

Carlyle Aviation Securities P A R T N E R S

Item 1. Cover Page

PART 2A OF FORM ADV: FIRM BROCHURE

CARLYLE AVIATION SECURITIES PARTNERS LLC

March 31, 2022

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*This brochure (this “**Brochure**”) provides information about the qualifications and business practices of Carlyle Aviation Securities Partners LLC (the “**Investment Adviser**,” “**we**,” “**us**,” and similar terms). If you have any questions about the contents of this Brochure, please contact us at 305-504-8777 or operations@casp.aero. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “**SEC**”) or by any state securities authority.*

Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

Additional information about the Investment Adviser also is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2. Material Changes

This Brochure is intended to provide potential and existing clients with an overview of the Investment Adviser. It also contains important disclosures regarding items such as certain practices of Investment Adviser, potential material conflicts that may arise and key potential investment risks. While these may not be material, in certain sections, including conflicts of interest, investment risks (including public health risk and current market condition risk factors), fees and expenses, as part of our annual updates, additional clarification and detail has been provided.

There are no material changes to the Investment Adviser's Brochure since the annual update filed on March 31, 2021.

Item 3. Table of Contents

Item 1. Cover Page.....	1
Item 2. Material Changes	2
Item 3. Table of Contents	3
Item 4. Advisory Business	5
A. General Description of Advisory Firm	5
1. Carlyle Aviation Securities Partners LLC	5
B. Description of Advisory Services	6
1. Advisory Services	6
2. Investment Strategies and Types of Investments.....	7
C. Availability of Customized Services for Individual Clients	8
D. Assets Under Management	8
Item 5. Fees and Compensation	9
A. Advisory Fees and Compensation	9
B. Payment of Fees.....	9
C. Additional Fees and Expenses	9
D. Additional Compensation and Conflicts of Interest.....	10
Item 6. Performance-Based Fees and Side-By-Side Management	11
Item 7. Types of Clients	12
Item 8. Methods of Analysis, Investment Strategies and Risk of Loss.....	13
A. Methods of Analysis and Investment Strategies	13
B. Material, Significant or Unusual Risks Relating to Investment Strategies.....	14
C. Risks Associated with Particular Types of Securities.....	33
Item 9. Disciplinary Information.....	40
Item 10. Other Financial Industry Activities and Affiliations.....	41
A. Broker-Dealer Registration Status	41
B. Material Relationships or Arrangements with Industry Participants.....	42
1. The Carlyle Group Inc.	42
C. Material Conflicts of Interest Relating to Other Investment Advisers	43
Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	44
A. Code of Conduct	44

B. Securities in which the Investment Adviser or a Related Person Has a Material Financial Interest.....	44
1. Cross Transactions	44
2. Principal Transactions.....	45
C. Investing in Securities that the Investment Adviser or a Related Person Recommends to Clients	45
D. Conflicts of Interest Created by Contemporaneous Trading	46
E. Other Potential Conflicts.....	46
Item 12. Brokerage Practices	48
A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions	48
1. Research and Other Soft Dollar Benefits.....	48
2. Brokerage for Client Referrals.....	49
3. Directed Brokerage	50
B. Order Aggregation	50
C. Trade Errors	50
Item 13. Review of Accounts	51
A. Frequency and Nature of Review of Client Accounts or Financial Plans	51
B. Factors Prompting Review of Client Accounts Other than a Periodic Review	51
C. Content and Frequency of Account Reports to Clients	51
Item 14. Client Referrals and Other Compensation.....	52
A. Economic Benefits for Providing Services to Clients.....	52
B. Compensation to Non-Supervised Persons for Client Referrals.....	52
Item 15. Custody	53
Item 16. Investment Discretion.....	54
Item 17. Voting Client Securities.....	55
A. Policies and Procedures Relating to Voting Client Securities	55
Item 18. Financial Information.....	56
Item 19. Requirements for State Registered Advisers.....	57

Item 4. Advisory Business

A. General Description of Advisory Firm

1. *Carlyle Aviation Securities Partners LLC*

The Investment Adviser is a Delaware limited liability company that was formed in 2013 and has one office located in Miami, Florida.

We are a wholly-owned subsidiary of Carlyle Aviation Partners Ltd. (“CAP”), a Bermuda holding company, which also owns Carlyle Aviation Fund Management, LLC; Carlyle Aviation Fund Management II LLC and Carlyle Aviation Management Limited (“CAML”), which are specialty managers of aviation assets. CAML also serves as an offshore manager to a private investment fund and files with the SEC as an exempt reporting adviser. Carlyle Aviation PDP Management LLC, which is a sub-advisor to CAML with respect to the aforementioned private investment fund, is an investment adviser registered with the SEC.

Various entities affiliated with The Carlyle Group Inc. (“Carlyle” or the “Public Company”) (Nasdaq: CG), an affiliate of the Investment Adviser, directly and indirectly own and control the Investment Adviser. On January 1, 2020, The Carlyle Group L.P. completed its conversion (together with related restructuring steps and transactions, the “Conversion”) from a Delaware limited partnership to a Delaware corporation named The Carlyle Group Inc. Pursuant to the Conversion, at the specified effective time on January 1, 2020, each common unit of The Carlyle Group L.P. outstanding immediately prior to the effective time converted into one share of common stock, par value \$0.01 per share (“Common Stock”), of the Public Company and each special voting unit and general partner unit was cancelled for no consideration. In addition, holders of the partnership units in Carlyle Holdings I L.P., Carlyle Holdings II L.P., and Carlyle Holdings III L.P. (collectively, “Carlyle Holdings”) exchanged such units for an equivalent number of shares of Common Stock and certain other internal restructuring steps occurred. In connection with the Conversion, senior Carlyle professionals and certain of the other former limited partners of Carlyle Holdings who became holders of shares of Common Stock in connection with the Conversion were generally required to grant an irrevocable proxy to Carlyle Group Management L.L.C., which is wholly owned by Carlyle’s founders and other senior Carlyle professionals. This proxy entitles Carlyle Group Management L.L.C. to vote such shares of Common Stock until the earlier of (i) such time as Carlyle Group Management L.L.C. ceases to have voting power over shares of Common Stock representing at least 20% of the total voting power of all the then outstanding shares of capital stock of the Public Company entitled to vote in the election of directors and (ii) January 1, 2025. As of December 31, 2021, Carlyle Group Management L.L.C. held voting power for approximately 43% of Common Stock. The Investment Adviser does not hold any economic interest in the Public Company, although some of its officers hold Common Stock. From and after the consummation of the Conversion, the Public Company holds directly and indirectly all of the outstanding equity interests in Carlyle Holdings, whose subsidiaries operate and control all of the business and affairs of the Public Company and its affiliates.

A group of senior management professionals establishes the management structures and policies and procedures for the operation and development of the firm, guided by the strategic direction set by the Board of Directors of the Public Company. Kewsong Lee, Carlyle’s Chief

Executive Officer; Curtis L. Buser, Carlyle's Chief Financial Officer; Peter J. Clare, Chief Investment Officer for Corporate Private Equity; Jeffrey W. Ferguson, Carlyle's General Counsel; Christopher Finn, Carlyle's Chief Operating Officer; and Bruce Larson, Carlyle's Chief Human Resources Officer comprise this group of executives.

Additional information about the Public Company is available in its current public filings with the SEC. Unless specifically stated otherwise, references in this Brochure to the Investment Adviser do not include the Public Company or any of the Public Company's other affiliated entities.

B. Description of Advisory Services

This Brochure generally includes information about us and our relationships with our clients. While much of this Brochure applies to all such clients, certain information included herein applies to specific clients only.

1. Advisory Services

We serve as the investment adviser, with discretionary trading authority, to certain private investment vehicles, the securities of which are offered to investors on a private placement basis (each, a "**Fund**" and collectively, the "**Funds**"). The Funds include:

Aviation Income Return (AIR) Fund, which comprises the following:

- (1) Aviation Income Return (AIR) Japanese Unit Trust, a Cayman Islands unit trust; and
- (2) Aviation Income Return (AIR) Offshore Fund Ltd., a Cayman Islands exempted company, which serves as the master fund into which Aviation Income Return (AIR) Japanese Unit Trust invests substantially all of its assets through a "master feeder" structure.

Aviation Income Return EX Fund, which comprises the following:

- (1) Aviation Income Return EX Unit Trust, a Cayman Islands unit trust.

We serve as the manager of a separately managed account that is owned by an institutional investor.

We serve as the investment adviser, with non-discretionary trading authority, to Structured Asset Loan Specialized for Aviation ("**SALSA**") accounts. Our responsibilities related to SALSA accounts include arranging for certain Japanese institutional clients to purchase aviation-related securities from non-affiliated broker dealers and providing ongoing reports on those transactions. The last SALSA transaction was executed in 2016 and we continue to provide ongoing supervision and reporting to SALSA clients.

From time to time, we also serve as an arranger with respect to loans from institutional investors to finance the acquisition of commercial aircraft by airlines. Our responsibilities related to the loan arranging services include arranging loans exclusively; the loans are not reflected in

assets under management as we do not provide continuous and regular supervisory or management services with respect to the arranged loans. These loan arrangement services are provided on an opportunistic basis and are not expected to be a core component of the Investment Adviser's business.

In providing services to an advisory client, we manage a client's assets in accordance with the terms of the governing documents applicable to such client.

2. Investment Strategies and Types of Investments

Our investment focus is on sourcing, buying, trading and managing aviation-related securities and understanding their structures. We also seek to identify and exploit market inefficiencies and trading opportunities.

Investments we make for clients may include all types of aviation, aerospace and general macro-economic benchmark securities, including fixed income instruments, particularly equipment trust certificates ("ETCs"), enhanced equipment trust certificates ("EETCs"), and asset-backed securities ("ABS"). Forward contracts are used for currency hedging purposes.

Our investment strategies include the following:

- Investment Grade Trading. This strategy focuses on mid to high grade fixed income securities and derivatives, issued or backed by companies and assets in the aviation sector. These securities include ETCs and EETCs, backed by high quality assets, with credit ratings are equal to or higher than Baa3 by Moody's or BBB- by S&P or Fitch.
- High Yield Trading. This strategy focuses on high yield fixed income instruments and derivatives issued or backed by companies and assets, including ETCs and EETCs, with credit ratings are below Baa3 as rated by Moody's or BBB- as rated by S&P or Fitch.
- Currency and Rates. This strategy seeks to minimize the impact of currency fluctuations for investors that subscribe in non-U.S. dollar classes by participating in the global currency markets through the hedge trading of spot and forward contracts on currencies.
- Event Oriented Strategies. This strategy seeks to capitalize on announced and anticipated events that are expected to impact the price of a certain instrument. Such events may include company specific mergers, acquisitions, restructurings, liquidations, bankruptcies, grounding of fleets, as well as macro-economic events such as interest rate movements, economic indicator announcements, political unrest and terror attacks. Following a detailed analysis of an event or potential event, we may structure transactions designed to capitalize on the anticipated price movement.

* * *

The descriptions set forth in this Brochure of specific advisory services that we offer to our clients, and investment strategies pursued and investments made by us on behalf of our clients,

should not be understood to limit in any way our investment activities. We may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that we consider appropriate, subject to each client's investment objectives and guidelines. The investment strategies we pursue are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any client will be achieved.

C. Availability of Customized Services for Individual Clients

Our investment decisions and advice with respect to each Fund are subject to each Fund's investment objectives and guidelines, as set forth in its respective offering documents or in the case of a separate account, the investment management agreement.

The Investment Adviser, in its role as investment adviser to Funds, may from time to time agree to supplements, clarifications, or variations of the terms of a Fund's offering, subscription or organizational documents in "side letters" or similar agreements that may vary rights or privileges among investors in each Fund.

The Investment Adviser provides investment advisory services with respect to certain separately managed accounts. Such other managed accounts and the Funds may have investment objectives or may implement investment strategies that are identical or substantially similar to each other. Accordingly, these clients (including any entities or accounts managed by Carlyle or their respective members, principals, employees or affiliates) may invest in many of the same instruments.

D. Assets Under Management

Our assets under management as of December 31, 2021 managed on a discretionary basis are \$890,126,000¹ and on a non-discretionary basis are \$89,498,500. These figures have been computed on the basis of net asset value and differ from the Regulatory Assets Under Management figure shown in Part 1A.

¹ Discretionary assets under management are calculated by adding the aggregate net asset value of private fund investors, the market value of investments held in separately managed accounts and the uncalled committed capital of the separately managed accounts.

Item 5. Fees and Compensation

A. Advisory Fees and Compensation

The fees applicable to each Fund are set forth in detail in each Fund's offering documents. These fees can vary in amount and in methodology from product to product and therefore may not lend themselves to a single summary in this Brochure; prospective investors are therefore urged to carefully review the offering documents and to raise any questions with us.

The precise amount of, and the manner and calculation of, the management fees for each Fund is disclosed in the organizational and offering documents of each Fund. The management fees are negotiated collectively with the investors of each Fund, and are subject to waiver or reduction by the Investment Adviser. The Funds are charged an annual management fee that is calculated as a percentage of net asset value ("**Management Fees**").

Certain Funds are subject to an incentive allocation, which is subject to hurdle rates that vary from client to client ("**Performance Compensation**"). Performance Compensation is typically paid when an investment is realized (*i.e.*, an investor redeems from a Fund) or on an annual basis in accordance with the governing documents specific to a particular client.

The SALSA accounts are subject to information receipt fees that vary from account to account. The information receipt fees are based on the notional value of the underlying security in the SALSA account.

B. Payment of Fees

For the Funds, fees and compensation paid to the Investment Adviser or its affiliates by clients are generally deducted from the assets of such clients. For discretionary accounts, Management Fees are generally deducted on a monthly basis and Performance Compensation is generally deducted on an annual basis or at such time that an investor redeems their interest in a Fund. For the managed accounts (discretionary and non-discretionary), fees are paid by the client directly as we do not have custody of such assets. Fees for discretionary accounts are paid on a quarterly basis, whereas fees for SALSA accounts are paid when interest is paid by the underlying fixed income security. For loans that are arranged by the Investment Adviser, loan arranger fees are paid by the borrower at the time that the loan is arranged.

C. Additional Fees and Expenses

In general, each client bears its own expenses, including, without limitation, the Management Fee; the Performance Compensation; investment expenses, whether or not such investments are consummated (such as brokerage commissions (discussed in Item 12 below), expenses relating to clearing and settlement charges, custodial fees, bank service fees and interest expenses); investment-related travel and accommodation expenses (which are travel expenses related to the purchase, sale or transmittal of, or due diligence regarding, the client's investments, whether or not such investments are consummated, incurred by the Investment Adviser); professional fees, costs and expenses (including, without limitation, expenses incurred by or owed to consultants, investment bankers, attorneys, accountants and other experts) relating to investments; fees and expenses associated with the board of directors of the Funds, registered

office expenses of the Funds, fees and expenses relating to software tools, programs or other technology utilized in managing the client (including, without limitation, third-party software licensing, implementation, data management and recovery services and custom development costs); research and market data (including, without limitation, any computer hardware and connectivity hardware (*e.g.*, telephone and fiber optic lines) incorporated into the cost of obtaining such research and market data); order management systems; administrative expenses (including, without limitation, fees and expenses of the client's administrators or similar service providers that perform anti-money laundering or "know your customer" diligence in connection with the onboarding and ongoing participation of investors in a client); the cost of directors and officers, including errors and omissions liability insurance for the directors, the Investment Adviser and the Funds (as applicable); legal fees and related expenses; external accounting and valuation expenses (including, without limitation, the cost of accounting software packages); audit and tax preparation expenses; fees of the members of the board of directors of the client who are not associated with the Investment Adviser; costs of providing electronic access to client reports and information and printing and mailing reports and notices; entity-level taxes; corporate licensing; regulatory expenses (including, without limitation, filing preparation and fees, including for filings required to be made by the Investment Adviser); organizational expenses; expenses incurred, if any, in connection with or relating to the offering and sale of securities of the client and other similar expenses related to the client (other than any fees payable to any placement agent, which will be paid by the Investment Adviser indirectly by reducing the Management Fees owed to the Investment Adviser); indemnification expenses; and extraordinary expenses.

The Investment Adviser seeks to allocate expenses fairly, equitably, and consistent with the documents governing the Investment Adviser's relationship with each client. When allocating expenses, the Investment Adviser must interpret the governing documentation of each Fund and the managed account(s) and make determinations whether expenses are allocated and paid, in full or in part, by a Fund, the Funds, managed account(s) and/or the Investment Adviser, which creates a conflict of interest. The Investment Adviser has implemented written policies, procedures, and guidelines that are reasonably designed to mitigate conflicts of interest.

D. Additional Compensation and Conflicts of Interest

Neither the Investment Adviser nor any of its supervised persons accepts compensation (*e.g.*, brokerage commissions) for the sale of securities or other investment products.

The Investment Adviser may, from time to time, arrange loans from institutional investors to finance the acquisition of commercial aircraft by airlines. The Investment Adviser earns a fixed fee, which is typically based on the size of the loan, for arranging loans. The Investment Adviser may arrange loans to airlines that are issuers of securities that are held by the Funds and other discretionary and non-discretionary clients of the Investment Adviser.

Item 6. Performance-Based Fees and Side-By-Side Management

We and our affiliates accept performance-based compensation from certain clients, while other clients are assessed fixed fees based on interest paid through maturity of underlying securities or amount of deployed capital. As a result, we may face certain conflicts of interest when we may have incentive to favor clients with higher potential performance-based compensation over clients with lower performance-based compensation. Additionally, performance-based compensation may create an incentive for us to make riskier or more speculative investments on behalf of a client than would be the case in the absence of such compensation. We seek to manage and mitigate these conflicts by reviewing the opportunities appropriate for a specific client platform and the performance of each client in an effort to detect unusual allocations and performance.

Performance-based fees are subject to regulation under Section 205 of the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”), and Rule 205-3 thereunder. Therefore, the Adviser seeks to ensure that any client and/or investors in a Fund that are directly or indirectly assessed performance fees satisfy the qualifications of Rule 205-3 under the Advisers Act and have been advised of such fees and their risks.

Item 7. Types of Clients

We provide investment advice to the Funds and the SALSA platform, and we serve as the manager of separately managed accounts that are owned by institutional investors as described in Item 4 above. From time to time, we also arrange loans from institutional investors directly to the purchasers of commercial aircraft. We typically require investors in Funds to be “accredited investors” as defined in Regulation D, “qualified purchasers” as defined in the Investment Company Act of 1940, as amended, or “non-U.S. persons” as defined in Regulation D. The governing documents for the Funds outline the minimum size of investments, which can be reduced or waived on a discretionary basis in the sole discretion of the Investment Adviser.

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

A. Methods of Analysis and Investment Strategies

The descriptions set forth in this Brochure of specific advisory services that we offer to clients, and investment strategies pursued and investments made by us on behalf of clients, should not be understood to limit in any way our investment activities. We may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that we consider appropriate, subject to each client's investment objectives and guidelines. The investment strategies we pursue are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any client will be achieved.

Our primary investment strategy is focused on sourcing, buying, trading and managing aviation-related securities and understanding their structures. We believe that there are investment opportunities due to the cyclical nature of the aviation industry and the spreads that these instruments have typically demonstrated in comparison to corporate bonds with similar ratings and tenor.

We seek to identify and capitalize upon market inefficiencies and trading opportunities. We believe we can achieve this by applying our understanding of aviation asset values and knowledge of business cycles within the aviation industry.

In general, our objective is to achieve superior risk-adjusted returns on an ongoing basis through the adoption of a multi-step approach to selecting and actively managing the securities for a client's portfolio. In pursuing this investment objective, we expect to allocate risk capacity to investment strategies based on our view of existing and potential investment opportunities in the aviation-related securities industry. Prior to investing in specific securities, we perform initial asset and credit analyses to research the issuer credit, underlying asset values and security structure, where applicable. We employ several risk controls designed to limit a client's exposure to specified risks. We seek to capitalize upon market inefficiencies and identify attractive opportunities through sourcing, trading and managing aviation-related securities for the client's portfolio.

Investments are focused on aviation, aerospace and general macro-economic benchmark securities, including fixed income instruments such as ETCs, EETCs, ABS and government debt. Forward contracts are used for currency hedging purposes. Investments in financial instruments may be made both on exchanges and over-the-counter, and through private placements.

The main risks to be considered in the management of a client's portfolio will include: (i) market risk, including political and regulatory risk, market liquidity risk and credit market availability risk; (ii) individual positions risk, such as credit risk of issuers, liquidity risk, counterparty risk, correlation and sensitivity risk; (iii) portfolio risk, such as correlation and sensitivity risk, company and asset concentration risk, liquidity risk and current marks risk; (iv) industry specific risk, such as macro and micro level risks; and (v) global economic risk, such as macro and micro level risks. The risks identified herein are examples of some, but not all, possible risks.

We seek to manage portfolio risks through the regular evaluation of any risk associated with each investment. We monitor investments by performing frequent mark-to-market portfolio reviews and by gathering real-time data regarding market movements, investment movements and any other market intelligence.

B. Material, Significant or Unusual Risks Relating to Investment Strategies

The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in the clients advised by us. These risk factors include only those risks we believe to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis employed by us. **Prior to making any investment decisions, investors should carefully review the offering documents and other governing documents of an applicable Fund or product for a more complete description of the risk factors and actual and potential conflicts of interest associated with such fund or product.**

Risk of Loss. No guarantee or representation is made that a client's investment program, including, without limitation, a client's investment objective, targeted returns, diversification strategies or risk monitoring goals will be successful. Investment results may vary substantially over time. No assurance can be made that profits will be achieved or that substantial or complete losses will not be incurred.

No Assurance of Investment Return. The Investment Adviser cannot provide any assurance whatsoever that it will be able to choose, make and realize investments for any client. There can be no assurance that any client will (i) be able to generate returns for its investors or that the returns will be commensurate with the risks of investing in the type of investments in which such client participates or (ii) make any distribution to its investors. Accordingly, an investment in a client should only be considered by persons for whom a speculative, illiquid and long-term investment is an appropriate component of a larger investment program and who can afford a loss of their entire investment. Past activities of investment entities associated with the Investment Adviser or any client provide no assurance of future success. Past performance is not necessarily indicative of future results and all investors should be prepared to lose the value of their investment. There can be no assurance that projected or targeted returns for any client will be achieved.

Aviation Industry Risk. The aviation industry is susceptible to downturns as a result of various events, including fluctuation of fuel prices, geopolitical conflicts and/or terrorist attacks, general economic conditions, regulatory changes, epidemic diseases and severe weather conditions. The occurrence of any such event may have an adverse effect of the performance of the strategies pursued by the Investment Adviser.

In December 2019, an outbreak of a novel and highly contagious form of coronavirus ("COVID-19") was first identified in the human population. The disease spread around the world, resulting in the temporary closure of many corporate offices, retail stores, and manufacturing facilities across the globe, as well as the implementation of travel restrictions, remote working and "shelter-in-place" or similar policies by numerous companies and national and local governments. These actions caused the disruption of manufacturing supply chains and consumer demand in certain economic sectors, including the aviation industry, resulting in significant disruptions in

local and global economies. Such disruptions continue to be felt, as many countries and U.S. states struggle to contain the virus and its variants. The short-term and long-term impacts of COVID-19 on the operations of the Investment Adviser and the performance of its clients are difficult to predict. Any potential impacts on such operations and performance will depend to a large extent on future developments and actions taken by authorities and other entities to contain COVID-19 and its economic impact. These potential impacts, while uncertain, could adversely affect the performance of clients.

Currently, COVID-19 restrictions on travel, business activities and gatherings imposed by governments and businesses, the related temporary closures or cancellations of events and leisure destinations, have adversely impacted the aviation industry. For example, reduced demand for global business and leisure air travel, in addition to cancellations of booked travel, has resulted in losses for many airlines. This has had, or is likely to have if current conditions continue, an adverse impact on the financial position of certain airlines and their ability to meet contractual debt or lease obligations, which could negatively affect our clients' portfolio investments and ability to make distributions to investors. The extent of COVID-19's impact on our clients and the operational and financial performance of their portfolio investments will depend on several factors, including, but not limited to, the duration and scope of the resulting public health emergency; the extent of any related restrictions implemented; the extent of impact on goods and services, investor liquidity, consumer confidence and economic activity levels; the extent of its disruption to important global, regional and local economic markets, generally, and the aviation industry, in particular, all of which remain highly uncertain.

In response to Russia's military invasion of Ukraine that began in February 2022, the United States, United Kingdom ("UK"), and the European Union ("EU") imposed sanctions targeting the Russian financial system and industries critical to Russia's economy, including civil aviation. In addition to banning Russian-operated aircraft from their airspace, countries have imposed sanctions that prohibit the supply of civil aircraft and their components to Russian persons. In response, the Russian government passed laws that, among other things, prevent leased aircraft from being returned to their owners without approval by the Russian government. Leased aircraft, which may be part of ABS securitizations, are unlikely to be returned, and the value of those aircraft is expected to decline as Russia is prohibited from sourcing replacement parts, leading many to conclude that leased aircraft will be cannibalized to provide parts to Russia's commercial aircraft fleet. Although most leased aircraft are subject to insurance policies intended to cover confiscation by foreign governments (subject to terms that vary from policy to policy), insurance companies may dispute lessors' claims in an attempt to avoid significant losses to the insurance industry. Aircraft-backed ABS that have aircraft on lease to Russian airlines would suffer permanent losses if they are unable to recover the aircraft and they are unable to mitigate their loss through insurance. In addition, the insurance industry may introduce changes (e.g., higher premiums, withdrawal of previously offered coverage) that would have an adverse effect on aircraft operators and leasing companies, which, in turn, may have an adverse effect on client investments.

Following the invasion of Ukraine, the price of energy commodities increased dramatically as countries have imposed restrictions on the import of Russian commodities and Russian container vessels have been prevented from unloading their cargo at ports of call. The aviation industry has been both directly impacted by higher energy prices as fuel costs increase and

indirectly impacted as inflation caused by higher energy prices may dampen consumer demand for air travel. To the extent that airlines are unable to pass fuel costs to passengers in the form of higher ticket prices, or passenger demand wanes in the face of higher energy costs, the aviation industry will have to absorb higher costs at a time when many airlines are still recovering from the disruption caused by the pandemic. Client investments may be adversely affected if energy commodity prices remain elevated and contribute to higher inflation in the broader economy.

In addition to energy commodities, Russia and Ukraine are significant producers of commodities used in industrial production (e.g., palladium, neon) as well as grain commodities (e.g., wheat). Industrial consumers of commodities, including the aviation industry, may face higher input prices or shortages, which could have an adverse impact on the operation of manufacturers of civil aircraft and components thereof. Higher input prices and potential shortages are likely to contribute to inflation in the broader economy, which may dampen consumer demand for air travel as the cost of goods and services with lower price elasticity of demand increases. Client investments may be adversely affected if commodity input prices remain elevated and contribute to disruption to manufacturer operations or higher inflation in the broader economy.

Although the aviation industry has historically demonstrated its resilience after past disruptions, a military conflict involving nuclear powers has potential to cause significant and unprecedented disruption to the aviation industry and global economy. Should the Russia-Ukraine war escalate to involve direct combat between NATO countries and Russia or the use of nuclear or chemical warfare, the global economy, including the aviation industry, is likely to face significant challenges, the extent of which are difficult to predict at this time.

Aircraft lessors may also face challenges placing aircraft on lease in light of sanctions and export control restrictions introduced by the United States, UK, the EU and other countries. According to the International Air Transport Association's 2021 air traffic analysis, international air passengers between Russia and Europe accounted for 5.7% of total European traffic, 5.2% of global international traffic and for 1.3% of global total traffic, with Russian domestic traffic accounting for approximately 4.5% of global traffic. In addition, lessors may be unable or unwilling to lease aircraft to airlines in other countries that have strong cultural and economic ties to Russia. Client investments in aircraft-backed ABS may be adversely affected as lessors have a smaller population of potential leasing customers.

Accelerated Retirement of Older Aircraft Models. Many airlines responded to the decreased demand for air travel caused by the COVID-19 pandemic by reducing their fleet capacity. One of the primary strategies for reducing fleet capacity was accelerating the retirement of older, less-efficient aircraft that were scheduled to be retired gradually over the coming years. The accelerated retirement of older aircraft models is expected to reduce demand for these aircraft and the associated components as there are less operators, which will likely result in lower asset prices. Clients may be invested in EETCs and aircraft-backed ABS that could be adversely impacted to the extent that investments are collateralized by older aircraft that are permanently retired from airline fleets.

Aircraft Groundings. Airline operators and aviation authorities in the United States, Europe, China, Canada and other countries suspended the use of the Boeing 737 MAX 8 over concerns about its safety, after an Ethiopian Airlines flight of the same model crashed in March

2019. The Boeing 737 MAX 9, which has nearly identical design features as the Boeing 737 MAX 8, was also grounded across the globe. Although the 737 MAX 8/9 has been cleared by the U.S. Federal Aviation Administration and aviation authorities in other jurisdictions, notably China, have not recertified the 737 MAX 8/9 as of March 2022. The event demonstrated the risk that aviation-focused investment strategies may be unable to source investments and implement their investment strategy if prospective issuance of securities is halted due to the grounding of aircraft. In addition, aircraft groundings may cause airlines to suffer losses that may impair airlines' ability to meet their debt and lease obligations, which may adversely affect EETCs and aircraft-backed ABS even if the underlying collateral does not include a grounded aircraft.

Role of Investment Professionals. The success of each client will depend in part upon the Investment Adviser's ability to attract and retain talented investment professionals and the skill and expertise of the investment professionals who manage that client's investment program. There can be no assurance that such professionals will continue to be associated with the Investment Adviser throughout the life of any client and a loss of the services of key personnel could impair the Investment Adviser's ability to provide services to a client. Should one or more of these professionals become incapacitated or in some other way cease to participate in a client, the client's performance could be adversely affected. Moreover, there can be no assurances that such professionals will remain in the same roles at the Investment Adviser whether as officers, employees, consultants or otherwise throughout the life of a client. In addition, investment professionals involved in providing advisory services to a client may in the future cease providing such services while nonetheless remaining employed by the Investment Adviser. Separately, there is ever-increasing competition among alternative asset firms, financial institutions, private equity firms, investment managers and other industry participants for hiring and retaining qualified professionals, including investment professionals. There can be no assurance that the Investment Adviser's personnel will not be solicited by and join competitors or other firms and/or that the Investment Adviser will be able to hire and retain any new personnel that it seeks to maintain or add to its roster of investment professionals.

Reliance on the Investment Adviser. The Investment Adviser will have exclusive responsibility for a client's activities, and, other than as may be set forth in the client's governing documents, investors will have no opportunity to control the day-to-day operation of a client or make investment, disposition or any other decisions concerning the management of a client. In order to safeguard their limited liability for the liabilities and obligations of a client, investors must rely entirely on the Investment Adviser to conduct and manage the affairs of a client.

General Economic and Market Conditions. The success of a client's investment activities will be affected by continued economic volatility as well as general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in applicable laws and regulations (including laws relating to taxation of an client's investments), trade barriers, currency exchange controls, and national and international political, environmental and socioeconomic circumstances (including wars, terrorist acts, security operations or public health considerations). The aviation industry generally benefits from globalization in connecting people and economies, which has been a broad trend observed since the end of the second World War. The implementation of sanctions in response to Russia's invasion of Ukraine and any retaliatory actions taken by Russia have the potential to cause the

trend toward globalization to reverse, which could have an adverse effect on the aviation industry and the investments held in client portfolios.

Misconduct of Personnel; Third-Party Service Providers. There have been a number of highly publicized cases involving fraud or other misconduct by employees in the financial services industry in recent years, and there is a risk that employee misconduct could occur with respect to the Investment Adviser. Misconduct by employees or by third-party service providers could cause significant losses to clients. Employee misconduct could include, among other things, binding a client to transactions that exceed authorized limits or present unacceptable risks and other unauthorized activities or concealing unsuccessful investments (which, in either case, may result in unknown and unmanaged risks or losses), or otherwise charging (or seeking to charge) inappropriate expenses to a client. In addition, employees and third-party service providers may improperly use or disclose confidential information, which could result in litigation or serious financial harm, including limiting the client's business prospects or future activities. It is not always possible to deter misconduct by employees or service providers, and the precautions the Investment Adviser takes to detect and prevent this activity may not be effective in all cases.

Risks of Third-Party Service Providers. Certain of a client's and the Investment Adviser's operations interface with and/or depend on third parties and such client or the Investment Adviser may not be in a position to verify the risks or reliability of such third parties. A client may suffer adverse consequences from actions, errors or failure to act by such third parties, and will have obligations, including indemnity obligations, and limited recourse against them. The costs, fees and expenses associated with the provision of such services by third-party service providers will generally be borne by a client instead of the Investment Adviser, thereby increasing the expenses borne by such client's investors.

Ongoing Turmoil in the U.S. and Global Financial Markets. Turmoil such as that currently experienced by the U.S. and global financial markets as a result of the Russia-Ukraine war and the ongoing COVID-19 pandemic, and such as markets endured during the global financial crisis of 2008, illustrates the risk that the financial markets can experience uncertainty, volatility and instability, potentially for protracted periods of time. Lending and global credit markets continue to experience substantial volatility, disruption, liquidity shortages and, to some extent, financial instability. Global financial markets have experienced considerable and prolonged declines in the valuations of equity and debt securities and periodic acute contraction in the availability of credit. There can be no assurances that conditions in the U.S. and global financial markets will not worsen and/or adversely affect one or more of a client's investments (including with respect to performing under or refinancing their existing obligations), its access to capital or leverage, its ability to effectively deploy its capital or realize investments on favorable terms or its overall performance.

The performance of client investments will be substantially impacted by prevailing prices of commodities (such as energy and metals). Commodity prices are likely to continue to be volatile and subject to wide fluctuations in response to any of the following factors: (i) relatively minor changes in the supply of and demand for each commodity; (ii) market uncertainty; (iii) political conditions in international commodity producing regions, including conflict such as the Russia-Ukraine war; (iv) the extent of domestic production and the importation of commodities in certain relevant markets; (v) the foreign supply of commodities; (vi) the price of foreign imports;

(vii) the price and availability of alternative fuels; (viii) the level of consumer demand; (ix) the recent imposition of tariffs by the U.S. and other countries; (x) the price of steel and the outlook for steel production; (xi) weather conditions; (xii) the competitive position of oil, gas or coal as a source of energy as compared with other energy sources; (xiii) the industry-wide refining or processing capacity for oil, gas or coal; (xiv) the effect of United States and non-U.S. federal, state and local regulation on the production, transportation and sale of commodities; (xv) with respect to the price of oil, actions of the Organization of Petroleum Exporting Countries; (xvi) overall economic conditions; and (xvii) a variety of additional factors that are beyond the control of the Investment Adviser and its clients.

Trade Policies. Changes in trade policies among the United States and other countries, in particular, the imposition of new or higher tariffs, could have a material adverse effect on a client's performance. For example, original equipment manufacturers ("OEMs") (including Boeing and Airbus) may seek to offset the impact of increased tariffs by increasing the price of aircraft, engines and/or components.

The U.S. government has indicated its intent to alter its approach to international trade policy and in some cases to renegotiate, or potentially terminate, certain existing bilateral or multi-lateral trade agreements and treaties with foreign countries, and has made proposals and taken actions related thereto. In addition, the U.S. government imposed tariffs on certain foreign goods, including steel and aluminum, and has indicated a willingness to impose additional tariffs on imports of other products. Some foreign governments, including China, have instituted retaliatory tariffs on certain U.S. goods and have indicated a willingness to impose additional tariffs on U.S. products. Global trade disruption, significant introductions of trade barriers and bilateral trade frictions, together with any future downturns in the global economy resulting therefrom, could adversely affect the financial performance of a client and its investments. In particular, although the U.S. and China have agreed to a partial trade deal with respect to their ongoing trade dispute, certain issues remain unresolved, which is expected to be an ongoing source of instability, potentially resulting in significant currency fluctuations and/or have other adverse effects on international markets, international trade agreements and/or other existing cross-border cooperation arrangements (whether economic, tax, fiscal, legal, regulatory or otherwise). While this dispute has already had negative economic consequences on the U.S. markets, to the extent that this trade dispute escalates into a "trade war" between the U.S. and China, there could be additional significant impacts on client investments.

Tariffs on OEM's products may adversely affect client profitability. Many aircraft and engine OEMs operate in foreign countries. Accordingly, OEMs may be subject to many of the risks of international operations, including governmental controls and tariff restrictions. Tariffs could make the OEM's products less attractive. OEMs may begin implementing short-term price adjustments to offset such tariffs and transition their production and supply chains to new locations, which could indirectly disrupt a client's investments. Increases in tariffs or the failure to resolve current international trade disputes could have a material adverse effect on clients.

Coronavirus and Public Health Emergencies. As of the date hereof, there is an outbreak of COVID-19, which the World Health Organization has declared to constitute a global pandemic. The outbreak of COVID-19 has resulted in numerous deaths, adversely impacted global commercial activity, and contributed to significant volatility in certain equity, debt, derivatives

and commodities markets. The extent and duration of such negative impact, to the private equity industry and global markets as a whole, is currently unknown. The global ramifications of the outbreak are rapidly evolving, and many countries have reacted by instituting (or strongly encouraging) quarantines, prohibitions on travel, the closure of offices, businesses, factories, schools, retail stores, restaurants, hotels, courts and other public venues, and other restrictive measures designed to help slow the spread of COVID-19. Many businesses have also implemented similar precautionary measures. Such measures, as well as the general uncertainty surrounding the dangers and impact of COVID-19, have created significant disruption in the global public and private markets, supply chains and economic activity and are especially impactful on transportation, hospitality, tourism, entertainment and other industries. Moreover, with the continued spread of COVID-19, in particular in certain nations and localities, governments and businesses are likely to take increasingly aggressive measures to help slow its spread. For this reason, among others, to the extent COVID-19 continues to spread, the potential impacts, including a global, regional or other economic recession (which recessions some financial experts opine have already arrived), are increasingly uncertain and difficult to assess.

Any public health emergency, including any outbreak of COVID-19, SARS, H1N1/09 flu, avian flu, other coronavirus, Ebola or other existing or new epidemic diseases, or the threat thereof, could negatively impact clients and could meaningfully affect a client's ability to fulfill its investment objectives.

The extent of the impact of any public health emergency on clients' financial performance will depend on many factors, including, but not limited to, the duration and scope of such public health emergency, the extent of any related travel advisories and voluntary or mandatory government restrictions implemented, the impact of such public health emergency on overall supply and demand, goods and services, investor liquidity, consumer confidence and spending levels, the extent of government support and levels of economic activity and the extent of its disruption to important global, regional and local supply chains and economic markets, all of which are highly uncertain and cannot be predicted. For this reason, valuations in this environment are subject to heightened uncertainty and subject to numerous subjective judgments, any or all of which could turn out to be incorrect with the benefit of hindsight. Furthermore, traditional valuation approaches that have been used historically may need to be modified in order to effectively capture fair value in the midst of significant volatility or market dislocation. The effects of a public health emergency may negatively impact the value and performance of clients, the Investment Adviser's ability to source, manage and divest investments (including but not limited to circumstances where potential transactions are already signed but not closed) and a client's ability to achieve its investment objectives, all of which could result in significant losses to a client. Any such disruptions may continue for an extended period of time. The full impacts of the pandemic on markets, business activity and the global economy, as well as the effects of changes in economic, monetary and fiscal policies of the U.S. and/or other countries that have been adopted and may in the future be adopted to address the pandemic, price shocks and related externalities, are not yet fully identified or understood. In implementing a client's investment strategy, the Investment Adviser will make a number of assumptions, including as to the severity of the consequences of COVID-19 to the economies in Asia and the global economy. There can be no assurances that such assumptions will be correct and unexpected events and developments, including the severity of the pandemic on economies and specific investments, may be detrimental to a client and its investments. In addition, the operations of the Investment Adviser may be

significantly impacted, or even temporarily or permanently halted, as a result of government quarantine measures, voluntary and precautionary restrictions on travel or meetings and other factors related to a public health emergency, including its potential adverse impact on the health of the personnel of the Investment Adviser, including possibly the key executives, or the personnel of the Investment Adviser's key service providers. The impact to businesses in such circumstances has been and is expected to continue to be substantial.

In connection with the impacts of the current pandemic and any future such public health crisis, clients are expected to incur heightened legal expenses which could similarly have an adverse impact to their returns. For example, but not by limitation, clients or their investments may be subject to heightened litigation and its resulting costs, which may be significant and are expected to be borne by the clients and/or their investors. There is also a heightened risk of cyber and other security vulnerabilities during the current public health emergency and any future one, which could result in adverse effects to the clients or their investments in the form of economic harm, data loss or other negative outcomes.

While the U.S. Food and Drug Administration and other similar regulators globally have approved COVID-19 vaccines (some for emergency use only) and these vaccines are currently available to the general public in the United States and in some non-U.S. jurisdictions, due to limited supply, they are not yet widely available to the general public in many other jurisdictions. As newly developed vaccines, not all of the side effects are currently known. A substantial proportion of the population may choose to "wait and see" before getting vaccinated, which could prolong the effects of COVID-19. In addition, certain vaccines were initially found to be about 95% effective; however, the vaccines appear to have reduced efficacy against certain existing and emerging variants of COVID-19, and emerging variants may be more transmissible or deadly than existing variants of COVID-19. It is expected that many countries will continue to encounter issues with respect to the distribution, uptake and efficacy of COVID-19 vaccines and treatments. There can be no assurance on the continuing effects of COVID-19 on the economy generally or its effect on a client and its ability to achieve its investment objectives.

Uncertain Geopolitical Events. International and/or local geopolitical events are likely to influence the issuers of, and markets for, instruments traded by clients. Geopolitical events, including, without limitation, national referenda, political elections, international violent and non-violent conflicts, political movements and reactions to national and international emergencies, can affect monetary policy, fiscal policy, international relations, currency valuations, legal systems and regulatory regimes, among numerous other things, in ways that could impact the clients and/or their ability to operate and/or pursue their respective investment strategy.

On February 21, 2022, Russian President Vladimir Putin ordered the Russian military to invade two regions in eastern Ukraine (the Donetsk People's Republic and Luhansk People's Republic regions). On February 22, 2022, the United States, United Kingdom and European Union announced sanctions against Russia. On February 24, 2022, President Putin commenced a full-scale invasion of Russia's pre-positioned forces into Ukraine, including Russia's forces pre-positioned in Belarus. In response, on February 24 and 25, 2022, the United States, United Kingdom, and European Union imposed further sanctions designed to target the Russian financial system, and thereafter a number of countries have banned Russian planes from their airspace. Further sanctions continue to be imposed, and the U.S. and allied countries have recently

announced they are committed to taking steps to prevent certain Russian banks from accessing international payment systems. Russia's invasion of Ukraine, the resulting displacement of persons both within Ukraine and to neighboring countries and the increasing international sanctions could have a negative impact on the economy and business activity globally (including in the countries in which a client invests), and therefore could adversely affect the performance of a client's investments. Furthermore, given the ongoing nature of the Russia-Ukraine conflict and its ongoing escalation (such as Russia's recent decision to place its nuclear forces on high alert and the possibility of significant cyberwarfare against military and civilian targets globally), it is difficult to predict the conflict's ultimate impact on global economic and market conditions, and, as a result, the situation presents material uncertainty and risk with respect to a client and the performance of its investments or operations, and the ability of a client to achieve its investment objectives.

Highly Competitive Market for Investment Opportunities. The activity of identifying, managing, monitoring, completing and realizing attractive investments is highly competitive, and involves a high degree of uncertainty.

Potential competitors include, without limitation, other investment partnerships and corporations, insurance companies, domestic and international public pension plans, individuals, financial institutions, industry groups and other financial investors investing directly or through affiliates, and a client may be unable to identify a sufficient number of attractive investment opportunities for such client to meet its investment objectives. Some of these competitors may have more relevant experience, greater financial and other resources and more personnel than the Investment Adviser. There can be no assurance that a client will be able to (i) locate, complete and exit investments which satisfy such client's rate of return objectives, or realize upon their values, or (ii) invest fully its available capital. It is possible that competition for appropriate investment opportunities may increase, which may also require certain clients to participate in auctions more frequently. The outcome of these auctions cannot be guaranteed, thus potentially reducing the number of opportunities available to such clients and potentially adversely affecting the terms, including price, upon which investments can be made. To the extent that the clients encounter competition for investments, returns to investors may decrease.

Risk of Limited Number of Investments. A client may participate in a limited number of investments and, as a consequence, the aggregate return of such client may be substantially adversely affected by the unfavorable performance of even a single investment. In addition, other than as set forth in the applicable client's governing documents (or investment management agreement in the case of a separately managed account or as required by applicable law), investors have no assurance as to the degree of diversification of a client's investments, either by geographic region or transaction type. To the extent that a client concentrates investments in a particular issuer, security or geographic region, its investments will become more susceptible to fluctuations in value resulting from adverse economic and business conditions with respect thereto. Moreover, there are no assurances that all of a client's investments will perform well or even return capital. Therefore, if certain investments perform unfavorably, for a client to achieve above-average returns, one or a few of its investments must perform exceptionally well. There are no assurances that this will be the case.

Confidential or Material, Non-Public Information. By reason of their responsibilities in connection with their other activities, from time to time, certain personnel of the Investment

Adviser may acquire confidential or material non-public information or be otherwise restricted from initiating transactions in certain securities. Due to these restrictions, clients may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold.

The Investment Adviser has erected an information barrier to segregate the flow of material, non-public information between the Investment Adviser and the rest of Carlyle. The purpose of this information barrier is, among other things, to insulate material, non-public information, such that the investment activities of the Investment Adviser, on the one hand, and the rest of Carlyle, on the other hand, are not otherwise restricted because one business unit may have material, non-public information that would be imputed to the other business unit in the absence of an information barrier.

The establishment and maintenance of the information barrier discussed above means the Investment Adviser will generally not be able to use, act on or otherwise be aware of confidential information otherwise known by or in the possession of the rest of Carlyle (and vice-versa), and collaboration between personnel associated with the Investment Adviser, on the one hand, and personnel of the rest of Carlyle, on the other hand, may be limited, reducing potential synergies.

Compliance with Anti-Money Laundering and Know Your Customer Requirements.

In response to increased regulatory concerns with respect to the sources of funds used in investments and other activities, investors are required to provide documentation verifying, among other things, such investors' identity and source of funds used to purchase the interests of such client. The amount and types of such information requested may vary depending on a client's domicile (due to local regulatory requirements), and complying with such requests may be burdensome, inconvenient, and intrusive. The Investment Adviser may decline to accept a subscription on the basis of the information that is provided or if this information is not provided. Requests for documentation and additional information may be made at any time during which an investor holds an interest in a client. The Investment Adviser may be required to provide this information, or report the failure to comply with such requests, to appropriate governmental authorities, in certain circumstances without notifying the investors that the information has been provided. The Investment Adviser or its affiliates will take such steps as it determines in its sole discretion are necessary to comply with applicable law, regulation, orders, sanctions, directives or special measures. These steps may include prohibiting an investor from making further contributions of capital to a Fund, depositing distributions, other funds or assets to which an investor would otherwise be entitled to in an escrow account or causing the exclusion of an investor from the Funds.

Risks Associated with Hedging Transactions. The Funds may employ hedging techniques designed to reduce the impact of currency fluctuation, but there will be no obligation to engage in such hedging activities. While such hedging transactions may reduce certain risks, such transactions themselves entail certain other risks. Thus, while a Fund may benefit from the use of such hedging mechanisms, unanticipated changes in currency exchange rates or the transactional fees associated with such mechanisms may result in a poorer overall performance for a Fund than if it had not entered into such hedging transactions. Such transactions may result in a poorer overall performance for clients than if they had not engaged in any such hedging transaction and there can be no assurance that currency hedging activities will be successful. There can be no

assurance that any risk management procedure will be effective in reducing risks associated with currency fluctuation or that the use of such techniques will not result in poorer overall performance for a Fund than if it had not utilized such techniques.

Pay-to-Play Laws, Regulations and Policies. In light of controversies and highly publicized incidents involving money managers, a number of states and municipal pension plans have adopted so-called “pay-to-play” laws, regulations or policies which prohibit, restrict or require disclosure of payments to (and/or certain contacts with) state officials by individuals and entities seeking to do business with state entities, including investments by public retirement funds. The SEC also has adopted rules that, among other things, prohibit an investment adviser from providing advisory services for compensation with respect to a government plan investor for two years after the adviser or certain of its executives or employees make a contribution to certain elected officials or candidates. The Investment Adviser is subject to policies and procedures to account for these pay-to-play laws, regulations or policies, and to comply with the New York Attorney General’s Public Pension Fund Reform Code of Conduct (the “**Pension Fund Reform Code**”), which governs its interactions with U.S. public pension funds. If the Investment Adviser or its employees or affiliates fail to comply with the Pension Fund Reform Code or such pay-to-play laws, regulations or policies, such non-compliance could have an adverse effect on a Fund by, for example, providing the basis for the withdrawal of an affected government plan investor.

Short-Term Market Considerations. The Investment Adviser’s trading decisions may be made on the basis of short-term market considerations, and the portfolio turnover rate could result in significant trading-related expenses.

Concentration Risk. The portfolio of a client may be concentrated in a limited number of investments. Beyond asset diversification requirements or concentration limitations set forth in a client’s applicable governing documents or contractual agreements, clients do not have fixed guidelines for diversification, and investments may be concentrated in investments related to a single or limited number or type of issuers, industries, sectors, strategies, countries or geographic regions. This limited diversification may result in the concentration of risk, which, in turn, could expose clients to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in such securities. As a result, the aggregate returns realized may be significantly adversely affected if a small number of investments perform poorly or if the client needs to write down the value of one or more investments,. Additionally, a downturn in the aviation industry could also significantly impact the aggregate returns realized.

Fundamental Analysis. Certain trading decisions made by the Investment Adviser may be based on fundamental analysis. Data on which fundamental analysis relies may be inaccurate or may be generally available to other market participants. To the extent that any such data are inaccurate or that other market participants have developed, based on such data, trading strategies similar to a client’s trading strategies, clients may not be able to realize their investment goals. In addition, fundamental market information is subject to interpretation. To the extent that the Investment Adviser misinterprets the meaning of certain data, clients may incur losses.

Small and Medium-Capitalization Companies. Investments in securities of smaller-capitalization companies involve higher risks in some respects than do investments in securities of larger “blue-chip” companies. For example, prices of securities of small-capitalization and even

medium-capitalization companies are often more volatile than prices of securities of large-capitalization companies and may not be based on standard pricing models that are applicable to securities of large-capitalization companies. Furthermore, the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to investors) may be higher than for larger, “blue-chip” companies. Finally, due to thin trading in the securities of some small-capitalization companies, an investment in those companies may be illiquid.

Legal, Tax and Regulatory Risks. Legal, tax and regulatory changes, including new interpretations of existing laws and regulations, could occur during the term of a client that may adversely affect such clients. The regulatory environment for private investment funds continues to evolve, and changes in the regulation of private investment funds may adversely affect the value of investments held by a Fund and the ability of such Fund to effectively employ its investment and trading strategies. Increased scrutiny and newly-proposed legislation applicable to private investment funds and their sponsors may also impose significant administrative burdens on the Investment Adviser and may divert time and attention from portfolio management activities. There can be no assurance that any such scrutiny, regulation or focus will not have an adverse impact on a Fund’s activities, including the ability of a Fund to effectively and timely address new rules and regulations, execute its investment strategy or achieve its investment objectives.

In particular, clients may be required to incur additional costs and expenses in implementing structural changes in the conduct of the Investment Adviser’s business, and a client may also become directly or indirectly subject to additional tax liabilities (for example, through restrictions on or denial of the deductibility of interest expenses against taxable profits). The foregoing may make it less attractive or impractical to continue to invest in one or more jurisdictions. Furthermore, it is unclear what further legal or regulatory changes may be implemented within those jurisdictions in which a client invests, which changes may result in increased costs and expenses being incurred by a client in order to ensure compliance with any new regimes.

Prospective investors should note that the outcome of presidential and other elections creates uncertainty with respect to legal, tax and regulatory regimes in which the Investment Adviser will operate. In addition to any proposed tax legislation, any significant changes in, among other things, economic policy (including with respect to interest rates), the regulation of the asset management industry, tax law, immigration policy and/or government entitlement programs could have a material adverse impact on clients and their investments.

In February 2022, the SEC voted to propose new rules and amendments (collectively, the “**SEC Proposed Rule**”) to existing rules under the Advisers Act specifically related to registered investment advisers and their activities with respect to private funds. If enacted, the SEC Proposed Rule could create additional regulatory uncertainty and may have a significant impact on advisers to private funds, including the Investment Adviser. In particular, the SEC has proposed to limit circumstances in which a fund manager can be indemnified by a private fund; increase reporting requirements by private funds to investors concerning performance, fees and expenses; require registered investment advisers to obtain an annual audit for private funds and also require such fund’s auditor to notify the SEC upon the occurrence of certain material events; enhanced requirements, including the need to obtain a fairness opinion and make certain disclosures, in connection with adviser-led secondary transactions (also known as GP-led secondaries); prohibit

advisers from engaging in certain practices, such as, without limitation, charging accelerated fees for unperformed services or fees and expenses associated with an examination to private fund clients and seeking reimbursement, indemnification, exculpation or otherwise limiting an adviser's liability for certain activities; and impose limitations and new disclosure requirements regarding preferential treatment of investors in private funds in side letters or other arrangements with an adviser. If adopted, including with modifications, this new SEC Proposed Rule could have a significant effect on private fund advisers and their operations, including increasing compliance burdens and associated regulatory costs, reducing the ability to receive expense or indemnification reimbursements, and increasing the risk of regulatory action, including public regulatory sanctions, and may result in a change to the Investment Adviser's practices and risk appetite in respect of investment strategies. Further, we note that in connection with the SEC Proposed Rule, if such rule were to be enacted, it could also significantly increase the cost of insurance, specifically D&O and E&O insurance, or may even make such insurance coverage unavailable.

Increased reporting, registration and compliance requirements may divert the attention of personnel and the management teams of the Investment Adviser, and may furthermore place a client at a competitive disadvantage to the extent that the Investment Adviser is required to disclose sensitive business information.

Actions of the Committee on Foreign Investment in the United States. A number of jurisdictions have restrictions on foreign direct investment pursuant to which their respective heads of state and/or regulatory bodies have the authority to block or impose conditions with respect to certain transactions, such as investments, acquisitions and divestitures, if such transaction threatens to impair national security. In addition, many jurisdictions restrict foreign investment in assets important to national security by taking steps including, but not limited to, placing limitations on foreign equity investment, implementing investment screening or approval mechanisms, and restricting the employment of foreigners as key personnel. These U.S. and foreign laws could limit a client's ability to invest in certain businesses or entities or impose burdensome notification requirements, operational restrictions or delays in pursuing and consummating transactions.

A client's investments outside of the United States may also face delays, limitations, or restrictions as a result of notifications made under and/or compliance with these legal regimes and rapidly-changing agency practices. Other countries continue to establish and/or strengthen their own national security investment clearance regimes, which could have a corresponding effect of limiting a Fund's ability to make investments in such countries. Heightened scrutiny of foreign direct investment worldwide may also make it more difficult for a Fund to identify suitable buyers for investments upon exit. As a result of such regimes, a Fund may incur significant delays and costs, be altogether prohibited from making a particular investment or impede or restrict syndication or sale of certain assets to certain buyers, all of which could adversely affect the performance of such Fund and in turn, materially reduce such Fund's revenues and cash flow.

Cybersecurity Breaches, Identity Theft, Privacy Breaches and Other Threats. Cybersecurity incidents and cyberattacks have been occurring globally at a more frequent and severe level and will likely continue to increase in frequency in the future. There has been an increase in the frequency and sophistication of the cyber and security threats that the Investment Adviser faces, with attacks ranging from those common to businesses generally to those that are

more advanced and persistent, which may target the Investment Adviser because it processes, stores and transmits large amounts of electronic information, including information relating to the transactions of the clients and personally identifiable information regarding investors and employees. For example, related to the Russia-Ukraine war, Russia has threatened significant cyberattacks and other forms of cyberwarfare against military and civilian targets globally. Similarly, service providers of the Investment Adviser or a client, especially an administrator, may process, store and transmit such information. As a result, the Investment Adviser may face a heightened risk of a security breach, online extortion attempt, or disruption with respect to this information resulting from an attack by computer hackers, foreign governments, cyber extortionists or cyber terrorists. If successful, these types of attacks on the Investment Adviser's network or other systems could have a material adverse effect on our business and results of operations, due to, among other things, the loss of investor or proprietary data, interruptions or delays in our business and damage to the Investment Adviser's reputation. Suppliers, contractors, investors, and other third parties with whom the Investment Adviser does business also experience cyber threats and attacks that are similar in frequency and sophistication. In many cases, the Investment Adviser has to rely on the controls and safeguards put in place by their suppliers, contractors, investors and other third parties to defend against, respond to, and report these attacks.

The Investment Adviser's information and technology systems may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, security threats (including ongoing cybersecurity threats to and attacks on our information technology infrastructure), infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes, typhoons, earthquakes, wars, terrorist attacks and other similar events. Measures designed to manage risks relating to these types of events cannot provide absolute security. The techniques used to obtain unauthorized access to data, disable or degrade service or sabotage systems change frequently and may be difficult to detect for long periods of time. If these systems are compromised, become inoperable for extended periods of time or cease to function properly, significant investment may be required to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the Investment Adviser's and/or its client's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors, employees, and portfolio companies. A cybersecurity incident or data privacy breach could have numerous material adverse effects, including on the operations, liquidity and financial condition of a client (and the beneficial owners of investors). Cyber threats and/or incidents or data privacy breaches could cause financial costs from the theft of client assets (including proprietary information and intellectual property) as well as numerous unforeseen costs including, but not limited to: costs related to regulatory intervention or fines (including under the European General Data Protection Regulation or similar data protection regulations), litigation costs, costs of responding to regulatory inquiries settlement costs, compliance costs, preventative and protective costs, remediation costs and costs associated with reputational damage, any one of which could be materially adverse to a client. Such a failure could harm the Investment Adviser's and client's reputation, subject any such entity and their respective affiliates to legal claims and otherwise affect their business and performance. The costs related to cyber or other security threats or disruptions or data privacy breaches may not be fully insured or indemnified by other means.

The service providers of the Investment Adviser and its clients are subject to the same electronic information security threats as the Investment Adviser. If a service provider fails to adopt or adhere to adequate data security policies, or in the event of a breach of its networks, information relating to the transactions of any client and personally identifiable information of the investors (and beneficial owners thereof) may be lost or improperly accessed, used or disclosed.

The Investment Adviser cannot make any prediction of specific scenarios with respect to the COVID-19 pandemic or significant political events such as war, and risk management and contingency plans the Investment Adviser has implemented may not adequately protect its business from such events. An extended period of remote work arrangements could strain the Investment Adviser's business continuity plans, introduce operational risk, including but not limited to cybersecurity risks (including heightened risk of cyber-attacks due to political events such as the Russia-Ukraine war), and impair the Investment Adviser's ability to manage its business. The business operations of the Investment Adviser could be significantly disrupted if its critical workforce, key vendors, third-party suppliers or counterparties with whom the Investment Adviser, as applicable, transact are unable to work effectively, including because of illness, quarantines, government actions in response to COVID-19, disruptions in access to remote working capabilities, including as a result of internet service outages, or other reasons. The Investment Adviser may outsource certain critical business activities to third parties. As a result, the Investment Adviser may rely upon the successful implementation and execution of the business continuity planning of such entities in the current environment. Successful implementation and execution of business continuity strategies by these third parties are largely outside the Investment Adviser's control. If one or more of the third parties to whom the Investment Adviser outsources certain critical business activities experience operational failures as a result of the impacts from the spread of COVID-19, or claim that they cannot perform due to a force majeure, it could cause a material adverse effect on the business, financial condition, results of operations and cash flows of a client.

Non-U.S. Investments. With any investment outside the United States, there exists the risk of adverse political developments, including nationalization, confiscation without fair compensation or war. For a client that invests in a non-U.S. country, investments involve certain risks not typically associated with investing in the instruments of an issuer organized, headquartered and principally operating in the United States, including risks relating to (i) currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar and the various non-U.S. currencies in which such client's non-U.S. investments are denominated, and costs associated with conversion of investment principal and income from one currency into another; (ii) differences in conventions relating to documentation, settlement, corporate actions, stakeholder rights and other matters; (iii) differences between the U.S. and non-U.S. securities and credit markets, including potential price volatility in and relative illiquidity of some non-U.S. securities markets; (iv) the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less governmental supervision and regulation in some countries; (v) certain economic, social and political risks, including potential exchange-control regulations and restrictions on non-U.S. investments and repatriation of capital, the risks associated with political, economic or social instability, including the risk of sovereign defaults, and the possibility of expropriation or confiscatory taxation and adverse economic and political development; (vi) the possible imposition of non-U.S. taxes on income and gains recognized with respect to such securities or instruments; (vii) differing, and potentially less well-developed or

well-tested laws regarding creditor's rights (including the rights of secured parties), corporate governance, fiduciary duties and the protection of investors and intellectual property rights; (viii) differences in the legal and regulatory environment or enhanced legal and regulatory compliance; (ix) political hostility to investments by foreign or private equity investors; and (x) less publicly available information.

Accounting, auditing, financial and other reporting standards, practices and disclosure requirements in certain of the countries in which a client may invest are not equivalent to those in the United States and certain Western European countries and may differ in fundamental ways. Accordingly, information available to a client, including both general economic and commercial information and information concerning specific enterprises or assets, may be less reliable and less detailed than information available in more economically sophisticated countries and less information may be available to investors. As a result, the Investment Adviser's due diligence activities may provide less information than due diligence reviews conducted in more developed countries. The lower standards of due diligence in certain countries will increase the risk related to the investments in these countries. While the Investment Adviser will endeavor to conduct appropriate due diligence in connection with each of its investments, no guarantee can be given that they will obtain the information or assurances that an investor in a more sophisticated economy would obtain before proceeding with an investment.

In addition, a client's investments in emerging markets may be subject to a greater risk of loss than investments in more developed and traditional markets (such as the United States and Europe). Emerging markets are more likely to experience inflation, currency and liquidity risks, geopolitical turmoil, policy changes and rapid changes in economic conditions than more developed and traditional markets. Emerging markets often have less uniformity in accounting and reporting requirements, unreliable securities valuation and greater risk associated with custody of securities. Predictions about general economic and market conditions are uncertain and the impact of such factors will be larger or smaller depending on the types of investments and the markets in which they trade.

Non-U.S. Exchanges. The Funds may trade on exchanges or markets located outside the U.S. Trading on such exchanges or markets is not regulated by the SEC and the CFTC and may, therefore, be subject to more risks than trading on U.S. exchanges, such as the risks of exchange controls, expropriation, burdensome taxation, moratoria and political or diplomatic events. Risks in investments in on-U.S. securities may also include reduced and less reliable information about issuers and markets, less stringent accounting standards, illiquidity of securities and markets, higher brokerage commissions and custody fees.

Data Protection Regulation. Cybersecurity incidents, data protection and regulations related to privacy, data protection and information security could increase costs, and a failure to comply could result in fines, sanctions and/or other penalties.

In February 2022, the SEC proposed new cybersecurity rules and amendments to existing rules under the Advisers Act and the 40 Act specifically related to registered investment advisers, investment companies and BDCs ("**SEC Cyber Proposed Rule**"). The proposed rules would require advisers and funds to adopt, implement and annually test written cybersecurity policies and procedures, promptly report significant cybersecurity incidents to the SEC and investors, and

comply with certain additional recordkeeping requirements. If adopted, including with modifications, the SEC Cyber Proposed Rule could have a significant effect on registered advisers and funds and their operations, including increasing compliance burden and associated regulatory costs and increasing the risk of regulatory action. Increased reporting, registration and compliance requirements may divert the attention of the Investment Adviser's personnel and may furthermore place a client at a competitive disadvantage to the extent that the Investment Adviser is required to disclose sensitive business information, including about its information systems.

On May 25, 2018, the GDPR replaced the then-existing data protection directive and, as a regulation, has direct effect in all EU member states. Although a number of the existing principles for the protection of personal data will remain, the GDPR was designed to harmonize data privacy laws across Europe and change the way organizations approach data privacy. It applies to (i) all organizations that process personal data of EU 'data subjects' in the context of the activities of an establishment in the EU (which may include processing that takes place outside the EU) and (ii) organizations outside the EU that offer goods or services to data subjects in the EU, or that monitor the behavior of EU data subjects. Following its departure from the EU, the UK has retained and transposed the GDPR into domestic law of the UK ("**UK GDPR**") by virtue of the EUWA. The UK GDPR applies to (i) organizations that process the personal data of data subjects (natural persons) in the context of the activities of an establishment in the UK (which may include processing that takes place outside the UK) and (ii) organizations outside the UK that offer goods or services to data subjects in the UK, or that monitor the behavior of data subjects in the UK. Personal data is information that can be used to identify a natural person, including a name, a photo, an email address, or a computer IP address. For those subject to it, compliance with the GDPR and UK GDPR impose a number of obligations to comply with that are aimed at greater protection for data subjects (including obligations and restrictions relating to the manner in which and purposes for which personal data is processed, and measures to ensure personal data security and to be able to respond appropriately to a number of rights held by data subjects under the GDPR and UK GDPR). This may require organizations to analyze and evaluate how they handle data in the ordinary course of their business. The costs of compliance and the potential for fines and penalties in the event of a breach may have an adverse impact on a Fund, particularly because penalties for non-compliance are material. The more serious breaches of these data protection laws could incur significant administrative penalties, for example, in the case of the GDPR, a fine of up to the greater of €20 million or 4% of aggregate global turnover for the preceding year (whichever is higher).

In addition to the data protection laws in Europe, the United States is going through a period of active consideration of additional data privacy and cybersecurity laws. These include the California Consumer Privacy Act ("**CCPA**"), effective January 1, 2020; the Stop Hacks and Improve Electronic Data Security ("**SHIELD**") Act, aspects of which took effect on October 23, 2019 and other aspects of took effect on March 21, 2020; a range of proposed additional laws in California, New York, Texas, Washington, Virginia and other states; and a range of proposed additional laws at the federal level. The cumulative effects of CCPA and other recently adopted laws include an increased ability of individuals, relative to companies, to control the use of their personal data; increased obligations of companies to maintain the security of data; and increased exposure to fines or damages for companies that do not accord individuals their specified privacy rights, that experience data breaches or that do not maintain cybersecurity at certain levels of

quality. There can be no assurance that these systems will be effective in mitigating the business impact of individuals' increased privacy rights or in avoiding fines or damages.

The Cayman Islands Data Protection Law. 2017 ("DPL") came into force in September 2019. The DPL is compatible with data protection rules in the EU and shares many of the same definitions and provisions with the GDPR. It is intended to regulate the collection, storage and processing of personal data in the Cayman Islands and to give individuals greater control over that data. The DPL applies to the Funds and any personal data provided to the Funds will be within the scope of the DPL regardless of where the investor providing that data is located. Breaches of the DPL could result in fines of up to C\$100,000 per breach, imprisonment for a term of up to 5 years, or both. Other monetary penalties of up to C\$250,000 are also possible under the law.

United Kingdom Exit from the European Union. On January 31, 2020, the UK formally left the EU ("**Brexit**"). This triggered a transition period that ended on December 31, 2020. The political discourse in the UK and EU with respect to Brexit may result in conditions that cause airlines, and by extension client investments, to suffer losses. As part of the process of the UK leaving the EU, the EU and the UK agreed an EU-UK Trade and Cooperation Agreement ("**TCA**") that governs the trading relationship between the UK and the member states of the EU from and after January 1, 2021. Broadly, the TCA provides for zero tariffs and zero quotas on all goods that comply with the appropriate rules of origin, but is subject to the both parties maintaining a level playing field in areas such as environmental protection, social and labor rights, investment, competition, state aid and tax transparency.

UK regulated firms in the financial sector are adversely affected by these arrangements because the TCA does not provide for continued access by UK firms to the EU single market; although there is the possibility that in time, the UK may obtain a recognition of equivalence from the EU in certain financial sectors which would enable varying degrees of access to the EU market. Similarly, notwithstanding zero tariffs and zero quotas on goods, market access for those firms that conduct cross-border trade in goods will fall below what the single market previously allowed. Non-tariff barriers, customs declarations, customs checks, restrictions on movements of employees, withdrawal of recognition of previously recognized professional qualifications, changes in the status of the UK vis-à-vis the EU for tax and VAT purposes, and other sources of friction have the potential to impair the profitability of a business, require it to adapt, or even relocate to operate through an establishment in the EU.

It will take some time to observe the many and varied effects on UK businesses of the consequences of leaving the single market and customs union (taking into account the flow of goods and services in both directions). Given the size and global significance of the UK's economy, at least in the near term, about the effect of the TCA on the day-to-day operations of those businesses that engage in the cross-border trade of goods or services between member states of the EU and the UK may be a continued source of currency fluctuations or have other adverse effects on international markets, international trade and other cross-border cooperation arrangements.

The present uncertainty could therefore adversely affect clients, the performance of their investments and the ability to achieve their investment objectives (especially if their investments include, or expose them to, businesses that have historically relied on access to the single market

for their trade or that have historically relied on sourcing goods, materials or labor from the single market).

EU Unshell. On December 22, 2021, the European Commission issued a proposal for a Council Directive laying down rules to prevent the misuse of shell entities for tax purposes within the EU (the “**Unshell Proposal**”). While the Unshell Proposal is expected to be adopted and published into EU member states’ national laws by June 30, 2023, and to come into effect as of January 1, 2024, there is considerable uncertainty surrounding the development of the proposal and its implementation. The proposal could result in additional reporting and disclosure obligations for a Fund (which may require a Fund to share with applicable taxing or other governmental authorities information concerning a Fund’s investors) and/or additional tax being suffered by the Funds.

Cayman Islands Placed on FATF Watch List. On February 25, 2021, the Financial Action Task Force (“**FATF**”), a global money laundering and terrorist financing watchdog whose membership includes the United States, the Netherlands, and several other countries (including most European countries and the UK) and which sets international standards that aim to prevent these illegal activities, added the Cayman Islands to the ‘grey list’ of jurisdictions that are subject to increased monitoring due to strategic deficiencies in its anti-money laundering system. It is unclear as to whether the Cayman Islands being placed on such list will have a significant, or any, effect on a client or their respective investments. There can be no assurance that the Cayman Islands will be delisted, or that being placed on such list (and any subsequent legislative action related thereto) will not have a materially adverse effect on a client or their respective investments or investors, particularly those clients that are domiciled in the Cayman Islands (*e.g.*, as Cayman Island companies and trusts).

FATCA and CRS. The Foreign Account Tax Compliance Act (“**FATCA**”) requires all entities in a broadly defined class of foreign financial institutions (“**FFIs**”) to comply with a complicated and expansive reporting regime or be subject to a 30% U.S. withholding tax on certain U.S. payments and requires non-U.S. entities which are not FFIs to either certify they have no substantial U.S. beneficial ownership or to report certain information with respect to their substantial U.S. beneficial ownership or be subject to a 30% U.S. withholding tax on certain U.S. payments. FATCA also contains complex provisions requiring participating FFIs to withhold on certain “foreign passthru payments” made to nonparticipating FFIs and to holders that fail to provide the required information. The definition of a “foreign passthru payment” is still reserved under the current U.S. Treasury Regulations; however, the term generally refers to payments that are from non-U.S. sources but that are “attributable to” certain U.S. payments as described above. Under proposed U.S. Treasury Regulations, on which taxpayers may rely, withholding on these payments is not set to apply before the date that is two years after the date of publication of final U.S. Treasury Regulations defining the term “foreign passthru payment.” In general, non-U.S. investment funds, such as any non-U.S. investment vehicle sponsored by the Investment Adviser or underlying entities in which such vehicle invests, may be considered FFIs. The reporting obligations imposed under FATCA require FFIs to enter into agreements with the IRS to obtain and disclose information about certain investors to the IRS or, if subject to an Intergovernmental Agreement (“**IGA**”), register with the IRS. IGAs are generally intended to result in the automatic exchange of tax information through reporting by an FFI to the government or tax authorities of the country in which such FFI is domiciled, followed by the automatic exchange of the reported

information with the IRS. These reporting requirements may apply to underlying entities in which a client invests and the client may not have control over whether such entities comply with the reporting regime. Any amounts withheld pursuant to FATCA that are allocable to an investor may, in accordance with the governing document of such client, be deemed to have been distributed to such investor to the extent the taxes reduce the amount otherwise distributable to such investor. Prospective investors in any investment vehicle sponsored by the Investment Adviser should consult their own tax advisors regarding all aspects of FATCA as it affects their particular circumstances.

In addition, the Organisation for Economic Cooperation and Development (“**OECD**”) has developed Common Reporting Standard (“**CRS**”) rules for the automatic exchange of FATCA-like financial account information amongst OECD member states. Like FATCA, CRS imposes certain due diligence, documentation and reporting requirements on various the Investment Adviser entities. While CRS does not contain a potential withholding requirement, non-compliance could subject the Investment Adviser to certain reputational harm. Moreover, compliance with such regimes could result in increased administrative and compliance costs and could subject certain investment entities sponsored by the Investment Adviser to increased non-U.S. withholding taxes.

Presentation of Performance. For most clients, especially those that are pooled investment vehicles, net performance is calculated on an aggregate basis after taking into account all fees and expenses actually borne by investors in the client as a group, but does not take into account any taxes borne or deemed to be borne by investors (such as taxes resulting from the investors’ domicile or taxes paid or payable by vehicles designed to address certain investors’ tax, regulatory or other similar issues). With respect to any particular investment vehicle, differences in timing of an investor’s subscription to the investment vehicle and the economic and other terms applicable to certain investors therein may increase or decrease the net performance information realized by such investors and, accordingly, the actual net performance information of a particular investor may differ from the net performance information disclosed to such investors.

Affiliation with Carlyle. There are risks related to Carlyle’s ownership interest in the Investment Adviser. These relate to the risk of third-party litigation, the potential for increased regulatory scrutiny and Carlyle’s ability to influence the Investment Adviser.

Carlyle Policies and Procedures. Policies and procedures implemented by Carlyle or its affiliates from time to time (including as may be implemented in the future) to mitigate potential conflicts of interest and address certain regulatory requirements and contractual restrictions may reduce the synergies across the Investment Adviser’s areas of operation or expertise that a client expects to draw on for purposes of pursuing attractive investment opportunities.

C. Risks Associated with Particular Types of Securities

Given the discretion we have in managing client portfolios, any one or more of the risks listed in the previous section may be incurred by our clients. However, because it may be useful in understanding our investment program, set forth below is a non-exclusive list of certain risks related to securities and other instruments that may be utilized within a client’s portfolio:

Debt Securities Generally. Debt securities of all types of issuers may have speculative characteristics, regardless of whether they are rated. The issuers of such instruments (including sovereign issuers) may face significant ongoing uncertainties and exposure to adverse conditions that may undermine the issuer's ability to make timely payment of interest and principal in accordance with the terms of the obligations.

Interest Rate Risk. Changes in interest rates can affect the value of a client's investments in fixed-income instruments. General interest rate fluctuations may have a substantial negative impact on a client's investment and investment opportunities, which accordingly may have an adverse effect on a client's investment objectives and rate of return on invested capital. Clients may experience increased interest rate risk to the extent it invests, if at all, in lower-rated instruments, debt instruments with longer maturities, debt instruments paying no interest (such as zero-coupon debt instruments) or debt instruments paying non-cash interest in the form of other debt instruments.

Prepayment Risk. The frequency at which prepayments (including voluntary prepayments by the obligors and accelerations due to defaults) occur on debt instruments will be affected by a variety of factors including the prevailing level of interest rates and spreads as well as economic, demographic, tax, social, legal and other factors. Generally, obligors tend to prepay their fixed rate obligations when prevailing interest rates fall below the coupon rates on their obligations. Similarly, floating rate issuers and borrowers tend to prepay their obligations when spreads narrow.

In general, "premium" securities (*i.e.*, securities whose market values exceed their principal or par amounts) are adversely affected by faster than anticipated prepayments, and "discount" securities (*i.e.*, securities whose principal or par amounts exceed their market values) are adversely affected by slower than anticipated prepayments. Since many fixed rate obligations will be discount instruments when interest rates and/or spreads are high, and will be premium instruments when interest rates and/or spreads are low, such debt instruments may be adversely affected by changes in prepayments in any interest rate environment.

The adverse effects of prepayments may impact a client's portfolio in two ways. First, particular investments may experience outright losses, as in the case of an interest-only instrument in an environment of faster actual or anticipated prepayments. Second, particular investments may underperform relative to hedges that the Investment Adviser may have constructed for these investments, resulting in a loss to a client's overall portfolio. In particular, prepayments (at par) may limit the potential upside of many instruments to their principal or par amounts, whereas their corresponding hedges often have the potential for unlimited loss.

High-Yield. Bonds or other fixed-income securities that are "higher yielding" (including non-investment grade) debt securities are generally not exchange traded and, as a result, these securities trade in the over-the-counter marketplace, which is less transparent and has wider bid/ask spreads than the exchange-traded marketplace. High-yield securities face ongoing uncertainties and exposure to adverse business, financial or economic conditions, which could lead to the issuer's inability to meet timely interest and principal

payments. High-yield securities are generally more volatile and may or may not be subordinated to certain other outstanding securities and obligations of the issuer, which may be secured by substantially all of the issuer's assets. High-yield securities may also not be protected by financial covenants or limitations on additional indebtedness. The market values of certain of these lower-rated and unrated debt securities tend to reflect individual corporate developments to a greater extent than do higher-rated securities, which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than are higher-rated securities. Companies that issue such securities may be highly leveraged and may not have available to them more traditional methods of financing. In addition, clients may invest in bonds of issuers that do not have publicly traded equity securities, making it more difficult to hedge the risks associated with such investments.

Clients may invest in obligations of issuers that are generally trading at significantly higher yields than had been historically typical of the applicable issuer's obligations. Such investments may include debt obligations that have a heightened probability of being in covenant or payment default in the future or that are currently in default and are generally considered speculative. The repayment of defaulted obligations is subject to significant uncertainties. Defaulted obligations might be repaid only after lengthy workout or bankruptcy proceedings, during which the issuer might not make any interest or other payments. Typically such workout or bankruptcy proceedings result only in partial recovery of cash payments or an exchange of the defaulted security for other debt or equity securities of the issuer or its affiliates, which may in turn be illiquid or speculative.

Corporate Debt. Bonds, notes and debentures issued by corporations may pay fixed, variable or floating rates of interest, and may include zero-coupon obligations. Corporate debt instruments may be subject to credit ratings downgrades. Other instruments may have the lowest quality ratings or may be unrated. In addition, clients may be paid interest in kind in connection with their investments in corporate debt and related financial instruments (e.g., the principal owed to clients in connection with a debt investment may be increased by the amount of interest due on such debt investment). Such investments may experience greater market value volatility than debt obligations that provide for regular payments of interest in cash and, in the event of a default, clients may experience substantial losses.

Mezzanine Debt. Mezzanine debt is typically junior to the obligations of a company to senior creditors, trade creditors and employees. The ability of clients to influence a company's affairs, especially during periods of financial distress or following an insolvency, will be substantially less than that of senior creditors. Mezzanine debt instruments are often issued in connection with leveraged acquisitions or recapitalizations in which the issuers incur a substantially higher amount of indebtedness than the level at which they had previously operated. Default rates for mezzanine debt instruments have historically been higher than for investment-grade instruments. In the event of the insolvency of a portfolio company of clients or similar event, a client's debt investment therein will be subject to fraudulent conveyance, subordination and preference laws.

Stressed Debt. Stressed issuers are issuers that are not yet deemed distressed or bankrupt and whose debt securities are trading at a discount to par, but not yet at distressed levels. An example would be an issuer that is in technical default of its credit agreement, or undergoing strategic or operational changes, which results in market pricing uncertainty. The market prices of stressed and distressed instruments are highly volatile, and the spread between the bid and the ask prices of such instruments is often unusually wide.

Non-Performing Nature of Debt. Certain debt instruments may be non-performing or in default. Furthermore, the obligor or relevant guarantor may also be in bankruptcy or liquidation. There can be no assurance as to the amount and timing of payments, if any, with respect to such debt instruments.

Troubled Origination. When financial institutions or other entities that are insolvent or in serious financial difficulty originate debt, the standards by which such instruments were originated, the recourse to the selling institution, or the standards by which such instruments are being serviced or operated may be adversely affected.

Derivative Instruments Generally. Derivative instruments may be subject to various types of risks, including market risk, liquidity risk, the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty, legal risk and operations risk. Derivatives traded over-the-counter may not have an authoritative source of valuation and the models used to value such derivatives is subject to change. Special risks may apply in the future that cannot be determined at this time with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available. The regulatory and tax environment for derivative instruments in which clients may participate is evolving, and changes in the regulation or taxation of such securities may have a material adverse effect on clients.

Forward Contracts. Banking authorities generally do not regulate trading in forward contracts. The principals who deal in the forward contract market are not required to continue to make markets in such contracts. There have been periods during which certain participants in forward markets have refused to quote prices for forward contracts or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. The imposition of credit controls or price risk limitations by governmental authorities may limit such forward trading to less than that which the Investment Adviser would otherwise recommend, to the possible detriment of clients. In its forward trading, clients will be subject to the risk of the failure of, or the inability or refusal to perform with respect to its forward contracts by, the principals with which clients trade. Fund assets on deposit with such principals will also generally not be protected by the same segregation requirements imposed on certain regulated brokers in respect of customer funds on deposit with them. The Investment Adviser may order trades for clients in such markets through agents. Accordingly, the insolvency or bankruptcy of such parties could also subject clients to the risk of loss.

ETCs and EETCs. An ETC generally represents an interest in the assets of one or more pass-through trusts that hold equipment notes, typically issued by an airline or other company that owns aircraft, secured by a pool of aircraft (and may also include related assets such as engines or

spare parts) which may be owned by the airline outright, owned by the airline subject to a mortgage or other financing, or even scheduled for delivery to the airline. An EETC is an ETC which is senior to all other debt obligations of the ETC obligor or issuer. A client may invest in EETCs or ETCs, or may make direct investments in equipment notes.

Because payments on ETCs and EETCs depend on payments on underlying equipment notes, the performance of ETCs and EETCs, like the performance of equipment notes, depend on the financial and operating condition of the obligor on the underlying equipment notes. Accordingly the risks of investing in ETCs and EETCs, as well as direct investments in equipment notes, include risks associated with investments in the airline industry, such as high competition, difficulty in controlling labor costs and pension obligations, seasonal and changing demand for air travel, fuel costs and operating expenses (including security), regulatory and legal oversight as well as challenges related to doing business globally, insurance costs, the risk of accidents and the risk of hostile acts.

Moreover, the value of the aircraft securing underlying equipment notes is typically based on appraisals that are based on assumptions and methodologies which differ among appraisers, and may in some cases be prepared without physical inspection of the related aircraft. This may result in valuations that are materially different among different appraisal firms. Because appraisals are only estimates of value, they should not be relied upon as a measure of realizable value. The proceeds realized upon a sale of an aircraft may be less than its appraised value.

In addition, if a default occurs under an indenture for the underlying equipment notes, the holder of the notes or the trustee for the ETC or EETC may not be the party which controls remedies, in which case it will not have rights to participate in directing the exercise of remedies. Holders of equipment notes may not realize the full amount of the outstanding principal balance. For any holder of an ETC or a EETC, the equipment notes might, in the exercise of remedies, be sold for less than their outstanding principal amount, in which case holders of ETCs or EETCs may suffer a material loss, and such investors will not have recourse against the obligors on the equipment notes for any shortfall.

Finally, while under normal market conditions there is a secondary market for resale of many issues of equipment notes, ETC or EETC, the liquidity of the secondary market may vary from time to time. At certain times, particularly under stressed market conditions, the secondary market may not be sufficiently liquid to allow for the sale, or the sale at reasonable prices, of equipment notes, ETC or EETC owned by clients.

ABS Generally. The investment characteristics of ABS differ from traditional debt securities. Among the major differences are that interest and principal payments are made more frequently, usually monthly, and that the principal may be prepaid at any time because the underlying loans or other assets generally may be prepaid at any time.

Aviation-backed ABS are subject to many of the same risk factors as ETCs and EETCs, including the financial health of the underlying obligors, the valuation of the aircraft collateral, default risk and the risk that markets for ABS instruments may become illiquid.

Currencies. A principal risk in trading currencies is the rapid fluctuation in the market prices of currency contracts. Prices of currency contracts traded by clients are affected generally by relative interest rates, which in turn are influenced by a wide variety of complex and difficult to predict factors such as money supply and demand, balance of payments, inflation levels, fiscal policy, and political and economic events. In addition, governments from time to time intervene, directly and by regulation, in these markets, with the specific effect, or intention, of influencing prices which may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations.

Distressed Obligations. The obligations of issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems (including companies involved in bankruptcy or other reorganization and liquidation proceedings) are likely to be particularly risky investments although they also may offer the potential for correspondingly high returns. Among the risks inherent in investments in troubled entities is the risk that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments may also be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate, recharacterize debt as equity or disenfranchise particular claims. Such companies' obligations may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies. In addition, there is no minimum credit standard that is a prerequisite to a client's investments in any security. Obligations in which clients invest may be less than investment grade. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. There is no assurance that the value of the assets collateralizing a client's investments will be sufficient or that prospects for a successful reorganization or similar action will become available. In any reorganization or liquidation proceeding relating to a company in which clients invest, clients may lose their entire investment, may be required to accept cash or securities with a value less than their original investment and/or may be required to accept payment over an extended period of time. Under such circumstances, the returns generated from a client's investments may not compensate the investors adequately for the risks assumed. In addition, under certain circumstances, payments and distributions may be disgorged if any such payment is later determined to have been a fraudulent conveyance or a preferential payment.

In liquidation (both in and out of bankruptcy) and other forms of corporate reorganization, there exists the risk that the reorganization either will be unsuccessful (due to, for example, failure to obtain requisite approvals), will be delayed (for example, until various liabilities, actual or contingent, have been satisfied) or will result in a distribution of cash or a new security the value of which will be less than the purchase price to the client of the security in respect to which such distribution was made.

Illiquid Securities. Investment in a client may require a long-term commitment with no certainty of return, and there can be no assurance that a client will be able to realize returns on such investments in a timely manner. Consequently, dispositions of such investments may require a lengthy time period and often results in higher brokerage charges, dealer discounts and other

selling expenses than the sale of securities eligible for trading on national securities exchanges or over-the-counter markets. To the extent that there is no liquid trading market for an investment, the Investment Adviser may be unable to liquidate that investment or may be unable to do so at a profit. Moreover, there can be no assurances that private purchasers of a client's investment will be found. As a result, clients may be required to hold such securities despite adverse price movements. Even those markets which the Investment Adviser expects to be liquid can experience periods, possibly extended periods, of illiquidity. Occasions have arisen in the past where previously liquid investments have rapidly become illiquid.

Because there is significant uncertainty as to the valuation of illiquid investments, the market prices, if any, of such investments may not necessarily reflect the fair value that could actually be realized by a client. Under certain conditions, a client may be forced to sell investments at lower prices than it had expected to realize or defer, potentially for a considerable period of time, sales that it had planned to make. In addition, under limited circumstances, the Investment Adviser may not have access to all material information relevant to a valuation analysis with respect to an investment. As a result, the valuation of such client's investments, and, consequently, the valuation of the interests themselves, may be based on imperfect information and is subject to inherent uncertainties and may not be readily ascertainable.

Also see the risk factors above discussing market conditions and turmoil in the global financial markets for an additional discussion of the potential impact such market conditions may have on asset prices and valuations for clients and their potential or existing investments.

Restricted Securities. Restricted securities cannot be sold to the public without registration under the Securities Act. Unless registered for sale, restricted securities can be sold only in privately negotiated transactions or pursuant to an exemption from registration (*e.g.*, under Rule 144A of the Securities Act). Although these securities may be resold in privately negotiated transactions, because there is often little liquidity for these securities, they may be difficult and take a substantial amount of time to sell, and the prices realized from these sales could be less than those originally paid by clients. Restricted securities may involve a high degree of business and financial risk which may result in substantial losses.

Undervalued Securities. The identification of investment opportunities in undervalued securities is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. While investments in undervalued securities offer the opportunity for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from a client's investments may not adequately compensate for the business and financial risks assumed.

Unlisted Securities. Unlisted securities may involve higher risks than listed securities. Because of the absence of any trading market for unlisted securities, it may take longer to liquidate, or it may not be possible to liquidate, positions in unlisted securities than would be the case for publicly traded securities. Companies whose securities are not publicly traded may not be subject to public disclosure and other investor protection requirements applicable to publicly traded securities.

Item 9. Disciplinary Information

The Investment Adviser and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of the Investment Adviser or its personnel. For information regarding Carlyle, please see Part 1 and Part 2 of Form ADV of the various Carlyle-affiliated investment advisers, available at: <https://www.adviserinfo.sec.gov/>.

Item 10. Other Financial Industry Activities and Affiliations

A. Broker-Dealer Registration Status

The Investment Adviser is not registered as a broker-dealer and does not have any application pending to register as a broker-dealer or registered representative of a broker-dealer. The Chief Compliance Officer of the Investment Adviser is a registered representative and supervisory principal of TCG Capital Markets L.L.C., which is discussed in further detail below.

In 2018, Carlyle obtained FINRA approval for TCG Capital Markets L.L.C. (“**TCG Capital Markets**”), an affiliated broker-dealer entity that operates as part of the Global Credit Markets (“**GCM**”) platform within Carlyle’s Global Credit segment, and engages in the underwriting, syndication and placement of securities of corporate issuers in private transactions, underwriting, syndication of corporate issuers in public offerings (including IPOs) and/or participating in the underwriting syndicate for public offerings, underwriting or sponsoring mutual funds in a wholesaler capacity, among other related activities, including U.S.-based marketing and fundraising for Global Credit advisory clients. In addition, TCG Capital Markets is registered as a broker-dealer with the SEC and in 49 states and the District of Columbia. The GCM platform also includes TCG Senior Funding, L.L.C., an affiliate of TCG Capital Markets, which has been established to arrange, place underwrite, originate and syndicate loans, and may act as the initial purchaser of such loans.

The Investment Adviser does not use TCG Capital Markets to execute trades on behalf of clients and TCG Capital Markets does not hold funds or securities for, or owe money or securities to, clients of the Investment Adviser. TCG Capital Markets may act, from time to time, as a placement agent with respect to advisory services offered by the Investment Manager.

GCM is expected to collect the following types of capital markets fees, including, without limitation, offering, placement, financing, syndication, capital markets advisory, turnaround, workout, underwriting, solicitation, currency, hedging, structuring, loan agent, loan servicing, rating advisory or similar fees in connection with the activities of Carlyle clients and their portfolio companies, including with respect to an initial public offering or private placement, the arranging or provision of credit facilities for such client or one of its portfolio companies and other vehicles managed or controlled by Carlyle, the distribution or placement of loans or equity securities of a Carlyle client portfolio company or otherwise arranging or providing financing for such portfolio company alone or with other lenders, which could include other vehicles managed or controlled by Carlyle. Certain registered representatives of TCG Capital Markets also are expected to be providing investment advisory services to Carlyle’s clients and to advisory clients of Carlyle-affiliated investment advisers. These individuals are subject to the policies and procedures of TCG Capital Markets when engaging in securities-related transactional activities in addition to CIM’s (or the relevant Carlyle-affiliated investment advisers’) policies and procedures.

In addition to TCG Capital Markets, there are other U.S. and non-U.S. broker-dealer affiliates of Carlyle whose activities are unrelated to the activities of the Investment Adviser. For information regarding Carlyle, please see Part 1 and Part 2 of Form ADV of the various Carlyle-affiliated investment advisers, available at: <https://www.adviserinfo.sec.gov/>.

B. Material Relationships or Arrangements with Industry Participants

1. *The Carlyle Group Inc.*

As discussed in Item 4 above, the Investment Adviser is affiliated with Carlyle. The Investment Adviser operates separately from, and carries out its investment process independent of, Carlyle and other Carlyle-affiliated investment advisers.

Carlyle is a global alternative asset management firm with business operations across several business segments. Although the Investment Adviser is a separately-registered investment adviser and carries out its investment operations independently of Carlyle, the Investment Adviser's status as part of the larger Carlyle organization raises certain actual and potential conflicts of interest, as discussed below.

Further, the Investment Adviser intends to share or leverage certain operational functions and resources at Carlyle, such as corporate accounting, information technology, and compliance. Because Carlyle has many different asset management and advisory businesses and operates on a global basis, the Investment Adviser may be subject to greater regulatory oversight than it would be absent its relationship with Carlyle. The Investment Adviser and its clients also may be subject to certain legal and other restrictions on their investment activities as a consequence of the Carlyle relationship including, for example, limitations imposed by non-U.S. regulatory authorities, or restrictions on the purchase or sale of, or exercise of voting or other rights with respect to, the debt instruments of an issuer when a Carlyle advisory client holds the equity of the issuer and the issuer is an affiliate of Carlyle.

Carlyle and its directors, members, managers, partners, shareholders, officers, employees, agents and affiliates (including the Investment Adviser and its officers, employees, agents and affiliates) may conduct any other business, including any business within the securities industry, whether or not such business competes with the Investment Adviser. Without limiting the generality of the foregoing, Carlyle and its affiliated companies and persons act and will continue to act as general partner, investment adviser or investment manager for others, manage funds, separate accounts or capital for others, have, make and maintain investments in their own name or through other entities and may serve as officers, directors, consultants, partners or stockholders of one or more investment funds, partnerships, securities firms or advisory firms.

For the purposes of this brochure, references to the "Investment Adviser" include its affiliates specified above, but do not include references to Carlyle. For additional information regarding Carlyle-affiliated investment advisers, such as Carlyle Investment Management L.L.C., Carlyle Global Credit Investment Management L.L.C. and CELF Advisors LLP, including persons related to such advisers that may act as investment advisers or sub-advisers or commodity pool operators, please see Part 2 of Form ADV of such particular investment adviser, available at: <https://www.adviserinfo.sec.gov/>.

C. Material Conflicts of Interest Relating to Other Investment Advisers

We do not recommend or select other investment advisers for our clients. The Investment Adviser is affiliated with CAML, which files as an exempt reporting adviser with the SEC, and with Carlyle Aviation PDP Management LLC, which is a registered investment adviser. For additional information regarding affiliated investment advisers, including persons related to such advisers that may act as investment advisers or sub-advisers or commodity pool operators, please see Form ADV of such particular investment adviser, available at: <https://www.adviserinfo.sec.gov/>.

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

A. Code of Conduct

We strive to adhere to the highest industry standards of conduct based on principles of professionalism, integrity, honesty and trust. In seeking to meet these standards, we have adopted a Code of Conduct (the “**Code**”). The Code incorporates the following general principles that all employees are expected to uphold:

- employees must at all times place the interests of clients first;
- all personal securities transactions must be conducted in a manner consistent with the Code and any actual or potential conflicts of interest or any abuse of an employee’s position of trust and responsibility must be avoided;
- employees must not take any inappropriate advantage of their positions;
- information concerning the identity of securities and financial circumstances of clients, including a client’s investors, must be kept confidential; and
- independence in the investment decision-making process must be maintained at all times.

Clients may request a copy of the Code by contacting us at the address or telephone number listed on the first page of this document.

As noted above, the Investment Adviser is also subject to written policies and procedures to account for the pay-to-play regulations promulgated by the SEC, and to comply with the New York Attorney General’s Public Pension Fund Reform Code of Conduct, which governs the Investment Adviser’s interactions with U.S. public pension funds. Clients may request a copy of this Code of Conduct by contacting us at the address or telephone number listed on the first page of this document.

The Investment Adviser may take disciplinary measures against any of the Investment Adviser’s personnel who violate the Code, including, without limitation, imposing penalties, reducing compensation, demotion, requiring unwinding of any applicable trade, requiring disgorgement of trading gains, suspending or terminating employment, or any combination of the foregoing. The Investment Adviser’s personnel are also required to promptly report any violation of the Code of which they become aware.

B. Securities in which the Investment Adviser or a Related Person Has a Material Financial Interest

1. *Cross Transactions*

The Investment Adviser may determine that it would be in the best interests of certain clients to transfer a security from one client to another (each such transfer, a “**Cross Trade**”) for a variety of reasons, including, without limitation, tax purposes, liquidity purposes, to rebalance

the portfolios of the clients, or to reduce transaction costs that may arise in an open market transaction. If the Investment Adviser decides to engage in a Cross Trade, the Investment Adviser will determine that the trade is in the best interests of each client involved in it and take steps to ensure that the transaction is consistent with the duty to obtain best execution for each of those clients. Further, no cross trades may be effected without the express written approval of the Investment Adviser's chief compliance officer.

The Investment Adviser may execute Cross Trades with the assistance of a broker-dealer who executes and books the transaction. Alternatively, a Cross Trade between two clients may occur as an "internal cross", where the Investment Adviser instructs the custodian for the clients to book the transaction at the price determined in accordance with the Investment Adviser's valuation policy. If the Investment Adviser effects an internal cross, the Investment Adviser will not receive any fee in connection with the completion of the transaction.

2. Principal Transactions

To the extent that Cross Trades may be viewed as principal transactions due to the ownership interest in a client by the Investment Adviser or its personnel, the Investment Adviser will comply with the requirements of Section 206(3) of the Advisers Act, including that any such transactions will be considered on behalf of investors in such a client and approved or disapproved by (i) an advisory board comprised of representatives of such investors or (ii) a committee consisting of one or more persons selected by the Investment Adviser (or its affiliate), and any valuation approved by such a committee will be determined by an independent third party that has appropriate experience in providing such valuations. Further, no principal transactions may be effected without the express written approval of the Investment Adviser's chief compliance officer.

C. Investing in Securities that the Investment Adviser or a Related Person Recommends to Clients

The Code places restrictions on personal trades by employees, including that they disclose their personal securities holdings and transactions to the Investment Adviser on a periodic basis, and requires that employees pre-clear certain types of personal securities transactions, such as investments in equities, bonds, options, private placements and initial public offerings. Employees are also required to pre-clear any investments in aviation-related securities and, in general, requests to trade in aviation-related securities will only be considered if the request is to dispose of aviation-related securities positions that were established prior to being employed by the Investment Adviser.

The Investment Adviser, its affiliates and its employees may give advice or take action for their own accounts and other clients that may differ from, conflict with or be adverse to advice given or action taken for clients. These activities may adversely affect the prices and availability of other securities or instruments held by or potentially considered for one or more clients.

The Investment Adviser has established policies and procedures to monitor and resolve conflicts with respect to investment opportunities in a manner it deems fair and equitable, including the restrictions placed on personal trading in the Code, as described above, and regular monitoring of employee transactions and trading patterns for actual or perceived conflicts of interest, including

those conflicts that may arise as a result of personal trades in the same or similar securities made at or about the same time as client trades.

From time to time, the Investment Adviser may place orders for new issue securities on behalf of clients in coordination with other investment teams in Carlyle. The Investment Adviser believes that presenting a larger order with the underwriter improves the quality of execution (*i.e.*, that clients will receive a larger allocation of oversubscribed new issues) and thus believes that presenting a larger order is beneficial to clients. There is a risk, however, that the larger order will not result in a larger allocation of a new issue and that clients will receive a smaller allocation of the new issue than they would receive if the order have not been coordinated with Carlyle and the resulting allocation was not split pro rata between the Investment Adviser's clients and Carlyle.

D. Conflicts of Interest Created by Contemporaneous Trading

It is the policy of the Investment Adviser to allocate investment opportunities among all clients in a fair and equitable manner, to the extent practical and in accordance with each client's applicable investment strategies, over a period of time.

The default rules that determine what "fair and equitable" allocations are as follows:

- For all purchases of securities, trades are allocated on a pro rata basis, on the basis of capital (or, if applicable, on "buying power"); and
- For all sales of securities, trades are allocated on a pro rata basis, which may be on the basis of capital or on the basis of the position size in the various accounts.

The Investment Adviser will have no obligation to purchase or sell a security for, enter into a transaction on behalf of, or provide an investment opportunity to any client solely because the Investment Adviser purchases or sells the same security for, enters into a transaction on behalf of, or provides an opportunity to any client if, in its reasonable opinion, such security, transaction or investment opportunity does not appear to be suitable, practical or desirable for the client. The Investment Adviser's discretionary clients are typically managed according to a risk framework that specifies exposure limits in a number of categories (*e.g.*, credit rating, issuer exposure, individual security exposure, regional exposure, etc.). A client may not be eligible to participate in a transaction executed by the Investment Adviser if the transacted security does not fit a client's investment mandate or if the transacted security, if allocated to a client, would cause a client to breach the limits laid out in the applicable risk framework.

E. Other Potential Conflicts

From time to time, the Investment Adviser and its affiliated persons may come into possession of material non-public or other confidential information with respect to an issuer of publicly traded securities. In such circumstances, the Investment Adviser generally would be prohibited, by law, policy and/or contract, for a period of time from (i) unwinding a client position in such issuer, (ii) establishing an initial client position or taking any greater client position in such issuer and/or (iii) pursuing other investment opportunities related to such issuer. In addition, the Investment Adviser maintains an information barrier between itself and the personnel, systems and offices of CAML, Carlyle Aviation Partners and other Carlyle-affiliated registered investment

advisers. Staff of Carlyle Aviation Partners provide services to its affiliated specialty aviation asset managers. The information barrier is designed to prevent the introduction of material, non-public information to the Investment Adviser's personnel from other affiliates. Accordingly, should the Investment Adviser or any of its affiliated persons come into possession of material non-public or other confidential information with respect to an issuer, the Investment Adviser generally would be prohibited from communicating such information to clients, and the Investment Adviser will not have responsibility or liability for failing to disclose such information to clients as a result of following their policies and procedures designed to comply with applicable law.

Allocations. The Investment Adviser is, from time to time, presented with investment opportunities that fall within the investment objectives of multiple clients, and in such circumstances, except as otherwise provided in the governing documents of the applicable client, the Investment Adviser will allocate such opportunities among the clients (including, without limitation, an allocation of 100% of such an opportunity to a single client) on a basis that the Investment Adviser reasonably determines in good faith to be fair and reasonable taking into account all factors deemed relevant, including the requirements of the government documents of the applicable clients, the sourcing of the transaction, the nature of the investment objective, investment focus, mandate or policies, target return profile or projected hold period of each client, results of underwriting analyses, including projected returns and target hold period for the investment, the relative amounts of capital available for investment, the nature and extent of involvement in the transaction on the part of the respective teams of investment professionals for each such Fund, applicable law and other regulatory guidance and other considerations deemed relevant by the Investment Adviser in good faith. Each client may pursue investment opportunities similar to those pursued by another client. Allocation decisions can raise conflicts, for example, if clients have different fee structures. The allocation of investment opportunities among clients will be determined by the Investment Adviser in its good faith judgment and in accordance with the organizational documents of the relevant clients.

Intangible Benefits. The Investment Adviser and its personnel can be expected to receive certain intangible and/or other benefits and/or perquisites arising or resulting from their activities on behalf of clients that will not be subject to the management fee offset or otherwise shared with clients or investors. For example, airline travel or hotel stays incurred as fund or account expenses typically result in cash rebates, "miles," "points" or credit in loyalty/status programs, and such benefits and/or amounts will, whether or not de minimis or difficult to value, inure exclusively to such personnel (and not the clients and/or investors) even though the cost of the underlying service is borne by the clients and/or investors. Although the Investment Adviser has never charged travel-related expenses to clients and/or investors, such expenses may be incurred in the future.

Loan Arranger Activity. The Investment Adviser may arrange loans to airline borrowers that are also issuers of securities that fall within the investment mandate of the Investment Adviser's clients. The Investment Adviser could be incentivized to manage portfolios on behalf of clients in a manner that is intended to be viewed favorably by the prospective loan borrower. For example, the Investment Adviser may be incentivized to purchase securities that it would otherwise not purchase or hold securities that it would otherwise sell. This risk is partially mitigated by the risk frameworks that apply to discretionary clients that prescribe various risk limits and limitations on the types of investments that may be traded on behalf of a client mandate.

Item 12. Brokerage Practices

A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions

As noted previously, we have full discretionary authority to manage the Funds, including authority to make decisions with respect to which securities are bought and sold, the amount and price of those securities, the brokers or dealers to be used for a particular transaction, and commissions or markups and markdowns paid. The Investment Adviser's authority is limited by its own internal policies and procedures and each Fund's investment guidelines.

Portfolio transactions for each client are allocated to brokers and dealers on the basis of numerous factors and not necessarily lowest pricing. Brokers and dealers may provide other services that are beneficial to us and/or certain clients, but not beneficial to all clients. Subject to best execution, in selecting brokers and dealers to execute transactions, provide financing and securities on loan, hold cash and short balances and provide other services, we may consider, among other things, the following:

- Financial stability;
- Speed, likelihood and timeliness of execution;
- Ability to complete the transaction adequately through to clearance, confirmation and delivery;
- The value of the research provided and useful ideas
- Access to secondary markets;
- Responsive personnel;
- Trading experience;
- Familiarity and expertise with the trading security; and
- Track record in achieving best results on similar transactions.

Additionally, any new broker is subject to the Investment Adviser's financial review process and subject to an appropriate background search in order to ensure that there are no regulatory concerns or pending disciplinary proceedings.

Accordingly, the commission rates (or dealer markups and markdowns) charged to the Funds by brokers or dealers in the foregoing circumstances may be higher than those charged by other brokers or dealers who may not offer such services. The Investment Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost or spread. Generally, neither the Investment Adviser nor the Funds separately compensate any broker or dealer for any of these other services.

We maintain policies and procedures to review the quality of executions, including periodic reviews by its investment professionals.

1. *Research and Other Soft Dollar Benefits*

The Investment Adviser currently does not expect to receive or use soft dollars.

Although not currently anticipated, the Investment Adviser may pay a broker-dealer commissions (or markups or markdowns with respect to certain types of riskless principal transactions) for effecting Fund transactions in excess of that which another broker-dealer might have charged for effecting the transaction in recognition of the value of the brokerage and research services provided by the broker-dealer. The Investment Adviser will effect such transactions, and receive such brokerage and research services, only to the extent that they fall within the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934, as amended, and subject to prevailing guidance provided by the SEC regarding Section 28(e). The Investment Adviser believes it is important to its investment decision-making processes to have access to independent research.

Also, consistent with Section 28(e), research products or services generated by one or more Funds may be used by the Investment Adviser to service one or more other clients, including clients that may not have paid for the soft dollar benefits. The Investment Adviser does not seek to allocate soft dollar benefits to client accounts in proportion to the soft dollar credits the client accounts generate. Where a product or service obtained with soft dollars provides both research and non-research assistance to the Investment Adviser (*i.e.*, a “mixed use” item), the Investment Adviser will make a good faith allocation of the cost which may be paid for with soft dollars. In making good faith allocations of costs between administrative benefits and research and brokerage services, a conflict of interest may exist by reason of the Investment Adviser’s allocation of the costs of such benefits and services between those that primarily benefit the Investment Adviser and those that primarily benefit the Funds.

When the Investment Adviser uses client brokerage commissions (or markups or markdowns) to obtain research or other products or services, the Investment Adviser receives a benefit because it does not have to produce or pay for such products or services. The Investment Adviser may have an incentive to select or recommend a broker-dealer based on the Investment Adviser’s interest in receiving research or other products or services, rather than on its clients’ interest in receiving most favorable execution.

At least annually, the Investment Adviser considers the amount and nature of research and research services provided by broker-dealers, as well as the extent to which such services are relied upon, and attempts to allocate a portion of the brokerage business of its Funds on the basis of that consideration. Broker-dealers sometimes suggest a level of business they would like to receive in return for the various products and services they provide. Actual brokerage business received by any broker-dealer may be less than the suggested allocation, but can (and often does) exceed the suggested level, because total brokerage is allocated on the basis of all of the considerations described above. In no case will the Investment Adviser make binding commitments as to the level of brokerage commissions it will allocate to a broker-dealer, nor will it commit to pay cash if any informal targets are not met. A broker-dealer is not excluded from receiving business because it has not been identified as providing research products or services.

2. Brokerage for Client Referrals

Neither the Investment Adviser nor any related person receives client referrals from any broker-dealer or third party.

3. *Directed Brokerage*

The Investment Adviser does not recommend, request or require that, a client direct the Investment Adviser to execute transactions through a specified broker-dealer.

B. Order Aggregation

The Investment Adviser currently manages fund structures, a separately managed account and also provides non-discretionary investment advisory services to SALSA clients. To the extent that the Investment Adviser may trade for multiple clients simultaneously, if the Investment Adviser determines that the purchase or sale of a security is appropriate with regard to multiple clients, the Investment Adviser may, but is not obligated to, purchase or sell such a security on behalf of such clients with an aggregated order, for the purpose of reducing transaction costs, to the extent permitted by applicable law. When an aggregated order is filled through multiple trades at different prices on the same day, each participating client will receive the average price, with transaction costs generally allocated *pro rata* based on the size of each client's participation in the order (or allocation in the event of a partial fill) as determined by the Investment Adviser. In the event of a partial fill, allocations may be modified on a basis that the Investment Adviser deems to be appropriate, including, for example, in order to avoid odd lots or *de minimis* allocations. When orders are not aggregated, trades generally will be processed in the order that they are placed with the broker or counterparty selected by the Investment Adviser. As a result, certain trades in the same security for one client (including a client in which the Investment Adviser and its personnel may have a direct or indirect interest) may receive more or less favorable prices or terms than another client, and orders placed later may not be filled entirely or at all, based upon the prevailing market prices at the time of the order or trade. In addition, some opportunities for reduced transaction costs and economies of scale may not be achieved.

C. Trade Errors

The Investment Adviser maintains an internal trade error policy that will apply in the absence of any specific regulatory or contractual provisions (*e.g.*, for an account that constitutes "plan assets" under ERISA). Among other things, this policy requires that the Investment Adviser's personnel correct errors as soon after discovery as reasonably practical, report errors to the Chief Compliance Officer, and reverse losses suffered as a result of the Investment Adviser's gross negligence or willful misconduct.

Item 13. Review of Accounts

A. Frequency and Nature of Review of Client Accounts or Financial Plans

We perform various daily, weekly, monthly, quarterly and periodic reviews of each client's portfolio. Such reviews are conducted by the members of the investment team, our portfolio manager, or compliance group.

B. Factors Prompting Review of Client Accounts Other than a Periodic Review

A review of a client account may be triggered by any unusual activity or special circumstances.

C. Content and Frequency of Account Reports to Clients

We generally provide annual audited financial statements to our clients within 90 days of the applicable client's fiscal year end.

Investors in the Funds generally receive a letter from the Investment Adviser, no less frequently than quarterly, documenting the performance of their Fund, along with a commentary by the Investment Adviser, although the Investment Adviser may provide certain investors with information on a more frequent and detailed basis if agreed to by the Investment Adviser. Information also may be available through a fund administrator's password-protected website. In addition, the Investment Adviser issues investor tax reports and audited financial statements concerning their respective Funds within 90 days of the end of a Fund's fiscal year. While all investors generally receive similar information, to the extent an investor receives additional information (that other investors have not received), which is in addition to information provided in a Fund's regular reports to investors, such information may provide such investor with greater insight into a Fund's activities. This may enhance such investor's ability to make investment decisions with respect to a Fund and possibly affect such investor's decision to request a redemption from the Fund.

Item 14. Client Referrals and Other Compensation

A. Economic Benefits for Providing Services to Clients

We do not receive economic benefits from non-clients for providing investment advice and other advisory services. As noted in Item 4, we may arrange loans from institutional investors to airlines and will receive a loan arranger fee in connection with such loans.

B. Compensation to Non-Supervised Persons for Client Referrals

As described in Item 10 above, TCG Capital Markets may serve as a placement agent with respect to advisory services offered by the Investment Adviser. Neither the Investment Adviser nor its clients pay TCG Capital Markets for such services.

Morgan Stanley MUFG Securities Co., Ltd. is a third-party distributor compensated to assist with referring clients to the SALSA platform and to assist with introducing Japanese institutional investors; we may utilize other placement agents from time to time.

Item 15. Custody

The Investment Adviser is deemed to have custody of client funds and securities in instances when it has the authority to obtain client funds or securities, for example, by deducting advisory fees from a client's account or otherwise withdrawing funds from a client's account. Account statements related to the clients are sent by qualified custodians to the Investment Adviser.

The Investment Adviser is subject to Rule 206(4)-2 under the Advisers Act (the “**Custody Rule**”) for its Fund clients. However, it is not required to comply (or is deemed to have complied) with certain requirements of the Custody Rule with respect to each Fund for which it has custody because it complies with the provisions of the so-called “Pooled Vehicle Annual Audit Exception”, which, among other things, requires that each such Fund be subject to audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and requires that each such Fund distribute its audited financial statements to all investors within 120 days of the end of its fiscal year.

Item 16. Investment Discretion

The Investment Adviser serves as the management company with discretionary trading authority to each Fund and the separately managed account.

Our investment decisions and advice with respect to each Fund are subject to each Fund's investment objectives and guidelines, as set forth in its offering documents.

The Investment Adviser or an affiliate of the Investment Adviser entered into an investment management agreement, or similar agreement, with each Fund pursuant to which the Investment Adviser or that affiliate was granted discretionary trading authority.

The SALSA accounts are non-discretionary.

Loans arranged by the Investment Adviser to finance the acquisition of commercial aircraft by airlines are non-discretionary.

Item 17. Voting Client Securities

A. Policies and Procedures Relating to Voting Client Securities

In compliance with Advisers Act Rule 206(4)-6, the Investment Adviser has adopted proxy voting policies and procedures. The general policy is to vote proxy proposals, amendments, consents or resolutions (collectively, “**Proxies**”) in a prudent and diligent manner that will serve the applicable client’s best interests and is in line with each client’s investment objectives. It is not expected that the clients will hold equity securities, thus we do not expect to participate in proxy votes.

We may take into account all relevant factors, as determined by us in our discretion, including, without limitation:

- the impact on the value of the securities;
- the anticipated costs and benefits associated with the proposal;
- the effect on liquidity; and
- customary industry and business practices.

In certain circumstances, the Investment Adviser may refrain from voting Proxies where we believe that voting would be inappropriate, taking into consideration the cost of voting the Proxies and the anticipated benefit to its clients. Generally, clients may not direct our vote in a particular solicitation.

Conflicts of interest may arise between the interests of the clients on the one hand and us or our affiliates on the other hand. If we determine that we may have, or be perceived to have, a conflict of interest when voting Proxies, we will vote in accordance with our proxy voting policies and procedures. Clients may obtain a copy of our proxy voting policies and our voting record upon request.

Item 18. Financial Information

At this time, the Investment Adviser is not aware of any financial condition that is reasonably likely to impair its ability to meet its contractual obligations to clients and has not been the subject of any bankruptcy petitions, including in the past ten years.

Item 19. Requirements for State Registered Advisers

This item is not applicable as the Investment Adviser is not registered in any state.