedures relating to voting shareholder proxies for our Clients (“Proxy Voting Policies and Procedures”). These Proxy Voting Policies and Procedures are designed to reasonably ensure that we vote shareholder proxies in the best economic interests of the Client. The general policy is to vote proxies in a manner that serves the best economic interest of the Client we manage, as we determine in our discretion, taking into account relevant factors, including the impact on the value of the returns of the Client and industry and business practices.

The Proxy Voting Policies and Procedures are designed to identify conflicts or potential conflicts that could arise between our interests and those of the Client. If it is determined that any such conflict or potential conflict is not material, we can vote the proxy notwithstanding the existence of the conflict. If the conflict of interest or potential conflict of interest is determined to be material, one or more methods would be used to resolve the conflict, including (1) disclosing the conflict to the Client and obtaining their consent as outlined in the Client Agreements before voting, (2) engaging a third party to recommend a vote with respect to the proxy or (3) such other method as is deemed reasonable under the circumstances.

NXT Advisers also has to vote with respect to DL Loans or debt securities held by Clients. The issues which NXT Advisers has to vote with respect to debt securities generally involve amendments, consents, and waivers to loan documentation, borrower compliance with financial covenants, registration rights, prepayments, exercise of rights and remedies, insolvency and other distressed credit situations. NXT Advisers does not maintain specific

proxy voting policies or guidelines regarding these types of issues. NXT Advisers will vote these types of issues on a case-by-case basis based on the facts and circumstances. Generally speaking, if NXT Advisers is accorded voting or consent rights by virtue of any investment, it will be guided by general fiduciary principles and such voting or consent rights will be exercised by NXT Advisers in a manner believed to be in the best interests of such Clients and consistent with efforts to achieve a Client's objective, including maximizing portfolio value. However, certain Clients retain consent rights with respect to certain types of votes relating to such loans or debt securities, such as extensions of the maturity date, the release of all or substantially all of the collateral, or a reduction of the interest rate.

NXT Advisers has the responsibility to monitor proxy votes for any conflicts of interest, regardless of whether they are actual or perceived. All voting decisions must be brought to the attention of Compliance for a mandatory conflicts of interest review in accordance with the Proxy Voting Policies and Procedures, which will include consideration of whether NXT Advisers or any investment professional or other person recommending how to vote and/or NXT Advisers' affiliates and their clients has an interest in how the proxy vote is voted that could present a conflict of interest. In addition, all NXT Advisers' investment professionals are expected to perform their tasks relating to the voting of proxy votes in accordance with the principles set forth above, according to the first priority to the best interest of the relevant Client. Compliance will use its best judgment to address any such conflict of interest and determine that it is resolved in accordance with its independent assessment of the best interests of the Clients.

Where NXT Advisers deems appropriate in its sole discretion, it could seek the assistance of unaffiliated third parties to help resolve conflicts or to otherwise assist NXT Advisers in fulfilling all or part of its voting obligations. In this regard, NXT Advisers can retain, if deemed appropriate, independent fiduciaries, consultants, or professionals to assist with voting decisions and/or to which Voting and/or consent powers may be delegated in accordance with its proxy voting policies and procedures.

We will provide a copy of our Proxy Voting Policies and Procedures and of our proxy voting records to any Client upon request. Such request should be made to our Chief Compliance Officer using the contact information provided on the Cover Page.

**Item 18 - Financial Information**

Not Applicable.

**Item 19 - Requirements for State-Registered Advisers**

Not Applicable.