

**Form ADV Part 2A**

**Newmarket Investment Management, LP**

**1325 Beach Street  
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Philadelphia, PA 19125**

**January 23, 2024**

**This brochure provides information about the qualifications and business practices of Newmarket Investment Management, LP (“Newmarket Investment Management”). If you have any questions about the contents of this brochure, please contact Jeffrey Schellenger, Newmarket’s Chief Compliance Officer (“CCO”) at (215) 701-9690 or [jschellenger@newmarketcapital.com](mailto:jschellenger@newmarketcapital.com).**

**The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

**Additional information about Newmarket Investment Management, LP also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Any reference to Newmarket Investment Management, LP as a “registered investment adviser” or being “registered” does not imply a certain level of skill or training.**

## **ITEM 2 - MATERIAL CHANGES**

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There have been no material changes to this Brochure since Newmarket Investment Management, LP's most recent filing on March 31, 2023.

### ITEM 3 - TABLE OF CONTENTS

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## ITEM 4 – ADVISORY BUSINESS

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Newmarket Investment Management, LP (“**Newmarket Investment Management**”), a Delaware limited partnership, was organized in February 2020 and is headquartered in Philadelphia, PA. The general partner of Newmarket Investment Management is NIM GP, LLC. The managing member of NIM GP, LLC is NIM Holdco, LLC. Andrew Hohns is the managing member and sole owner of NIM Holdco, LLC.

Newmarket Investment Management is primarily owned by Newmarket Investment Holdings, LP. The general partner of Newmarket Investment Holdings, LP is NIH GP, LLC, and Andrew Hohns currently owns a majority of the outstanding interests of Newmarket Investment Holdings, LP. Andrew Hohns is also the managing member and sole owner of NIH GP, LLC.

Newmarket Global Management, LP (“**Newmarket Global**”) is an affiliated investment adviser of Newmarket Investment Management and a relying adviser of Newmarket Investment Management. The ownership of Newmarket Global is identical to the ownership of Newmarket Investment Management.

Battery Finance, Inc. (“**Battery**”) is an affiliated investment adviser of Newmarket Investment Management and a relying adviser of Newmarket Investment Management.

Newmarket and Newmarket Global are collectively referred to herein as “**Newmarket**” and Newmarket, Newmarket Global and Battery are collectively referred to herein as the “**Firm**”. Unless we indicate otherwise, all of the information we provide in this brochure about Newmarket also applies to Newmarket Global and Battery as our relying advisers.

The Firm provides investment advisory services to pooled investment vehicles and funds of one that may invest into or alongside such pooled investment vehicles including (i) funds with the primary investment objective of generating current income through investments in bank-owned portfolios of loans, bonds, and other debt instruments (the “**IIFC Funds**”) and funds with the primary investment objectives of generating income through exposure to traditional credit investments and direct lending collateralized by a combination of tangible assets and bitcoin as well as capital appreciation through the acquisition of bitcoin and/or structured participation in bitcoin (the “**Battery Fund**” and together with the IIFC Funds, each a “**Fund**” and collectively the “**Funds**”). The Firm manages the Funds pursuant to investment guidelines set forth in the relevant governing and offering documents of the Funds, including any limited partnership agreement, investment management agreement, private placement memorandum and/or subscription agreement (each an “**Offering Document**”, and collectively, the “**Offering Documents**”). The Offering Documents contain more detailed information about the Funds, including a description of the investment objective and strategy or strategies employed by the Funds and related restrictions that serve as a limitation on the Firm’s advice or management. Each Investor is strongly encouraged to undertake appropriate due diligence, including but not limited to a review of relevant Offering Documents and the additional details about the Firm’s investment strategies, methods of analysis and related risks in Item 8 of this Brochure in considering whether the Firm’s advisory services or an investment in a Fund

are appropriate to its own circumstances based on all relevant factors including, but not limited to, the Investor's own investment objectives, liquidity requirements, tax situation and risk tolerance before making an investment decision.

Except as may be negotiated with an Investor in the case of a Fund established specifically for such Investor, the Firm will not tailor its advisory services to the individual investors (each an **"Investor"** and collectively the **"Investors"**), or provide Investors with the right to specify, or restrict the Funds' investment objectives or any investment or trading decisions. Accordingly, an investment in a Fund does not create a client-adviser relationship between such Investors and the Firm. Each of the Funds are expected to rely on the exception from the definition of an "investment company" provided by Section 3(c) (7) of the U.S. Investment Company Act of 1940, as amended (the **"1940 Act"**).

Each of the Funds have a general partner or other governing entity (each, a **"General Partner"**). Each General Partner has the ultimate responsibility for decisions relating to management and operations made on behalf of the relevant Funds and has ultimate responsibility for the investment decisions made on behalf of such Fund. Each General Partner delegates investment management and advisory responsibilities for the relevant Fund to the Firm.

Additional detailed information about the Firm is provided below, including information about the Firm's advisory services, investment approach, personnel and affiliations.

The Firm will not participate in wrap fee programs.

As of September 30, 2023, the Firm manages \$1,953,935,672 in regulatory assets under management (**"RAUM"**), all on a discretionary basis.

## **ITEM 5 – FEES AND COMPENSATION**

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The Firm and its affiliates receive management fees and/or carried interest, a performance allocation or similar profit allocations from the Funds. The Funds may also indirectly incur or generate other fees payable to the Firm, depending on the nature of the portfolio activities. Certain fees generally will reduce management fees otherwise payable to the Firm as described below.

The Funds may also bear certain out-of-pocket expenses incurred by the Firm in connection with the services provided. The following sections discuss the most common fees and expenses, which are described in more detail in the relevant Offering Documents for the Funds.

### *Management Fees*

As an investment adviser to the Funds, as further described in the Offering Documents, the Firm receives a quarterly management fee, in advance, at a negotiated rate documented in

the governing documents and/or investment advisory contract with respect to a Fund. Specific rates with respect to any Fund are set forth in that Fund's Offering Documents. Additionally, the Firm may waive or reduce management fees for certain investors in its discretion.

Generally, the Firm's investment advisory contracts with the Funds will terminate within a reasonable period of time following one party's receipt of written notice of termination (for any (or no) reasons set forth in the investment advisory contract) from the other party. Investors in the Funds do not generally have the ability to terminate the investment advisory contracts between such Funds and the Firm. Similar advisory services may be available from other investment advisers at lower cost.

#### Performance-Based Arrangements

Please see Item 6 for a discussion of the performance-based arrangements payable to affiliates of the Firm in respect of the Funds.

#### Other Fees

In connection with a particular Fund and its investments, the General Partner or the Firm may receive transaction, management, investment banking, monitoring, closing, topping, break-up, and other similar fees ("**Other Fees**"). If any, 100% of such Other Fees will be applied to reduce the management fee for the following quarterly period (net of any unrecovered expenses which the Firm or the General Partner has elected to pay on behalf of such Fund), provided, that Other Fees shall not encompass any fees or other compensation paid (whether in cash or in-kind) to the Firm or its affiliates in consideration of it providing bona fide consulting or other similar services to clients, including entities associated with an investment but shall encompass the portion of such consulting or other similar fees allocable to such Fund's investment in an investment; and provided, further, that Other Fees shall not include any of the foregoing fees that the Firm has elected to share with such Fund, but shall include any of the foregoing fees that the Firm or General Partner has retained. To the extent such offsets would reduce the management fee for a given quarterly period below zero, such offsets will be carried forward and reduce future installments of the management fee. If upon termination of such Fund there remains any unapplied balance of the management fee offset, the Firm will promptly refund to each Investor a cash amount equal to the Investor's prorated share of the unapplied balance of the management fee offset, based on the share of the management fee funded by capital contributions by such Investor or otherwise attributable to such Investor. For the avoidance of doubt, any fees paid to the Funds in connection with investments will not be included in Other Fees, but rather will be considered as investment proceeds that are subject to the distribution provisions, as prescribed in the Offering Documents.

#### Expenses Applicable to the Funds

The Funds will generally be responsible for (and, as applicable, reimburse the Firm or the General Partner for) all expenses relating to their own respective operations, including but not limited to fees, costs and expenses directly related to the sourcing, investigation, negotiation, structuring, purchase, ongoing monitoring and sale of investments, securities, or other instruments, including without limitation, private placement fees, sales commissions, appraisal fees, industry conference fees and expenses, taxes, investment-related travel expenses (which are expenses incurred by the Firm or the General Partner related to the sourcing, purchase or sale of, monitoring, or due diligence regarding, the Funds' investments, whether or not such investments are consummated), costs and expense related to procuring data, including without limitation, third-party research costs, subscriptions, and investment monitoring or analysis software, any currency hedging costs, expenses of custodians, consultants, counsel and accountants, any insurance, indemnity or litigation expenses, all costs of the Funds' administration, including preparation of its financial statements and reports to Investors (including such expenses incurred in connection with any Offering Documents), compensation and expenses of the independent members of the investment committee, costs of holding meetings with any of the partners or the investor committee including all reasonable out-of-pocket expenses of incurred by members of the investor committee, any taxes, fees or other governmental charges levied against the Funds and any fees charged by administrative service providers, ongoing regulatory expenses, including, without limitation, the fees and expenses associated with any preparation and filings related to Form PF, CPO-PQR, AIFMD and other regulatory filings which seek information about the Funds. In addition, the Funds shall be responsible for all fees and expenses due any legal, financial, accounting, consulting, or other advisors or any lenders, investment banks and other financing sources in connection with transactions, even if such transactions are not consummated.

The recipients of this Brochure should refer to the relevant governing documents of each Fund for specific information about expenses to be borne by each specific Fund advised by the Firm.

Neither the Firm nor any of its supervised persons accept compensation for the sale of securities or other investment products.

#### **ITEM 6 – PERFORMANCE-BASED FEES**

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Each General Partner of the Funds shall be entitled to a performance-based “carried interest” that may vary from Fund to Fund. Performance-based arrangements for each of the Funds are described in the relevant Offering Documents for the Funds. All performance-based fees or allocations may be subject to modification (e.g., higher preferred return rates), waiver or reduction. Performance-based compensation arrangements are appropriate only for sophisticated clients and Investors as they may create certain risks and conflicts of interest, including those discussed further below.

Performance allocations for the Funds generally represent a share of distributions made by a Fund in excess of the relevant Investors' invested capital, its allocable share of fees and expenses and a preferred return hurdle.

Performance fees or carried interest profit allocations are subject to regulation under Section 205 of the Investment Advisers Act of 1940 ("**Advisers Act**") and Rule 205-3 thereunder. Therefore, the Firm seeks to ensure that any Fund or Investors that are directly or indirectly assessed performance fees or are subject to carried interest profit allocations satisfy the qualifications of Rule 205-3 under the Advisers Act and have been advised of such fees or allocations and their risks.

For any Fund, performance fees or carried interest allocations generally do not exceed 20% of profits, and may be subject to certain preferred return hurdles, catch-up allocations and clawback provisions. The manner of calculation and application of performance fees or carried interest profit allocations are disclosed in the Offering Documents for, and detailed in the governing agreements of, each Fund.

The existence of these performance-based distributions may create various potential conflicts of interest, including an incentive for a General Partner or the Firm to make investments on behalf of the Funds that are riskier than would be the case if a General Partner were not entitled to receive such performance-based distributions, or to favor certain accounts based on pecuniary or compensatory interests. the Firm maintains policies and procedures, including its Code of Ethics, reasonably designed to mitigate these and other conflicts.

## **ITEM 7 – TYPES OF CLIENTS**

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the Firm provides discretionary investment advisory services to the Funds, each a privately offered pooled investment vehicle or fund of one, and not individually to the Investors in the Funds. The Investors in the Funds are "accredited investors" in reliance upon the exemption from registration provided by Section 4(a)(2) of the Securities Act of 1933, as amended (the "**Securities Act**"), and Regulation D promulgated thereunder and the Investors in the Funds also are "qualified purchasers", as such term is defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended (the "**Investment Company Act**"), and the rules and regulations promulgated thereunder. In addition, the Firm may, in the future, offer investment advisory services to other pooled investment vehicles, investors, or separately managed accounts.

the Firm generally imposes an initial investment minimum to establish a client relationship or to invest in the Funds, but may waive or change any such minimums in its discretion. Investors or clients may also be subject to additional qualifications based on, among other things, legal or regulatory requirements associated with the vehicle or investment strategy. Account opening and maintenance requirements are described in more detail in the relevant Offering Documents.



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

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The Firm uses various methods of analysis and investment strategies in formulating its investment advice to the Funds. The discussion below is a summary and is not intended to be a complete description of our methods, strategies or risks; a more complete discussion is available in the relevant Offering Documents. Any investment in securities involves a risk of loss that all of the Firm's clients should be prepared to bear.

The investment strategy for the Funds is formulated by the Firm in a manner that reflects its investment philosophy and is consistent with each Fund's objectives. The Firm has not established any specific holding periods with respect to the Funds' investments. The IIFC Funds are expected to have a primary investment objective of generating current income through investments in bank-owned portfolios of loans, bonds, and other debt instruments, while the Battery Fund is expected to have a primary investment objective of generating income through exposure to traditional credit investments and direct lending collateralized by a combination of tangible assets and bitcoin, a decentralized store of value on a global monetary network, as well as capital appreciation through the acquisition of bitcoin and/or structured participation in bitcoin.

### ***The IIFC Funds***

The IIFC Funds may seek to achieve their investment objectives through a number of investment techniques, including through the acquisition and financing of credit assets such as loan portfolios, the provision of credit loss protection to owners of such portfolios, often in the form of synthetic securitization, cash securitization, credit default swaps, or credit-linked notes. Generally speaking, the IIFC Funds' investments are designed to assist banks in the management of their risk-based capital, economic capital, and accounting capital within the evolving architecture of the international banking regulatory environment.

The IIFC Funds focus largely on investments related to loans, bonds, and other debt instruments associated with businesses operating in the infrastructure sector across a range of sub-sectors, including renewable and non-renewable power generation (e.g., generation, transmission, distribution, and storage for offshore and onshore wind, distributed and utility-scale solar, and conventional power); natural resources (e.g., oil and gas pipelines, refining, equipment and services, exploration, production, and processing facilities; biofuels and petrochemicals); transportation and logistics (e.g., aviation; passenger and freight transport and storage; land transport such as rail, roads, and bridges; related assets and services); utilities (e.g., water processing and distribution, smart meters, gas and electric utilities, related assets and services); shipping and maritime infrastructure and assets, generally; social infrastructure facilities (e.g., affordable housing, education, government facilities and logistics, recreational assets); healthcare (e.g., hospitals, clinics, elderly care facilities, medical goods and services); sovereign lending; financial institutions lending; chemicals production; manufacturing (e.g., industrial equipment, forest products, agricultural assets, building products); metals & mining (e.g., base metals, bulks, precious

metals, fertilizer, steel products); and telecommunications, data, and media (e.g., fiber telecommunication infrastructure, data warehouses). Additionally, the IIFC Funds may also seek investments in other esoteric asset classes including commercial real estate, subscription finance and equity bridge financing, financial institutions lending, energy efficiency financing (e.g. commercial and residential PACE programs, green RMBS and CMBS), data-related warehouses, electric vehicles, and sovereign lending.

The IIFC Funds invest with a preference for loans to assets that are operational, that have experienced no payment defaults or material uncured covenant defaults, and that have no material negative financial operating track record. Additionally, the IIFC Funds seek portfolios of loans that are well-structured, including, by way of example, loans with strong covenant packages, supplemental security or collateral, and gradual amortization profiles, with an emphasis on businesses that have downside resiliency under a range of scenarios. The IIFC Funds may also take limited exposure to projects that have not completed construction, have historically experienced covenant defaults, and/or have experienced material negative variances, provided that these loans otherwise comply with the relevant IIFC Fund's underwriting criteria and portfolio management objectives.

The IIFC Funds work primarily with bank counterparties, but may also target other holders of credit assets or whole assets, by purchasing loans, loan portfolios, providing credit protection on loan portfolios, or otherwise securitizing or structuring financial transactions related to such assets.

### ***The Battery Fund***

The Battery Fund may seek to achieve its investment objectives through a range of investment and origination strategies including, but not limited to, the combination of credit investments with bitcoin and the origination of direct lending opportunities secured by traditionally financeable assets and bitcoin, generating income, fees, and long-term appreciation through structured upside participation. The Battery Fund's strategies may involve origination, financing, or refinancing of loans and the acquisition of previously-issued bonds, notes, securitizations, or other financial instruments, combined with bitcoin or otherwise secured or collateralized by bitcoin and traditionally financeable assets. In connection with such investments, the Battery Fund may also negotiate a structured participation in the upside of the bitcoin. This novel investment strategy is designed to offer investors current income from the Battery Fund's investments and an opportunity to participate in upside related to bitcoin's performance. The Battery Fund further seeks to combine and blend this bitcoin exposure with traditional credit investment strategies thereby reducing the downside risk associated with a long-only position in bitcoin.

An investment in the Funds involves a high degree of risk. The following list of risk factors does not purport to be a complete disclosure of all risks that may be relevant to a decision to purchase an interest in the Funds. Prospective Investors in the Funds should carefully consider the following investment risks and considerations, as well as the risks and considerations described in the relevant Offering Documents for the Funds, in evaluating

the Funds and their business before deciding to purchase an interest in the Funds. As a result of these considerations, as well as other risks inherent in any investment, there can be no assurance that the Funds will meet their investment objectives or otherwise be able to successfully carry out their investment programs, or that an Investor in the Funds will receive a return of capital.

### **Certain Risks in respect of the Funds Generally**

#### ***No Assurance of Investment Return***

Neither the General Partner nor the Firm can provide assurance that they will be able to choose, make, and realize investments in any particular opportunity. There can be no assurance that the Funds will be able to generate returns for its Investors or that the returns will be commensurate with the risks of investing in the type of transactions described herein. There can be no assurance that any Investor will receive any distribution from the Funds. Accordingly, an investment in the Funds should only be considered by persons who can afford a loss of their entire investment. There can be no assurance that the General Partner will be successful in executing the Funds' strategies, and notwithstanding prior experience of the Firm, past performance is not indicative of future results.

#### ***Market Uncertainty due to COVID-19 and Pandemics Generally***

The Funds' strategies rely, in large part, upon the global economy and overall conditions of the market (including, for example, supply and demand characteristics). The COVID-19 pandemic created a climate of heightened uncertainty and introduced new and difficult-to-quantify macroeconomic and political risks with potentially far-reaching implications. There has been a corresponding meaningful increase in the uncertainty surrounding interest rates, inflation, foreign exchange rates, trade volumes, fiscal policy, and monetary policy. Future pandemics may impair a Funds' ability to make investments and perform its investment strategy. Even if a Fund is able to raise, or has raised, capital, underlying credit performance of project finance, real estate, commercial lending and infrastructure assets may deteriorate to the extent that economic or market conditions worsen. No assurance can be given that the investments can be acquired or disposed of on favorable terms or that the market for such assets will remain stable or improve, since this will depend, in part, upon events and factors outside of the control of the General Partner and the Firm. The impact of the coronavirus in certain areas with large and crowded cities may be especially severe. In respect of consumer goods, for example, customers may delay discretionary spending and travel plans. The banking industry, and in particular, the consumer finance sector, may be significantly affected by credit losses resulting from financial difficulties of borrowers impacted by COVID-19. The financial performance of the Fund's future investments will depend on multiple factors, including but not limited to, the overall duration of the pandemic, the related governmental advisories and restrictions in place to help suppress the spread of COVID-19, and the scale and scope of any fiscal intervention and support measures implemented by governments, central banking entities and monetary policymakers. The interplay and timing of how these and other factors will work together

and their overall impact on the financial markets and the global economy are highly uncertain and cannot be predicted. If the duration of the pandemic and the financial markets and/or the global economy are negatively impacted for an extended period of time, investment results may be materially adversely affected. COVID-19 may cause employees of the Firm and certain other service providers to the Funds to be absent from work or work remotely for prolonged periods of time. The ability of such employees of the Firm and service providers to the Funds to work effectively on a remote basis may adversely impact the day to day operations of the Funds. Any similar future outbreak or pandemic could have similar potential adverse effects on the global economy and the Funds.

### ***Derivatives***

The Funds may utilize derivative instruments as part of its investment strategy as well as for hedging purposes. These instruments are highly volatile, involve certain special risks, and expose investors to a high risk of loss. The low initial margin deposits normally required to establish a position in such instruments permit a high degree of leverage. As a result, a relatively small movement in the price of a contract may result in a profit or a loss, which is high in proportion to the amount of funds, actually placed as initial margin and may result in unquantifiable further loss exceeding any margin deposit. Further, when used for hedging purposes there may be an imperfect correlation between these instruments and the investments or market sectors being hedged. Transactions in over-the-counter derivatives may involve additional risk as there is no exchange or market on which to close out an open position. It may be impossible to liquidate an existing position, to access the value of a position, or to assess the exposure to risk.

### ***Ability to Lend on Advantageous Terms; Competition and Supply***

The Funds may make and purchase loans. The Funds' success in this area will depend, in part, on the Funds' ability to obtain or originate loans on advantageous terms. In making and purchasing loans, the Funds will compete with a broad spectrum of lenders, many of which have substantially greater financial resources and are better known than the Funds. Increased competition for, or a diminution in the available supply of, qualifying loans could result in lower yields on such loans, which could reduce returns to investors.

### ***Reliance on General Partner, the Firm, the Portfolio Management Team, and Key Principals***

The success of the Funds are substantially dependent on certain Firm employees, including the portfolio management team, and the ability of the Firm and/or the General Partner to identify and consummate suitable investments. Should one or more of these individuals become incapacitated or in some other way cease to participate in the Funds, its performance could be adversely affected. There can be no assurance that any of these individuals will continue to be affiliated with the Funds throughout its term.

### ***Debt Securities***

The Funds may invest in debt securities, which may be rated below investment grade or unrated by any recognized credit-rating agency. Such securities are typically subject to greater risk of loss of principal and interest than higher-rated debt securities, due to a possible default by, or bankruptcy of, the issuers of the securities. The Funds may invest in debt securities which rank junior to other outstanding securities and obligations of the issuer, all or a significant portion of which may be secured on substantially all of that issuer's assets. The Funds may invest in debt securities, which are not protected by financial covenants or limitations on additional indebtedness. The Funds may invest in distressed debt securities which are subject to the significant risk of the issuer's inability to meet principal and interest payments on the obligations (credit risk) and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer, and general market liquidity risk (market risk). The Funds will therefore be subject to credit, liquidity, and interest rate risks. In addition, evaluating credit risk for debt securities involves uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult. Furthermore, the market for credit spreads is often inefficient and illiquid, which can make it difficult to accurately calculate discounting spreads for valuing financial instruments.

### ***Loans Generally***

There are special risks associated with investments in loans and participations, which include (i) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors' rights laws, (ii) so-called lender-liability claims by the issuer of the obligations, (iii) environmental liabilities that may arise with respect to collateral securing the obligations, and (iv) limitations on the ability of the Funds to enforce its rights directly with respect to participations. Funds' claims by third parties arising from these and other risks, absent bad faith, will be borne by the Funds.

### ***Lower Credit Quality Loans.***

There are no restrictions on the credit quality of the Funds' loans. Loans purchased by the Funds can have substantial vulnerability to default in payment of interest and/or principal. Certain of the loans which the Funds may invest in or fund may have large uncertainties or major risk exposures to adverse conditions and may be considered to be predominantly speculative. Generally, such loans offer a higher return potential than better quality loans but involve greater volatility of price and greater risk of loss of income and principal. The market values of certain of these loans also tend to be more sensitive to changes in economic conditions than better quality loans.

### ***Asset-Backed Securities***

The Funds may acquire subordinated tranches of asset-backed securities (“ABS”) issuances. In general, subordinated tranches of ABS are entitled to receive repayment of principal only after all principal payments have been made on more senior tranches and also have subordinated rights as to receipt of interest distributions. Such subordinated tranches are subject to a greater risk of nonpayment than senior tranches of ABS or ABS-backed by third-party credit enhancement. In addition, an active secondary market for such subordinated securities is not as well developed as the market for certain other asset-backed securities. Accordingly, such subordinated ABS may have limited marketability and there can be no assurance that a more efficient secondary market will develop.

### ***Financial System Disruption***

The Funds and the Firm are dependent on unaffiliated financial industry participants including banks and other financial institutions to conduct their business. A disruption or shock in the financial industry or markets (as last occurred in the first quarter of 2023 with multiple banks entering receivership or otherwise seeking assistance) (such disruption or shock being a “**Financial Disruption Event**”) could adversely affect any of these financial industry participants, which in turn could have material adverse consequences for the Funds and/or the Firm. The severity of this risk could be increased by any exclusive arrangements entered into with these financial industry participants.

A Financial Disruption Event affecting a bank or financial institution that has custody of Fund assets could adversely impact the safekeeping of those assets and the ability to retrieve and secure such assets. The Fund may experience delayed access to deposits or other financial assets or the uninsured loss of deposits or other financial assets. Specifically, the Funds maintain the majority of their respective cash and cash equivalents in accounts with major U.S. and multi-national financial institutions, and a Fund’s deposits at certain of these institutions exceed insured limits. In addition, the majority of the Funds investment counterparties are banks (including in Europe and the United States), and Fund investments often include the deposit of cash collateral in accounts held at such counterparty banks. In the event of failure of any of the financial institutions where a Fund maintains its cash and cash equivalents, there can be no assurance that the Firm or such Fund would be able to access such funds in a timely manner or at all. Any inability to access or delay in accessing these funds could adversely affect such Fund’s business and financial position.

If the Firm or an affiliate has a banking relationship (for example, a payroll account) with a bank or financial institution that experiences a Financial Disruption Event, our ability to manage or operate consistent with past business practices could be negatively impacted, potentially resulting in a disruption in operations.

If a bank provides a Fund with a so-called subscription line or other working capital facility and the bank goes into receivership, the availability of funds under that line or facility could be adversely affected, which could in turn adversely impact the Fund’s ability to consummate investments or pay Fund expenses in a timely manner. The Firm believes it

can mitigate this risk by doing business with banks that have strong balance sheets and, if it has concerns that a bank will not be able to fund a subscription or other working line loan, to call capital instead from its limited partners.

The Funds are structured as commitment vehicles. To the extent that a significant number of the limited partners or investors in such funds have banking relationships with a bank or financial institution that experiences a Financial Disruption Event, those limited partners may be unable to satisfy their capital contribution obligations in a timely manner. Such situations could result in losses and other disruptions to the Funds and, ultimately, losses to investors.

### ***Environmental Risks***

Many of the loans, bonds or debt instruments to which the IIFC Funds will be exposed via its investments will be made to infrastructure projects and other projects that may be subject to numerous statutes, rules, and regulations relating to environmental protection. Under various federal, state, local, and foreign environmental statutes, rules, and regulations, a current or previous owner or operator of real property may be liable for non-compliance with applicable environmental and health and safety requirements and for the costs of investigation, monitoring, removal, or remediation of hazardous materials. These laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of hazardous materials. The presence of these hazardous materials on a property could also result in personal injury, property damage or similar claims by private parties. Any liability resulting from non-compliance or other claims relating to environmental matters can have a material adverse effect on the results of operations, financial condition, liquidity and prospects of an infrastructure project's ability to generate cash flow that would be used, in part, to meet its debt service obligations.

Climate change and climate change legislation or regulations may adversely impact one or more of the Funds' operations and markets. There is growing recognition that energy consumption is a contributor to global warming, greenhouse effects, and potential climate change. A number of governments or governmental bodies have introduced or are contemplating legislative and regulatory change in response to the potential impacts of climate change including pending EU and U.S. legislation. Assessments of the potential impact of future climate change legislation, regulation, and international treaties and accords are uncertain, given the wide scope of potential regulatory change in countries in which the Funds operate. The potential physical impacts of climate change on the Funds' operations are highly uncertain, and will be particular to the geographic circumstances. These may include changes in rainfall patterns, shortages of water or other natural resources, changing sea levels, changing storm patterns and intensities, and changing temperature levels. It is possible that assets could be destroyed by climate change consequences and assets could be "stranded" by new climate change regulation. If such events were to occur, one or more of the Funds could be adversely impacted.

### ***Equipment Finance Activities***

One or more of the Funds may be involved in equipment finance activities. Such equipment finance activities are subject to the risk of cyclical downturns and other adverse economic developments. In an adverse economic environment, there may be a decline in the demand for some types of equipment which one or more of the Funds finance, resulting in a decline in the amount of new equipment being placed in service as well as the decline in equipment values for equipment previously placed in service.

There are a number of uncertainties associated with the equipment finance industry that may have an adverse effect on the Funds. These include, but are not limited to fluctuations in demand for equipment and fluctuations in interest rates and inflation rates; fluctuations in the availability and cost of credit for the Funds to borrow to make and/or realize on its investments; the continuing economic life and value of equipment at the time one or more of the Funds' investments mature; the technological and economic obsolescence of equipment; potential defaults by borrowers, lessees or other counterparties; supervision and regulation by governmental authorities; and increases in the one or more of the Fund's expenses, including taxes and insurance expenses.

The Funds, like all owners and lessors of commercial equipment, may also be exposed to liability claims resulting from injuries or accidents involving that equipment. In advising the Funds, the Firm seeks to mitigate a Fund's overall exposure to lessor's liability risk by requiring certain lessees to furnish evidence of liability insurance prior to lease inception and to maintain that insurance throughout the term of the lease and through its own insurance programs.

### ***International Investments***

The Funds are expected to make investments in a number of different countries, some of which may prove to be unstable. As a general matter, international investments pose numerous risks, including the risk of adverse political developments, nationalization, confiscation without fair compensation, civil unrest, or war. The Firm will analyze risks in the applicable foreign countries before making such investments, but no assurance can be given that a political or economic climate, or particular legal or regulatory risks, might not adversely affect an investment by the Funds. Certain of the aforementioned risks may be increased with respect to one or more of the Fund's investments in developing and emerging markets.

### ***Inflation Risk***

In response to recent economic events, including the global financial crisis and the current COVID-19 global pandemic, countries around the world have significantly loosened monetary policy and injected trillions of dollars into the economy in an effort to prevent more severe economic turbulence. This unprecedented amount of government funding and support, gave rise to significant increases in government spending and (in many instances)



significant increases to the amount of debt issued by governments in the international bond markets. There can be no assurance that governments will be able to repay all of this debt in a timely way, or at all. Government default on debt would have negative consequences for the Funds, disrupting financial markets generally and undermining the ultimate credit support of many of the assets targeted by the Funds. In addition, the United States and other countries have experienced, and may in the future experience, supply chain disruptions for a number of goods in the marketplace. This potential disruption in supply of goods, combined with unprecedented levels of such government spending and monetary policy, has materially increased inflation of the Euro, the U.S. dollar and other currencies. To the extent such inflation continues to remain high or increases further in the coming years, such inflation could have an adverse impact on the Funds.

### ***Currency and Exchange Rate Risks***

The Funds' functional currency is the U.S. dollar, but the investments may be denominated in other currencies or other assets (including precious metals). Consequently, the return realized on the investments as well as returns realized by investors may be adversely affected by movements in currency exchange rates, costs of conversion, costs of hedging, and exchange control regulations, in addition to the actual performance of the investments.

### ***European Recession-Related Risks***

All or a significant portion of the investments of the IIFC Funds may be located throughout Europe. As with all European investments, there are risks related to investing within the Eurozone including a risk of recession in certain European countries. If a recession were to occur in one or more of such countries, the investments, and indirectly the IIFC Funds, could be materially impacted.

### ***Investments Longer than Term***

The Funds may invest in investments which may not be advantageously disposed of prior to the expiration of the one or more of the Fund's term. Although the Firm expects that the investments will be disposed of prior to the expiration of the Funds' term, one or more of the Funds may take a reasonable period of time from the expiration of a particular Fund's term to wind up the affairs and dispose of assets, in accordance with the terms of the Offering Documents of the particular Fund(s). In light of the foregoing, prospective investors should note that one or more of the Funds may have to sell, distribute, or otherwise dispose of investments at a disadvantageous time.

### ***Risk of Limited Number of Investments; Lack of Diversity; Concentration of Investments in a Single Industry***

The Funds may participate in a limited number of investments and, as a consequence, the aggregate return of the Funds may be substantially adversely affected by the unfavorable

performance of even a single investment. Investors have no assurance as to the degree of diversification among the investments, either by geographic region or asset type. The investments are expected to be concentrated in project finance, real estate, commercial lending, equipment lending and infrastructure assets. Concentration in a single sector may involve risks greater than those generally associated with more diversified funds, including significant fluctuations in returns.

### ***Use of Swap Agreements***

The Funds may use interest rate and currency swap agreements. Swap agreements are two-party contracts entered into primarily by institutional investors for periods ranging from a few weeks to more than a year. In a standard swap transaction, two parties agree to exchange the returns earned on specified assets, such as the return on, or increase in value of, a particular dollar amount invested at a particular interest rate, or in a particular non-U.S. currency or vice versa. The use of swaps is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary securities transactions. Interest rate swaps, for example, do not typically involve the delivery of securities, other underlying assets or principal. Accordingly, the market risk of loss with respect to an interest rate swap is often limited to the amount of interest payments that the Funds are contractually obligated to make on a net basis.

### ***Prepayment Risk***

The frequency at which prepayments (including voluntary prepayments by obligors and accelerations due to defaults) occur on bonds and loans 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 (securities whose market values exceed their principal or par amounts) are adversely affected by faster than anticipated prepayments. Since many fixed-rate obligations will be premium instruments when interest rates and/or spreads are low, such debt instruments and asset-backed instruments may be adversely affected by changes in prepayments in any interest rate environment.

### ***Investing in CMBS***

Commercial mortgage-backed securities (“CMBS”) represent an interest in, or an interest secured by, a single mortgage loan or a pool of mortgage loans. Investing in CMBS involves the general risks typically associated with investing in traditional fixed-income securities, in the case of fixed rate CMBS, and those risks typically associated with adjustable rate instruments, in the case of floating rate CMBS, which in each case includes

interest rate risk and credit rate risk. CMBS also are subject to several risks created through the securitization process. CMBS may not be structured with significant or any overcollateralization, so their performance will be sensitive to delays or reductions in payments, particularly in the case of subordinated CMBS. To the extent that CMBS provide for writedowns of principal, interest will cease to accrue on the portion of principal of a security that has been written down. In addition, subordinate CMBS are paid interest only to the extent that there are funds available to make payments. Subordinate tranches of such securities also are subject to greater credit risk. CMBS may contain certain credit enhancement features intended to enhance the likelihood that holders of such securities will receive regular payments of interest and principal. There can be no assurance that the credit enhancement, if any, will adequately cover any shortfalls in cash available to make payments on such securities as a result of such delinquencies or defaults. Further, the risks of investing in CMBS involve all of the risks of the underlying mortgage loans, including the credit quality of the underlying loans, decreases in property values underlying the loans and the risk that borrowers will default on the mortgages underlying the CMBS.

Investing in CMBS often requires the Firm to estimate loss-adjusted yields related to such investments. The Firm expects to value potential CMBS investments based on loss-adjusted yields, taking into account estimated future losses on the mortgage loans included in the securitization's pool of loans, and the estimated impact of these losses on expected future cash flows. Based on these loss estimates, the Firm typically either adjusts the pool composition accordingly through loan removals and other credit enhancement mechanisms or leaves loans in place and negotiates for a price adjustment. The Firm's loss estimates may not prove accurate, as actual results may vary from estimates. In the event that the Firm overestimates the pool level losses relative to the price the Funds pay for a particular CMBS investment, the Funds may experience losses with respect to such investment.

The commercial mortgage loans underlying CMBS are secured by multifamily residential properties, retail properties or other types of commercial properties and are subject to risks of delinquency and foreclosure and risks of loss that are greater than similar risks associated with residential mortgage loans that are secured by single-family residential property. In the event of the bankruptcy of a mortgage loan borrower, the mortgage loan to such borrower will be deemed to be secured only to the extent of the value of the underlying collateral at the time of bankruptcy, and the lien securing the mortgage loan will be subject to the avoidance powers of the bankruptcy trustee or debtor-in-possession to the extent the lien is unenforceable under state law.

The ability of a commercial borrower to repay a loan secured by a commercial property typically is dependent primarily upon the successful operation of such property rather than upon the existence of independent income or assets of the borrower. If the net operating income of the property is reduced, the borrower's ability to repay the loan may be impaired. Net operating income of an income producing property can be affected by, among other things: tenant mix, success of tenant business, property management decisions, property location and condition, competition from comparable types of properties, changes in laws

that increase operating expense or limit rents that may be charged, any need to address environmental contamination at the property, the occurrence of any uninsured casualty at the property, changes in national, regional or local economic conditions and/or specific industry segments, current and potential future capital markets uncertainty, declines in regional or local real estate values, declines in regional or local rental or occupancy rates, increases in interest rates, real estate tax rates and other operating expenses, changes in governmental rules, regulations and fiscal policies, including environmental legislation, acts of God, terrorism, social unrest and civil disturbances.

### ***Volatility of the Mortgage Market***

If the Firm invests one or more of the Fund's assets in CMBS this will expose those Funds to the general risks associated with investing in the mortgage and commercial real estate markets. A Fund's results of operations may be materially affected by conditions in these markets, as well as the financial markets and the economy generally. Recently, concerns about the mortgage market and a declining real estate market, as well as inflation, energy costs, geopolitical issues and the availability and cost of credit, have contributed to increased volatility and diminished expectations for the economy and markets going forward. The mortgage market has been severely affected by changes in the lending landscape and there is no assurance that these conditions have stabilized or that they will not worsen. The further deterioration of the CMBS market may cause a Fund to experience losses related to its assets or to sell assets at a loss. Declines in the market values of a Fund's investments may adversely affect its results of operations and credit availability, which may reduce earnings and, in turn, the value of the investment.

### ***Structured Investments***

The Funds may invest in interests in entities organized and operated for the purpose of restructuring the investment characteristics of commercial mortgage loans. The cash flow on the underlying investments may be apportioned among the newly issued security to create securities with different investment characteristics such as varying maturities, payment priorities and interest rate provisions, and the extent of the payments made with respect to such securities is dependent on the extent of the cash flow of the underlying mortgage loans. The value of an investment in a structured product by the Funds will depend on the investment performance of the mortgages in which the structured product invests and will be subject to all of the risks associated with an investment in those assets. The Funds will not own such assets directly and therefore will not benefit from general rights applicable to the holders of assets, and in such cases, all decisions related to such assets, including whether to exercise certain remedies, will be controlled by a third-party service-provider. Additionally, the securities in which the Funds are authorized to invest include securities that are subject to legal or contractual restrictions on their resale or for which there is a relatively inactive trading market. Securities subject to resale restrictions may sell at a price lower than similar securities that are not subject to such restrictions.

### ***Investments in Loans Secured by Real Estate***

The Funds may, directly or through affiliated entities, invest in loans secured by real estate and may, as a result of default, foreclosure or otherwise, hold real estate assets. Special risks associated with such investments include changes in the general economic climate or local conditions (such as an oversupply of space or a reduction in demand for space), competition based on rental rates, attractiveness and location of the properties, changes in the financial condition of tenants, and changes in operating costs. Real estate values are also affected by such factors as government regulations (including those governing usage, improvements, zoning and taxes), interest rate levels, the availability of financing and potential liability under changing environmental and other laws. Of particular concern may be those mortgaged properties which are, or have been, the site of manufacturing, industrial or disposal activity. Such environmental risks may give rise to a diminution in the value of property (including real property securing any investment) or liability for cleanup costs or other remedial actions, which liability could exceed the value of such property or the principal balance of the related investment. In certain circumstances, a lender may choose not to foreclose on contaminated property rather than risk incurring liability for remedial actions.

### ***Potential for Insufficient Investment Opportunities***

The activity of identifying, completing, and realizing attractive investments on a global basis is competitive and involves a high degree of uncertainty. The availability of investment opportunities generally will be subject to market conditions as well as to the prevailing regulatory and political climate. The Funds will be competing with other financial investors and strategic buyers for the investments that the Funds will make. Additional funds with similar investment objectives may be formed in the future by other unrelated parties. As a result, there can be no assurance that the Funds will be able to identify and execute portfolio investments that satisfy the Funds' return objectives or realize their potential values or that the Funds will be able to become fully invested for a significant period of time, if at all.

### ***Illiquid and Long-Term Investments***

An investment in the Funds require a long-term commitment with no certainty of return. Many of the investments of the Funds will be highly illiquid, and there can be no assurance that the Funds will be able to realize on such investments in a timely manner. While an investment may be sold at any time, it is generally expected that the Funds will hold its investments until maturity, which will not occur for a number of years after the investment is made. In addition, in some cases the Funds may be prohibited by contract or legal or regulatory reasons from selling certain investments for a period of time.

### ***Cybersecurity Risk***

As part of its business, the Firm processes, stores and transmits large amounts of electronic information, including information relating to the transactions of the Funds and personally identifiable information of the Investors. Similarly, service providers of the Firm or the Funds, especially the administrator, may process, store and transmit such information. The Firm has procedures and systems in place to protect such information and prevent data loss and security breaches. However, such measures 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. Hardware or software acquired from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security.

Network connected services provided by third parties to the Firm may be susceptible to compromise, leading to a breach of the Firm's network. The Firm's systems or facilities may be susceptible to employee error or malfeasance, government surveillance, or other security threats. On-line services provided by the Firm to the Investors may also be susceptible to compromise. Breach of the Firm's information systems may cause information relating to the transactions of the Funds and personally identifiable information of the Investors to be lost or improperly accessed, used or disclosed.

The service providers of the Firm and the Funds are subject to the same electronic information security threats as the Firm. 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 the Funds and personally identifiable information of the Investors may be lost or improperly accessed, used or disclosed.

The loss or improper access, use or disclosure of the Firm's or the Funds' proprietary information may cause the Firm or the Funds to suffer, among other things, financial loss, the disruption of its business, liability to third parties, regulatory intervention or reputational damage. Any of the foregoing events.

### ***Data Privacy Legislation***

The Firm, the General Partner and the Funds are subject to various laws and regulations related to privacy and data protection. Such rules and regulations consist of the EU and UK General Data Protection Regulation, the Cayman Islands Data Protection Law, 2017 and similar laws of non-U.S. jurisdictions. In addition, numerous U.S. states, including the State of California, have adopted or are considering state privacy and data protection laws. Future jurisdictions may adopt additional laws and regulations the scope and terms of which is not currently clear. Several of these laws and regulations contain substantial financial penalties or the potential for substantial liabilities for violations of them even if such violations are unintentional or inadvertent. Thus, the Funds may incur substantial liabilities if it, the General Partner or the Firm is determined to have breached a data protection law or regulation. Even though the Funds will endeavor to comply with such laws and regulations, many of them are new and interpretations of some of their provisions

are not yet clear. In addition, a number of the laws and regulations contain subjective elements which could allow a regulator or third party to challenge the Funds' compliance efforts and determinations even if they were made in good faith.

### ***Armed Conflict, Terrorism, and Catastrophes***

Armed conflict, acts of terrorism and catastrophes could subject the Funds to the risk of loss arising from exposure that it may incur, indirectly, due to the occurrence of various events, including, without limitation, hurricanes, earthquakes, and other natural disasters, terrorism, armed conflict, war, and other catastrophic events. These risks of loss can be substantial and could have a material adverse effect on the Funds and Investor's interests therein.

### ***Risks Related to Russia's Invasion of Ukraine***

Russia's recent military invasion of Ukraine, the resulting responses by the United States and other countries, and the potential for wider conflict could increase volatility and uncertainty in the financial markets and adversely affect regional and global economies. The United States, the European Union, the United Kingdom and other countries have imposed broad-ranging economic sanctions on Russia and certain Russian individuals, banking entities and corporations as a response to Russia's invasion of Ukraine. These, as well as any other economic consequences to Russia, such as additional sanctions, boycotts or changes in consumer or purchaser preferences or cyberattacks on the Russian government, companies or individuals, along with any retaliatory actions or countermeasures that may be taken by Russia (including cyberattacks on other governments, corporations or individuals) may further decrease the value and liquidity of Russian securities. To the extent that the Funds have exposure to Russian or other Eastern European borrowers as part of the underlying reference portfolios in respect of which the Funds invest, the value of the Funds' investments may be adversely affected. The extent and duration of Russia's military actions and the repercussions of such actions are impossible to predict, but could result in significant market disruptions, including in the oil and natural gas markets, and may negatively affect global supply chains, inflation and global growth. These and any related events could significantly impact the ability of underlying borrowers to satisfy their reference obligations in respect of which the Funds are invested, and in turn, impact the value of an investment in the Funds, even beyond any direct exposure the Funds may have to Russian issuers or adjoining geographic regions.

### ***Business Continuity and Disaster Recovery***

The Firm's business operations are vulnerable to disruption in the case of catastrophic events such as fires, natural disasters (e.g., tornadoes, floods, hurricanes, and earthquakes), epidemics and pandemics, terrorist attacks, or other circumstances resulting in property damages, network interruption or prolonged power outages. Although the Firm has adopted a policy to address business continuity and recovery in the event of such a disaster, there

can be no assurance that all contingencies are planned for or that such preparations will be successful. If business operations are disrupted or suspended for extended periods of time, the Firm and the Funds may be adversely affected.

### **Certain Additional Risks in respect of the IIFC Funds**

#### ***Subordination***

The IIFC Funds are expected to invest in junior tranches of certain investment portfolios, including in some cases highly-leveraged junior tranches referencing portfolios of project finance loans, infrastructure loans, real estate loans, commercial loans or other financial instruments. As a result, any deterioration in the performance of such reference portfolios, including defaults and losses, would have a significant effect on such junior tranches representing investments by the IIFC Funds, and, accordingly, the return of the IIFC Funds.

#### ***Loan Participations and Assignments***

The IIFC Funds may invest in fixed and floating-rate loans, which investments may be in the form of loan participations and assignments of portions of such loans. Participations and assignments involve special types of risk, including credit risk, interest-rate risk, liquidity risk, and the risks of being a lender generally. Participations in commercial loans may be secured or unsecured. Loan participations typically represent direct participation in a loan to a corporate borrower, and generally are offered by banks or other financial institutions or lending syndicates. When purchasing loan participations, the IIFC Funds assume the credit risk associated with the corporate borrower and may assume the credit risk associated with an interposed bank or other financial intermediary, and may only be able to enforce its rights through the lender, and may assume the credit risk of the lender in addition to the borrower. The participation interests in which the Funds invest may not be rated by any nationally recognized rating service.

Investments in loans through a direct assignment of a financial institution's interests with respect to the loan may involve additional risks to the IIFC Funds. For example, if a loan is foreclosed, the IIFC Funds could become part owner of any collateral, and would bear the costs and liabilities (including tax liabilities) associated with owning and disposing of the collateral. In addition, it is conceivable that, under emerging legal theories of lender liability, the IIFC Funds could be held liable as a co-lender. It is unclear whether loans and other forms of direct indebtedness offer securities laws protections against fraud and misrepresentation. In the absence of definitive regulatory guidance, the IIFC Funds rely on Newmarket's research in an attempt to avoid situations where fraud or misrepresentation could adversely affect the IIFC Funds.

It is possible that the General Partner and Newmarket may find it necessary or desirable to foreclose on collateral securing one or more loans purchased by one or more of the IIFC Funds. The foreclosure process can be lengthy and expensive. Borrowers often resist foreclosure actions by asserting numerous claims, counterclaims, and defenses against the



holder of a loan including, without limitation, numerous lender liability claims and defenses, even when such assertions may have no basis in fact, in an effort to prolong the foreclosure action. In some jurisdictions, foreclosure actions can take up to several years or more to litigate. At any time during the foreclosure proceedings, the borrower may file for bankruptcy, which would have the effect of staying the foreclosure action and further delaying the foreclosure process. Foreclosure litigation tends to create a negative public image of the collateral property. In addition, certain of the loans in which one or more of the IIFC Funds invest may be structured so that all or a substantial portion of the principal will not be paid until maturity, which increases the risk of default at that time.

It is anticipated that some of the IIFC Funds' debt investments may not be rated by any recognized rating agency. Generally, the value of unrated classes is more subject to fluctuation due to economic conditions than rated classes. Overall credit quality may move up or down frequently within this category. An IIFC Fund's acquisition of credit support classes of securitizations (which generally are expected to be first loss classes) which are unrated at the time of acquisition or which have lower ratings, incrementally increases the risk of nonpayment or of a significant delay in payments on these classes. Should assets be downgraded, it may adversely affect their value and may adversely affect the value of a particular IIFC Fund.

#### ***Investments in Troubled Assets and in Assets Held by Troubled Financial Institutions***

The IIFC Funds may make investments in nonperforming, underperforming, or other troubled loans that involve a degree of financial risk that may never be overcome and, as a result, may lead to a loss of some or all of the investments. The investments may have been originated by financial institutions that are insolvent, in serious financial difficulty, or no longer in existence; and, as a result, the standards by which such investments were originated, the recourse to the selling institution, or the standards by which such investments are being serviced or operated may be adversely affected. In addition, certain of the investments may become subject to compromise and/or discharge under applicable bankruptcy laws and may be subject to litigation, which could further impair the value of the investment. Bankruptcy laws may delay the ability of the IIFC Funds to realize on collateral for loan positions held by it or may adversely affect the priority of such loans through doctrines such as equitable subordination. Bankruptcy laws may also result in a restructure of the debt without the IIFC Funds' consent under the "cramdown" provisions of applicable bankruptcy laws and may also result in a discharge of all or part of the debt without payment to the IIFC Funds.

#### ***Regulatory and Governmental Risk***

The investment strategy of the IIFC Funds is reliant on national and international regulatory rules and restrictions relating to the banking industry, over which neither the General Partners, the Firm, nor the IIFC Funds have any control.

The primary investment strategy of the IIFC Funds is developed to operate in the context of a specific set of international financial rules and regulations, including Basel III and IV, and such rules may change. For example, the EU recently adopted regulations on securitization transparency and amendments to the EU capital requirements regulation that may impact certain types of transactions in which the IIFC Funds invest. In addition, the European Parliament recently adopted a regulation that has the effect of lowering the risk-weighting on bank exposure to entities that operate or finance physical structures or facilities, systems and networks that provide or support essential public services. The impact of this new regulation on the IIFC Funds is currently unclear, as it is intended to incentivize additional infrastructure-related lending that could provide additional opportunities within the IIFC Funds' primary investment strategy, but it may also adversely impact the demand for regulatory capital relief transactions generally among certain EU banks.

There are additional regulatory risks at the underlying asset level of the IIFC Funds' infrastructure-related investments. In many instances, the operation of infrastructure projects involves an ongoing relationship with a government agency. The nature of the arrangements can expose the projects to a higher level of regulatory control than typically imposed on other businesses. The repealing, amending, or enacting of new laws or regulations (or a new interpretation of such laws and regulations) can have a material adverse effect on the results of operations, financial condition, liquidity, and prospects of an infrastructure project's ability to generate cash would that will be used, in part, to meet its debt service obligations.

Certain of the loans, bonds, or debt instruments to which the IIFC Funds will be exposed via its investments are expected to be made to infrastructure projects that are operated pursuant to government permits, licenses, leases, concessions, or contracts which are generally very complex and may result in a dispute over interpretation or enforceability. The failure of the project owners/operators to comply with the terms of these permits, licenses, leases, concessions, or contracts can have a material adverse effect on the results of operations, financial condition, liquidity, and prospects of an infrastructure project's ability to generate cash flow that would be used, in part, to meet its debt service obligations. Further, where the ability of a project to operate is subject to a concession or lease from the government, the concession or lease may restrict the ability of the owner/operator to operate the business in a way that maximizes cash flows and profitability. The leases or concessions may also contain clauses more favorable to the government counterparty than a typical commercial contract. For instance, a lease or concession may enable the government to terminate the lease or concession in certain circumstances without requiring it to pay adequate compensation. In addition, government counterparties also may have the discretion to change or increase regulation of projects related to our underlying assets operations, or implement laws or regulations affecting our underlying assets, separate from any contractual rights. Governments have considerable discretion in implementing regulations that could impact the businesses carried on by our investments, and because such businesses provide basic, everyday services, and face limited competition,

governments may be influenced by political considerations and may make decisions that adversely affect such businesses. Where a project is the sole or predominant service provider in its service area and provides services that are essential to the community, it may be subject to rate regulation by governmental agencies that will determine the prices it may charge. Thus, these projects may be subject to unfavorable price determinations that may be final with no right of appeal or which, despite a right of appeal, can have a material adverse effect on the results of operations, financial condition, liquidity, and prospects of an infrastructure project's ability to generate cash flow that would be used, in part, to meet its debt service obligations.

### ***EU Securitization Regulation***

On January 1, 2019, the EU Securitization Regulation (EU) 2017/2402 (the "**Securitization Regulation**") entered into force (subject to certain transitional provisions), replacing the current EU risk retention rules with new risk retention rules that apply to regulated institutional investors. The Securitization Regulation restricts certain institutional investors subject to the Securitization Regulation from investing in securitizations unless: (i) the "originator", "sponsor", or "original lender" has explicitly disclosed that it will retain, on an on-going basis, a net economic interest of not less than 5% with respect to certain securitized exposures; (ii) such investor is able to demonstrate that they have undertaken certain due diligence in respect of various matters, including the underlying assets, and on certain institutional investors in a securitization; and (iii) the "originator", "sponsor", and "securitization special purpose entity" of a securitization complies with the prescribed on-going transparency obligations, where applicable. Investors should be aware that, in general, the requirements imposed under the Securitization Regulation are more onerous and have a wider scope than those imposed under the previous legislation. For example, the Securitization Regulation included changes amending the calculation of risk-weighted exposure amounts for securitization positions, effectively increasing the risk weight floor on senior retained exposures of securitizations from 7% to 15%. As a result, bank counterparties will experience less regulatory capital relief than they otherwise would have prior to the application of the Securitization Regulation.

The ability of the IIFC Funds to invest in securitizations that do not meet the requirements under the Securitization Regulation may be restricted, and the IIFC Funds may not be available or suitable to Investors subject to the Securitization Regulation and, consequently, the value and volume of assets available for investment may be restricted.

### ***ESG-related Activities***

There is currently a series of initiatives at an EU level that are at varying stages of progress to implement the EU's Action plan on Financing Sustainable Growth. Regulation (EU) 2019/2088 on Sustainability-related disclosures in the financial services sector (the "**SFDR**") was published on December 9, 2019 and entered into force on December 29,

2019. SFDR has direct effect on the Firm, imposing obligations on the Firm both directly and in respect of the Funds. Compliance with the SFDR, the RTS and other ESG related rules may result in increased legal, compliance, reporting and other associated costs and expenses being borne by the Funds.

### ***Multilateral Development Bank Counterparty Risk***

It is possible that the IIFC Funds will invest in transactions with or alongside Multilateral Development Bank (“**MDB**”) counterparties. Because MDBs operate independently of commercial bank regulators and oftentimes fund projects in riskier geographies, investments with or alongside such counterparties may feature a contrasting risk profile as compared to the IIFC Funds’ bank regulatory capital relief transactions. There can be no guarantee that the IIFC Funds will be able to fully mitigate such risks. Additionally, MDBs are typically organized as treaty-based organizations, benefitting from certain legal immunities. These immunities may limit an IIFC Fund’s ability to litigate or receive damages in the event of a dispute between such Fund and an MDB.

### ***Indirect Holdings of Real Estate***

The issuers in which the IIFC Funds invest may in turn make investments, directly or indirectly, in real property or will issue securities for which real property will serve as collateral. Real property investments are subject to varying degrees of risk. Real estate values are affected by a number of factors, including changes in the general economic climate, local conditions (such as an oversupply of space or a reduction in demand for space), the quality and philosophy of management, competition based on rental rates, attractiveness and location of the properties, financial condition of tenants, buyers and sellers of properties, quality maintenance, insurance and management services, and changes in operating costs. Real estate values are also affected by such factors as government regulations (including those governing usage, improvements, zoning and taxes), interest rate levels, the availability of financing and potential liability under changing environmental and other laws.

### ***Credit Default Swaps; Credit-Linked Notes; Tax Treatment***

The Firm may utilize credit default swaps to take exposure to certain underlying credit transactions. Generally, swap agreements are contracts in which one party agrees to make payments to another party on the basis of a change in market value or level of a specified rate, index or asset, or the occurrence of a specified event. In return, the other party agrees to make periodical and/or non-periodical payments to the first party on agreed upon terms. In the case of credit default swaps, one party (the “protection buyer”) will make such payments to the other party (the “protection seller”) to protect itself against the occurrence of certain credit events, such as bankruptcy, failure to pay, or certain restructuring transactions, with respect to an underlying obligation (the “reference obligation”). Swaps are subject to the risk that the swap counterparty will default on its obligations or, in the

case of a credit default swap, that a default (or other credit event) on the reference obligation occurs. If such a default occurs, then the Funds may not have contractual remedies pursuant to the swap agreements. To the extent the Funds would have any such remedies, they may be subject to bankruptcy and insolvency laws in a variety of jurisdictions which could affect the Funds' rights as a creditor.

Investors should also note that the U.S. federal income tax consequences of credit default swaps are uncertain. The United States Internal Revenue Service has issued Notice 2004-52 with respect to credit default swaps, which indicates that alternative treatments or characterizations are possible that may affect the amount, timing, or character of the income realized by the Funds and allocated or distributed to its Investors.

Alternatively, the Firm may directly or indirectly acquire certain credit-linked notes or other instruments for the Funds that give rise to payments subject to the occurrence of certain credit events and that are issued by one or more special purpose vehicles that take exposure to certain underlying credit transactions, including credit default swaps. Depending on the entity tax classification of such special purposes vehicles and, under circumstances, the tax status of the Funds' investors, such exposure to credit transactions and any associated items of income may be attributed to the Funds and/or its investors for U.S. federal income tax purposes. In addition, if the relevant special purpose vehicle is treated as a foreign corporation for such purposes, U.S. Investors may be subject to special rules, including rules applicable to investments in "controlled foreign corporations" and "passive foreign investment companies."

Investors are recommended to contact their own tax advisers with respect to the U.S. federal income, foreign, and other tax consequences of credit default swaps and credit-linked notes.

### **Certain Additional Risks in respect of the Battery Fund**

#### ***Bitcoin/Digital Assets***

The Battery Fund intends to invest in bitcoin and secure or otherwise collateralize loans or other financial instruments with both traditional collateral as well as with bitcoin. Bitcoin and other cryptocurrencies, decentralized application tokens and other cryptofinance coins, tokens and digital assets and instruments that are based on blockchain, distributed ledger, or similar technologies (collectively, "**Digital Assets**") are loosely regulated and there is no central marketplace for currency exchange. Supply is determined by a computer code, not by a central bank, and prices can be, and have been, extremely volatile. Digital Asset exchanges have been closed due to fraud, failure, or security breaches. Any of the Battery Fund's capital or assets that reside on a bitcoin exchange that shuts down may be lost.

Several factors may affect the price of Digital Assets, including, but not limited to, supply and demand, market expectations with respect to the rate of inflation, interest rates,

currency exchange rates, overall market sentiment, or future regulatory measures that restrict the trading of Digital Assets or the use of Digital Assets as a form of payment. There is no assurance that Digital Assets will maintain their long-term value in terms of purchasing power in the future, or that acceptance of Digital Asset payments by mainstream retail merchants and commercial businesses will continue to grow.

### ***Digital Asset Ownership and Trading is Volatile and Speculative***

Digital Assets represent a speculative investment and involve a high degree of risk. As relatively new products and technologies, Digital Assets have not been widely adopted as means of payment for goods and services by major retail and commercial outlets. Conversely, a significant portion of the demand for Digital Assets is generated by speculators and investors seeking to profit from the short- or long-term holding of Digital Assets. The relative lack of acceptance of Digital Assets in the retail and commercial marketplace limits the ability of end-users to pay for goods and services with Digital Assets. A lack of expansion by Digital Assets into retail and commercial markets, or a contraction of such use, may result in increased volatility.

In addition, historical bitcoin price appreciation has been followed by long intervals of downward price movement which increases the risk of volatility in the price of bitcoin, which may negatively affect the Battery Fund's net asset value and/or returns.

### ***Governance of Decentralized Networks***

The decentralized nature of governance of many Digital Asset systems, such as the Bitcoin network, may lead to ineffective decision-making that slows development or prevents a network from overcoming important obstacles. Governance of decentralized networks is often determined by voluntary consensus and open competition. Bitcoin, for example, has no central decision-making body or clear manner in which participants can come to an agreement other than through overwhelming consensus. The lack of clarity on governance may adversely affect Bitcoin's utility and ability to grow and face challenges, both of which may require solutions and directed effort to overcome problems, especially long-term problems.

### ***Digital Asset Vulnerabilities***

Digital Assets are created, issued, transmitted, and stored according to protocols run by computers in the Digital Asset network. It is possible these protocols have undiscovered flaws which could result in the loss of some or all assets held by the Battery Fund. There may also be network scale attacks against these protocols which result in the loss of some or all of assets held by the Battery Fund. Some assets held by the Battery Fund may be created, issued, or transmitted using experimental cryptography which could have underlying flaws. Advancements in quantum computing could break the cryptographic rules of protocols which support the assets held by the Battery Fund. The Battery Fund

will not guarantee the reliability of the cryptography used to create, issue, or transmit Digital Assets held by the Battery Fund.

Certain Digital Assets, such as Bitcoin, have only recently been deployed. Many Digital Asset networks are new and rapidly developing. Certain technical issues have been identified with respect to various Digital Assets in the past, and as Digital Asset networks continue to develop and grow new technical issues might be uncovered. Troubleshooting and resolution of such issues requires the attention and efforts of the global developer community associated with the affected Digital Asset. For example, in September 2018, vulnerabilities in the code underlying the Bitcoin blockchain were identified by an anonymous user. These vulnerabilities, which were addressed by the developer community before they caused harm, could have resulted in severe outages of the Bitcoin network or the issuance of excess bitcoin. Troubleshooting and resolution of such issues requires the attention and efforts of the global developer community associated with the affected Digital Asset. Even if such technical issues are adequately addressed, these issues could lead to a reduction in confidence of the affected Digital Asset, or Digital Assets generally, which could negatively impact the demand for the affected Digital Asset, or Digital Assets generally, and therefore adversely affect an investment in the Battery Fund.

### ***Limited Use of Digital Assets***

Currently, there is relatively limited use of any Digital Asset in the retail and commercial marketplace in comparison to relatively extensive use as a store of value, thus contributing to price volatility that could adversely affect an investment in the Battery Fund.

Digital Assets have only recently become selectively accepted as a means of payment for goods and services by many major retail and commercial outlets, and use of Digital Assets by consumers to pay such retail and commercial outlets remains limited. Banks and other established financial institutions may refuse to process funds for Digital Asset transactions; process wire transfers to or from Digital Asset exchanges, Digital Asset-related companies or service providers; or maintain accounts for persons or entities transacting in Digital Assets. Conversely, a significant portion of Digital Asset demand is generated by investors seeking a long-term store of value or speculators seeking to profit from the short- or long-term holding of the asset. Price volatility undermines any Digital Asset's role as a medium of exchange, as retailers are much less likely to accept it as a form of payment. Market capitalization for a Digital Asset as a medium of exchange and payment method may always be low. A lack of expansion by Digital Assets into retail and commercial markets, or a contraction of such use, may result in increased volatility or a reduction in the value of Digital Assets, either of which could adversely impact an investment in the Battery Fund. There can be no assurance that such acceptance will grow, or not decline, in the future.

While Bitcoin, the first widely used Digital Asset, and many other Digital Assets have been created to serve as a form of money, Digital Assets can be used to do other unrelated and complicated things. Some Digital Assets were built specifically with complex use cases in

mind. For example, the Ethereum network was designed primarily to facilitate smart contracts, with the Digital Asset ether serving as the transactional mechanism for many portions of such contracts. Smart contracts are programs that automatically execute on a blockchain, allowing myriad interesting applications to be built. It is possible that market demand for Digital Assets with use cases beyond serving as a form of money could over time reduce the market demand for bitcoin, which would adversely impact the price of bitcoin and, as a result, an investment in the Battery Fund. Additionally, certain Digital Assets use non-blockchain technologies, like Directed Acyclic Graph data structures, to maintain consensus. To the extent market participants come to prefer these other consensus mechanisms or Digital Assets that use non-blockchain technology, the value of bitcoin, and therefore an investment in the Battery Fund, may be adversely affected.

### ***Scaling Challenges for Digital Assets***

The Bitcoin network, like many Digital Asset networks, faces significant scaling challenges that can lead to high fees or slow transaction settlement times, and attempts to increase the volume of transactions may not be effective. As the use of Digital Asset networks increases without a corresponding increase in throughput of the networks, average fees and settlement times can increase significantly. Bitcoin's network, for example, has been, at times, at capacity, which has led to increased transaction fees. Increased fees and decreased settlement speeds could preclude certain use cases for Digital Assets (e.g., micropayments), and can reduce demand for and the price of Digital Assets, which could adversely impact an investment in the Battery Fund. There is no guarantee that any of the mechanisms in place or being explored for increasing the scale of settlement of transactions in bitcoin will be effective, or how long these mechanisms will take to become effective, which could adversely impact an investment in the Battery Fund.

### ***Bitcoin Competition***

Competition from central bank digital currencies ("CBDCs") and other Digital Assets could adversely affect the value of bitcoin and other Digital Assets. Central banks have introduced digital forms of legal tender (CBDCs). China's CBDC project, known as Digital Currency Electronic Payment ("DC/EP"), has reportedly been tested in a live pilot program conducted in multiple cities in China. A recent study published by the Bank for International Settlements estimated that at least 36 central banks have published retail or wholesale CBDC work ranging from research to pilot projects. Whether or not they incorporate blockchain or similar technology, CBDCs, as legal tender in the issuing jurisdiction, could have an advantage in competing with, or replace, Bitcoin and other Digital Assets as a medium of exchange or store of value. As a result, the value of bitcoin could decrease, which could adversely affect an investment in the Battery Fund.

Competing Digital Assets, including those developed by large technology companies may adversely affect the value of bitcoin and Digital Assets. In May 2019, Facebook announced its plans for a Digital Asset called Libra. Facebook and its partners in the Libra Association have touted the Libra digital coin and Facebook's corresponding digital wallet, Novi, as a



way to make cross-border payments cheaper and easier. In July 2019, Facebook announced that Libra will not launch until all regulatory concerns have been met. In October 2019, many partners left the Libra Association including PayPal, eBay, MasterCard, Stripe, and Visa, although certain other new members have since joined. In December 2020, Facebook announced that the Libra Digital Asset had been renamed Diem. Because Facebook is a large technology company with substantial resources, when and if it or a consortium launches a Digital Asset, it could adversely affect the value of bitcoin and an investment in the Battery Fund.

Promoters of other Digital Assets claim that those Digital Assets have solved certain of the purported drawbacks of the Bitcoin network, for example, allowing faster settlement times, reducing mining fees, or reducing electricity usage in connection with mining. If these Digital Assets are successful, such success could reduce demand for bitcoin and adversely affect the value of bitcoin and an investment in the Battery Fund.

### ***Custody of Digital Assets***

The Battery Fund will be responsible for arranging for custody of the Digital Assets, including by storage in one or more “cold wallets” or on various Digital Asset exchanges. Digital Asset exchanges may require the Battery Fund to provide control of applicable private keys when such exchanges are utilized by the Battery Fund. The Investment Manager expects borrowers to take such steps as they determine are necessary to maintain access to these keys and to prevent their exposure to hacking, malware, and general security threats, but there can be no assurance that such steps will be adequate to protect such keys or a borrower’s Digital Assets from such threats or that there will be no failure or penetration of the applicable security systems. There also can be no assurance that, to the extent borrowers or the Battery Fund utilize third-party custodial services, such third parties maintain required certifications with the Securities and Exchange Commission or other regulatory agencies, the loss of which could cause such custodians to not be deemed qualified custodians by various regulatory agencies. The General Partner may determine and/or modify the Battery Fund’s approach to custody of its assets, including but not limited to Digital Assets, in its sole discretion.

### ***Third Party Wallet Providers***

Borrowers and the Battery Fund may use third party wallet providers to hold a portion of a borrower’s or the Battery Fund’s, as applicable, Digital Assets. Borrowers may have a high concentration of its Digital Assets in one location or with one third party wallet provider, which may be prone to losses arising out of hacking, loss of passwords, compromised access credentials, malware, or cyber-attacks. Borrowers are not required to maintain a minimum number of wallet providers to hold borrower’s Digital Assets. Borrowers may not perform detailed diligence on such third-party wallet providers and, as a result, may not be aware of all security vulnerabilities and risks. Certain third-party wallet providers may not indemnify borrowers against any losses of Digital Assets. Digital Assets held by third parties could be transferred into “cold storage” or “deep storage,” in

which case there could be a delay in retrieving such Digital Assets. Borrowers may also incur costs related to third party storage. Any security breach, incurred cost or loss of Digital Assets associated with the use of a third-party wallet provider may adversely affect borrowers. The ability to invest in a particular cryptocurrency may be impacted by the types of cryptocurrencies accepted by third party wallet providers that are qualified custodians.

### ***Risk of Loss of Private Keys***

Various Digital Assets are controllable only by the possessor of unique private keys relating to the addresses in which the Digital Assets are held. The theft, loss, or destruction of a private key required to access a Digital Asset is irreversible, and any such private key would not be capable of being restored by a borrower or the Battery Fund. Any loss of private keys relating to digital wallets used to store a borrower's or the Battery Fund's Digital Assets could result in the loss of such Digital Assets, and a borrower or the Battery Fund could incur substantial, or even total, loss of capital.

### ***Internet Reliance***

A significant disruption in internet connectivity could disrupt a Digital Asset's network operations until the disruption is resolved and have an adverse effect on the price of Digital Assets. In particular, some variants of Digital Assets have been subjected to a number of denial-of-service attacks, which have led to temporary delays in block creation and in the transfer of the Digital Assets. While in certain cases in response to an attack, an additional "hard fork" has been introduced to increase the cost of certain network functions, the relevant network has continued to be the subject of additional attacks. Moreover, it is possible that as Digital Assets increase in value, they may become bigger targets for hackers and subject to more frequent hacking and denial-of-service attacks.

Digital Assets are also susceptible to "border gateway protocol" hijacking, or "BGP hijacking." BGP hijacking impacts the way different nodes and miners are connected to one another to isolate portions of them from the remainder of the network, which could lead to a risk of the network allowing double-spending and other security issues. If BGP hijacking occurs on a Digital Asset network, participants may lose faith in the security of Digital Assets, which could affect the value of those Digital Assets and consequently the value of the Interests.

Any future attacks that impact the ability to transfer Digital Assets could have a material adverse effect on the price of the affected Digital Assets and the value of the Interests.

### ***Digital Asset Exchanges***

The Digital Asset exchanges on which Digital Assets trade are relatively new and largely unregulated and may therefore be more exposed to theft, fraud, and failure than established, regulated exchanges for other products. In general, Digital Asset exchanges are currently

start-up businesses with no institutional backing, limited operating history and no publicly available financial information. Exchanges generally require cash to be deposited in advance to purchase Digital Assets, and no assurance can be given that those deposited funds can be recovered.

Additionally, upon sale of Digital Assets, cash proceeds may not be received from the exchange for several business days. The participation in exchanges requires users to take on credit risk by transferring Digital Assets from a personal account to a third-party's account. Borrowers will take credit risk of an exchange every time it transacts.

Digital Asset exchanges may impose daily, weekly, monthly, or customer-specific transaction or distribution limits or suspend withdrawals entirely, rendering the exchange of Digital Assets for fiat currency difficult or impossible. Additionally, Digital Asset prices and valuations on Digital Asset exchanges have been volatile and subject to influence by many factors including the levels of liquidity on exchanges and operational interruptions and disruptions. The prices and valuation of Digital Assets remain subject to any volatility experienced by Digital Asset exchanges, and any such volatility can adversely affect an investment in Portfolio Funds.

Digital Asset exchanges are appealing targets for cybercrime, hackers, and malware. It is possible that while engaging in transactions with various Digital Asset exchanges located throughout the world, any such exchange may cease operations due to theft, fraud, security breach, liquidity issues, or government investigation. In addition, banks may refuse to process wire transfers to or from exchanges. If the source code or cryptography underlying Bitcoin proves to be flawed, ineffective or potentially insufficiently tested, malicious actors may be able to steal a borrower's or the Battery Fund's bitcoin. In addition, if a malicious actor or botnet obtains control of a Digital Asset network, such actor or botnet could manipulate the blockchain, which would adversely affect an investment in the Battery Fund.

Any financial, security, or operational difficulties experienced by such exchanges may result in an inability of borrowers or the Battery Fund to recover money or Digital Assets being held by the exchange, or to pay investors upon redemption. Further, borrowers or the Battery Fund may be unable to recover Digital Assets awaiting transmission into or out of the Battery Fund, all of which could adversely affect an investment in the Battery Fund. Additionally, to the extent that the Digital Asset exchanges representing a substantial portion of the volume in Digital Asset trading are involved in fraud or experience security failures or other operational issues, such Digital Asset exchanges' failures may result in loss or less favorable prices of Digital Assets, or may adversely affect the Battery Fund, their operations, and investments.

### ***Blockchain Forks***

A temporary or permanent blockchain fork could adversely affect an investment in the Battery Fund. The software powering Digital Assets, including Bitcoin, are generally open

source, meaning that any user can download the software, modify it, and then propose that the users and miners of the Digital Asset adopt the modification. If less than a substantial majority of users and miners consent to the proposed modification, and the modification is not compatible with the software prior to its modification, the consequence would be a fork of the network, with one prong running the pre-modified software and the other running the modified software. The effect of such a fork would be the existence of two versions of the Digital Asset running in parallel, yet lacking interchangeability.

Forks may occur after a significant security breach. Additionally, a fork could be introduced by an unintentional, unanticipated software flaw in the multiple versions of otherwise compatible software users run. Such a fork could adversely affect the Digital Asset's viability. It is possible, however, that a substantial number of users and miners could adopt an incompatible version of the Digital Asset while resisting community-led efforts to merge the two chains. This would result in a permanent fork, causing a borrower or the Battery Fund to potentially hold amounts of both the original Digital Asset and the new alternative. In the event of such a fork, the Battery Fund or the borrower would hold the original Digital Asset and need to separately determine whether and when it would be appropriate to include the value of the new asset in the calculation of net asset value and whether the new Digital Asset would be an appropriate medium for investment that should be added to the portfolio.

In August 2017, Bitcoin “forked” into Bitcoin and a new Digital Asset, Bitcoin Cash, as a result of a several-year dispute over how to increase the rate of transactions that the Bitcoin network can process. Since then, Bitcoin has been forked several times to launch new Digital Assets, such as Bitcoin Gold, Bitcoin Silver, and Bitcoin Diamond. Further hard forks of the Bitcoin blockchain or other Digital Asset networks could impact demand for bitcoin or other Digital Assets and could adversely impact an investment in the Battery Fund.

Furthermore, a hard fork can introduce new security risks. Another possible result of a hard fork is an inherent decrease in the level of security. After a hard fork, it may become easier for an individual miner or mining pool's hashing power to exceed 50% of the processing power of the Digital Asset network, thereby making Digital Assets that rely on proof of work more susceptible to attack.

### ***Unrealized Benefits of New Digital Assets***

The Battery Fund may not be able to realize the economic benefit of a hard fork or “airdrop,” either immediately or ever, which could adversely impact an investment in the Battery Fund. If a borrower or the Battery Fund holds a Digital Asset at the time of a hard fork creating two Digital Assets, it would be expected to hold an equivalent amount of the old and new assets following the hard fork. Similarly, a borrower or the Battery Fund may hold a Digital Asset that is subject to an automatically granted “airdrop” for such Digital Asset or a different existing or new Digital Asset. However, the borrower and the Battery Fund may not be able, or it may not be practical, to secure or realize the economic benefit

of the new asset for various reasons. For instance, a custodian or security service provider may not agree to provide access to the new asset. In addition, the borrower or the Battery Fund may determine that there is no safe or practical way to custody the new asset, or that trying to do so may pose an unacceptable risk to the holdings in the old asset, or that the costs of taking possession and/or maintaining ownership of the new Digital Asset exceed the benefits of owning the new Digital Asset.

Additionally, laws, regulation, or other factors may prevent benefiting from the new asset even if there is a safe and practical way to custody and secure the new asset. For example, it may be illegal to sell the new asset, or there may not be a suitable market into which the new asset can be sold (either immediately after the fork or ever).

### ***Bitcoin Miners***

Miners generate revenue from both newly created bitcoins, known as the block reward, and from fees taken upon verification of transactions. If the aggregate revenue from transaction fees and the block reward is below a miner's cost, the miner may cease operations. If the award of new units of Digital Assets such as Bitcoin for solving blocks declines and/or the difficulty of solving blocks increases, and/or if transaction fees voluntarily paid by participants are not sufficiently high, miners may not have an adequate incentive to continue mining and may cease their mining operations.

The reward for solving a new block on the Bitcoin network will be reduced over time. This reduction may result in a reduction in the aggregate hashrate of the Bitcoin network as the incentive for miners decreases. Miners ceasing operations would reduce the collective processing power on the network, which would adversely affect the confirmation process for transactions (i.e., temporarily decreasing the speed at which blocks are added to the blockchain until the next scheduled adjustment in difficulty for block solutions) and make Digital Asset networks more vulnerable to a malicious actor or botnet obtaining sufficient control to manipulate the blockchain and hinder transactions. Any reduction in confidence in the confirmation process or processing power of a Digital Asset network may adversely affect an investment in the Battery Fund.

Miners, functioning in their transaction confirmation capacity, collect fees for each transaction they confirm. If miners collude in an anticompetitive manner to reject low transaction fees, then Digital Asset users could be forced to pay higher fees, thus reducing the attractiveness of the Digital Asset network. Mining occurs globally and it may be difficult for authorities to apply antitrust regulations across multiple jurisdictions. Any collusion among miners may adversely impact the attractiveness of Digital Asset networks and may adversely impact an investment in the Battery Fund.

### ***Digital Asset Audit Complexities***

Audits for an investment fund holding Digital Assets require special procedures and differ dramatically from traditional audit procedures. The complexity of Digital Assets and

related audit procedures may result in impediments of an audit and difficulties in the preparation of the Battery Fund's audited financials. Special procedures must be taken to assess whether investments and transactions are properly accounted for and valued because independent confirmation of Digital Asset ownership (e.g., ownership of a balance on a Digital Asset exchange) differs dramatically from traditional confirmation with a securities broker or bank account. The Battery Fund, the Investment Manager, and the administrator will need to have satisfactory processes in place in order for the Battery Fund's auditor to obtain the Battery Fund's transaction history and properly prepare audited financials. Any breakdown in such processes may result in delays or other impediments of an audit. In addition, the complexity of Digital Assets generally may lead to difficulties in connection with the preparation of the Battery Fund's audited financials.

### ***Supply and Demand Forces on Digital Assets***

Political or economic crises may motivate large-scale sales of Digital Assets, which could result in a reduction in the prices of Digital Assets and adversely affect an investment in the Battery Fund.

As an alternative to fiat currencies that are backed by central governments, Digital Assets, are subject to supply and demand forces based upon the desirability of an alternative, decentralized means of buying and selling goods and services, and it is unclear how such supply and demand will be impacted by geopolitical events. Nevertheless, political, or economic crises may motivate large-scale acquisitions or sales of such Digital Assets either globally or locally. Large-scale sales of Digital Assets would result in a reduction in their price and adversely affect an investment in the Interests.

Ownership of bitcoin is pseudonymous, and the supply of accessible bitcoin is unknown. Entities with substantial holdings in bitcoin may engage in large-scale sales or distributions, either on nonmarket terms or in the ordinary course, which could result in a reduction in the price of bitcoin and adversely affect an investment in the Battery Fund.

There is no registry showing which individuals or entities own bitcoin or the quantity of bitcoin that is owned by any particular person or entity. It is possible, and in fact, reasonably likely, that a small group of early Bitcoin adopters hold a significant proportion of the bitcoin that has been created to date. There are no regulations in place that would prevent a large holder of bitcoin from selling bitcoin it holds. To the extent such large holders of bitcoin engage in large-scale sales or distributions, either on nonmarket terms or in the ordinary course, it could result in a reduction in the price of bitcoin and adversely affect an investment in the Interests. Large-scale sales or distributions could result in selling pressure that may reduce the price of bitcoin and adversely affect an investment in the Interests.

### ***Uncertain Regulatory Environment for Digital Assets***

In addition to the regulatory risks noted above, the overall regulatory environment for Digital Assets remains uncertain. U.S. federal agencies have asserted whole or partial regulatory authority over Digital Assets, including, but not limited to, the Securities and Exchange Commission, the Commodity Futures Trading Commission, the Federal Trade Commission, and the Financial Crimes Enforcement Network. Whether and to what extent Digital Assets will be regulated by any existing federal agencies or by new legislation passed by the U.S. Congress is unknown and the effect on the market value of Digital Assets overall is unknown. State regulatory agencies may also create their own set of regulations of Digital Assets, which might further negatively impact the value of Digital Assets. Regulatory activity in any of these areas may restrict the ability of the Battery Fund both to make investments in Digital Assets and to realize the value of any investments by restricting the conversion of any such value into U.S. dollar-based assets.

### ***Digital Asset Regulatory Risks***

Regulatory changes or actions may alter the nature of an investment in the Battery Fund or restrict the use of Digital Assets or the operation of Digital Asset networks or exchanges in a manner that adversely affects an investment in the Battery Fund. As Digital Assets have grown in both popularity and market size, the U.S. Congress and a number of U.S. federal and state agencies have been examining the operations of Digital Asset networks, Digital Asset users, and the Digital Asset exchange market. Many of these state and federal agencies have issued enforcement actions, advisories, and rules relating to Digital Asset markets. Ongoing and future regulatory actions with respect to Digital Assets generally or any single Digital Asset in particular may alter, perhaps to a materially adverse extent, the nature of an investment in the Battery Fund or the ability of the Battery Fund to continue to operate.

The Financial Crimes Enforcement Network (“**FinCEN**”) requires any administrator or exchanger of convertible Digital Assets to register with FinCEN as a money transmitter and comply with the anti-money laundering regulations applicable to money transmitters. In 2015, FinCEN assessed a \$700,000 fine against Ripple Labs Inc. for violating several requirements of the Bank Secrecy Act by acting as a money services business, to which we refer herein as an MSB, and selling XRP without registering with FinCEN, and by failing to implement and maintain an adequate anti-money laundering program. In 2017, FinCEN assessed a \$110 million fine against BTC-E, a now defunct Digital Asset exchange, for similar violations. The requirement that exchanges that do business in the United States register with FinCEN and comply with anti-money laundering regulations may increase the cost of buying and selling Digital Assets and therefore may adversely affect their price.

The United States Department of Treasury Office of Foreign Assets Control (“**OFAC**”) has added digital currency addresses to the list of Specially Designated Nationals whose assets are blocked, and with whom U.S. persons are generally prohibited from dealing. Such actions by OFAC, or by similar organizations in other jurisdictions, may introduce uncertainty in the market as to whether Digital Assets that have in the past been associated with such addresses can be easily sold. These “tainted” Digital Assets may trade at a

substantial discount to untainted Digital Assets. The Battery Fund's calculation of net asset value assumes that units of the same Digital Asset will continue to be fungible with each other. If different units of the same Digital Asset begin to trade at different prices based on their history the Battery Fund will reevaluate its net asset value calculation procedures. Amended calculation procedures may require the Battery Fund to incur substantial additional expense in order to audit the history of its Digital Assets. Additionally, reduced fungibility in the Digital Asset markets may reduce the liquidity of Digital Assets and therefore adversely affect their price.

The transparency of blockchains has in the past facilitated investigations by law enforcement agencies. However, certain privacy-enhancing features have been or are expected to be introduced to a number of Digital Asset networks, and these features may provide law enforcement agencies with less visibility into transaction histories. Although no regulatory action has been taken to treat privacy-enhancing Digital Assets differently, this may change in the future.

In addition, a determination that any Digital Asset held by the Battery Fund is a security under U.S. or foreign law could adversely affect an investment in the Battery Fund. If regulatory changes or interpretations require the regulation of one or more Digital Assets under the Commodity Exchange Act by the CFTC and/or under the Securities Act, Exchange Act, Advisers Act or Investment Company Act by the SEC, compliance with these requirements could result in additional expenses to the Battery Fund or significantly limit the ability of the Battery Fund to pursue its investment objective or may adversely affect an investment in the Battery Fund.

#### ***Real Estate and Real Estate Related Investments.***

Investments in real estate and real estate related-assets are susceptible to various risks, including, without limitation, declines in property values, increases in property taxes, operating expenses, interest rates, or competition, risks related to overbuilding generally, zoning changes, risks related to general and local economic conditions, eminent domain, fluctuations in rental income, changes in neighborhood values, the appeal of properties to tenants, losses from casualty or condemnation, environmental liabilities whereby an owner or operator of real property may become liable for the costs of removal or remediation of certain hazardous substances released on, about, under or in its property, the ongoing need for capital improvements (particularly in older properties), adverse changes in governmental rules and fiscal policies, civil unrest, natural disasters (which may result in uninsured losses), acts of war, and other factors that are beyond the control of the Firm.

#### **ITEM 9 – DISCIPLINARY INFORMATION**

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Neither the Firm nor any of its officers or employees have been sanctioned or disciplined by any federal securities or commodities regulatory agency, self-regulatory organization or state for any violation of their statutes, regulations or rules nor have they ever been



involved in any civil or criminal action relating to any violation of the federal or state securities or commodities laws.

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

Neither the Firm nor any General Partner is registered or have an application pending to register as a broker-dealer or a registered representative of a broker-dealer.

Neither the Firm nor any General Partner is registered or have an application pending to register as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

The General Partners are affiliated entities of, and under common control with, the Firm.

Newmarket Global is an affiliated entity and a relying adviser of Newmarket.

Battery Finance, Inc. is an affiliated entity and a relying adviser of Newmarket.

Neither Newmarket nor the General Partners recommend or select other investment advisers for the Funds.

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

Pursuant to Rule 204A-1 of the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”), the Firm has adopted a Code of Ethics (the “**Code**”) that establishes various procedures with respect to investment transactions in accounts (“**Covered Accounts**”) in which any of the Firm’s employees have discretionary investment authority or exercise effective influence or control.

The Firm’s Code was adopted to avoid possible conflicts of interest, avoid the inappropriate use of material, non-public information and ensure the propriety of its employees’ and its principals’ trading activity.

The foundation of the Code is based on the underlying principles that:

- Employees must at all times place the interests of the client first;
- Employees must make sure that all personal securities transactions are conducted consistent with the Code; and
- Employees should not take inappropriate advantage of their position.

A copy of the Firm’s Code is available to any client or prospective client upon request.

#### ***Personal Trading Policy and Reporting of Transactions***

Covered Account transactions in certain types of securities require pre-approval by the CCO. Employees must also obtain pre-approval from the CCO before participating in an initial public offering or private placement.

Covered Account transactions are subject to review by the Firm's CCO. These records are used to monitor compliance with the foregoing policies.

### ***Gifts and Entertainment, Political Activities and Outside Activities***

The Code provides that gifts and entertainment must be reasonable in light of industry practices and should never be given or received if the purpose is to influence the recipient. The Firm requires access persons to report or receive approval for the receipt or giving of gifts and entertainment under certain circumstances.

The Code also generally requires employees to obtain prior approval before the employee, a spouse, or certain other immediate family members makes a political contribution or engages in certain campaign-related fundraising activities. This policy is intended to prevent scenarios whereby an access person may make a contribution or engage in an activity for the selection of the Firm as an investment adviser for a governmental equity.

Finally, the Code provides that, without prior approval, access persons are generally not permitted to engage in certain types of outside business activities. This policy is intended to prevent material conflicts of interest that could arise from an access person's personal activities.

### ***Privacy Policy***

The Firm is committed to maintaining the confidentiality, integrity and security of its Investors' personal information. It is the Firm's policy to collect only information necessary or relevant to its management business and use only legitimate means to collect such information. The Firm does not disclose any non-public, personal information about its underlying Investors to anyone except for servicing and processing transactions and as required by law. The Firm restricts access to non-public, personal information about its Investors to those employees with a legitimate business need for the information. The Firm maintains security practices, physical, electronic and procedural safeguards to guard each Investor's non-public, personal information. Upon request, the Firm will provide a copy of its written privacy policies and procedures.

## **ITEM 12 – BROKERAGE PRACTICES**

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The Firm provides discretionary investment advice to the Funds and does not have an active brokerage relationship due to the type of investments made by the Firm for the Funds.

### **ITEM 13 – REVIEW OF ACCOUNTS**

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The Firm will review the Funds' investments on a regular basis with a view to evaluating, among other things, economic developments, industry outlook and other issues related to the investments. The Funds' investments are reviewed by a team consisting of the Firm's principals and other investment professionals. This team monitors overall performance, portfolio composition, credit events in the underlying portfolios, financial performance and compliance with the investment guidelines of the relevant Funds. Reviews also consider, and may be triggered by, market, legal or regulatory developments.

The Firm will typically provide the investors in the Funds with the following written reports: (i) audited annual financial statements; (ii) quarterly unaudited performance reports; and (iii) annual tax information necessary to complete any applicable tax returns.

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

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The Firm currently utilizes third-party placement agents to introduce prospective investors to the Funds and any future clients. The relevant Funds disclose in their respective Offering Documents that they have entered, and/or may in the future enter, into these arrangements. Generally, any placement agent fees will be borne by the Firm directly, or indirectly through a corresponding reduction in the management fee that the Firm receives from the relevant Fund, and not by Investors themselves. Third-party solicitors in the United States will be registered as broker-dealers with the SEC, and third-party solicitors outside of the United States will be registered with a non-U.S. regulatory body to the extent such registration is required in the applicable non-U.S. jurisdiction.

### **ITEM 15 – CUSTODY**

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The Firm is deemed to have custody of the assets of the Funds. Therefore, in order to comply with Rule 206(4)-2 of the Advisers Act (the "**Custody Rule**"), the Firm complies with the pooled vehicle annual audit provision. Annually, upon completion of the annual audit of the Funds, the Firm shall seek to ensure that the audited financial statements are delivered to Investors in each Fund within 120 days of each Fund's fiscal year end. The audited financial statements will be prepared by an independent accounting firm that is registered with and subject to review by the Public Company Accounting Oversight Board ("**PCAOB**"), in accordance with U.S. Generally Accepted Accounting Principles ("**GAAP**"). Investors should carefully review these audited financial statements, and any Investors who have not received audited financial statements timely should contact the Firm immediately.

### **ITEM 16 – INVESTMENT DISCRETION**

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The Firm, subject to the direction and control of the General Partner of the Funds, has investment discretion in managing the investments of the Funds. The terms of these

investments as well as the investment strategy and guidelines around the use of this discretion are described in detail in the Funds' Offering Documents.

The Firm assumes, subject to the direction and control of the General Partner of the Funds, investment discretion and day-to-day operations over the Funds by virtue of the execution of the investment advisory contracts with the Funds, as contemplated in the limited partnership agreements of the Funds.

#### **ITEM 17 – VOTING CLIENT SECURITIES**

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Neither the Firm nor the Funds will vote public company proxies.

#### **ITEM 18 – FINANCIAL INFORMATION**

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Registered investment advisers are required in this Item to provide certain financial information or disclosures about the registered investment adviser's financial condition. The Firm has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.