



## ITEM 1 – Cover Page

### Part 2A of Form ADV

#### Firm Brochure

# WaterEquity LLC

April 2024

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This Brochure provides information about the qualifications and business practices of WaterEquity LLC (“WaterEquity”). Please direct any questions about the contents of this Brochure to the Chief Compliance Officer at [mmilligan@waterequity.com](mailto:mmilligan@waterequity.com) or 816.800.8100. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about WaterEquity is available on the SEC website: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

WaterEquity is registered as an investment adviser with the SEC under the U.S. Investment Advisers Act of 1940, as amended (the “Advisers Act”). SEC registration does not imply a certain level of skill or training.

## ITEM 2 – Material Changes

The purpose of this Item 2 is to disclose material changes that have been made to this Brochure since the last annual update. The following changes occurred since WaterEquity filed its last Brochure:

- ITEM 4: WaterEquity updated the Description of the Advisory Firm sub-section to remove specific fund references since this information is available in Part 1 of Form ADV.
- ITEM 4: WaterEquity updated the Description of the Type of Advisory Services Offered sub-section to delineate between investments in financial institutions and investments in infrastructure given the launch of WaterEquity's first Infrastructure Fund.
- ITEM 5: WaterEquity updated the Description of Compensation and Fee Payments sub-section to consider performance fees, which are charged for WaterEquity's first Infrastructure Fund, and to remove specific fund references.
- ITEM 5: WaterEquity updated the Description of Other Fees and Expenses sub-section to consider the additional fees and expenses payable in connection with WaterEquity's first Infrastructure Fund.
- ITEM 5: WaterEquity updated the Payment of Fees in Advance sub-section to consider the management fee paid quarterly in advance for WaterEquity's first Infrastructure Fund.
- ITEM 6: WaterEquity updated the Performance-Based Fees and Side-by-Side Management section to consider terms applicable to the launch of WaterEquity's first Infrastructure Fund, including the addition of Investment Allocation, Allocation of Co-Investment Opportunities, and Asset Valuation sub-sections.
- ITEM 8: WaterEquity updated the Methods of Analysis and Investment Strategies sub-section to delineate between the investment strategies for Financial Institution Fund investments and Infrastructure Fund investments given the launch of WaterEquity's first Infrastructure Fund.
- ITEM 8: WaterEquity updated the Material Risks Associated with WaterEquity Investment Strategies sub-section to take into consideration material risks associated with the launch of its first Infrastructure Fund.
- ITEM 10: WaterEquity updated its Item 10 to include reference to the Development Company and to update the involvement of certain of its principals and other personnel in the investment and other business activities of other investment vehicles, businesses, and organizations, subject to WaterEquity's internal policies.
- ITEM 13: WaterEquity updated its Item 13 to reference Marlene Hormes as a member of the Investment Committee in her capacity as Chief Investment Officer, and to reference John Moyer as an Independent Member of the Investment Committee.

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## ITEM 4 – ADVISORY BUSINESS

### 4.A Description of the Advisory Firm

WaterEquity LLC (“WaterEquity” or “the Manager”) is a Delaware limited liability company founded on January 14, 2014. It became an SEC-registered investment adviser on May 28, 2021. Initially called WaterCredit, LLC, the Manager changed its name to WaterEquity LLC on September 1, 2023.

WaterEquity is wholly owned by its sole member, WaterEquity, Inc., a Missouri corporation tax-exempt under Section 501(c)(3) of the Internal Revenue Code. WaterEquity is dedicated to solving the global water and sanitation crisis, seeking to achieve its mission by developing capital market solutions to finance water and sanitation improvements in emerging markets.

WaterEquity provides investment advisory services to private investment funds (collectively, “Advisory Clients” or “Funds”). Unless otherwise indicated, any references to “WaterEquity” or “the Manager” hereinafter refer collectively to the Manager and its affiliated General investors.

WaterEquity has an Investment Committee appointed by its Board of Managers. The Investment Committee is comprised of three to eight people, each of whom has experience in making social impact investments in the targeted countries or with substantial investment expertise in other relevant asset classes. The Investment Committee has the authority to review and approve individual investment opportunities and to construct and monitor the composition and performance of investment portfolios.

### 4.B. Description of the Type of Advisory Services Offered

WaterEquity provides investment advisory services to its Advisory Clients. WaterEquity’s investment strategy is to develop capital market solutions to finance water and sanitation improvements in emerging markets by investing in Financial Institutions and Infrastructure:

- **Financial Institution** – WaterEquity’s Financial Institution Funds provide debt capital to qualified financial institutions (“FIs”) and small- to medium-sized enterprises (“SMEs”), which, in turn, provide access to capital or services to low-income individuals or groups; and
- **Infrastructure** – WaterEquity’s Infrastructure Fund invests in climate-resilient water and sanitation infrastructure with the goal of improving access to water and sanitation services, improving water quality, and mitigating the impacts of water scarcity.

Although WaterEquity’s investment advice is generally limited to the above types of investments, it has broad and flexible investment authority, through its Investment Committee, with respect to its Funds. Each Fund’s structure, investment objective, and strategy are set forth in a confidential private offering memorandum provided to each Fund investor.

### 4.C. Tailoring Advisory Services

Funds may enter into separate agreements with certain investors, allowing such investors to invest on different terms than those described in the respective offering memorandum. Investors may be offered varying terms, including but not limited to, fees, liquidity, or information and reporting.

### 4.D. Wrap Fee Programs

WaterEquity does not participate in wrap fee programs.

### 4.E. Client Assets Under Management

As of December 31, 2023, WaterEquity manages \$322,200,000 of Advisory Client regulatory assets.

## ITEM 5 – FEES AND COMPENSATION

### 5.A. and B. Description of Compensation and Fee Payments

The fee schedules for the Funds vary and are described in detail in each respective Fund's offering memorandum or other governing document (as applicable). WaterEquity charges all Funds a management fee. In addition to management fees, some Funds pay acquisition and monitoring fees. In addition to a management fee, one Fund pays a performance fee instead of acquisition and monitoring fees. The types and ranges of fees assessed by the Manager are described below:

- **Management fees** in a range of 1.75% to 2% per annum;
- **Acquisition fees** in an amount equal to 1.2% of each fund investment (at cost) for due diligence, evaluation, preparation, and processing of the investment;
- **Monitoring fees** in an amount equal to 0.2% per annum on the aggregate amount of outstanding loans (at cost) for maintaining and monitoring the investment; and
- **Performance fees** in an amount equal to 20% of the sum of distributions after meeting an aggregate amount equal to 6% cumulative internal rate of return on capital contributions, compounded annually (the "Preferred Return").

The Manager bills Advisory Clients for management and other fees and expenses on a quarterly basis in accordance with the Investment Management Agreement.

### 5.C. Description of Other Fees and Expenses

In addition to the fees described above, the Funds (and therefore, Fund investors) will also be subject to other costs and expenses related to such Fund's activities. Such costs and expenses may include but are not limited to:

- operating expenses including of a Fund;
- fees, costs, and expenses relating to investments, including the buying, structuring, negotiating, acquisition, holding, monitoring, operating, restructuring, selling and disposition thereof;
- brokerage commissions, transactional fees and expenses, interest and other borrowing costs, and external research expenses;
- custody and transfer fees, depositary fees, expenses of record-keeping, account and similar services;
- impact verification costs;
- reasonable investment-related travel-related expenses, reasonable lodging, meal and entertainment expenses;
- expenses related to preparing and filing any reports to regulatory authorities relating to a Fund's investments, any fees and expenses associated with compliance or regulatory matters related to a Fund and its investments;
- the costs of proxy or corporate control contests, fees and other costs associated with any joint venture investments;
- the costs of any litigation, arbitration, mediation or other proceeding related to a Fund's investments;
- fees and expenses of placement agents for securities purchased or sold by a Fund (except partnership interests);
- filing, title, transfer, registration and other similar fees and expenses;
- insurance premiums, indemnification expenses and fees and expenses of banks, custodians, administrators, legal counsel, independent public accountants, external valuers and appraisers of illiquid assets, providers of tax-related expenses;
- costs of meetings with investors and Advisory Committees, costs of preparing reports for investors and Advisory Committees, and reasonable out-of-pocket expenses of an Advisory Committee;

- costs associated with the preparation, reproduction and mailing of annual financial statements;
- costs of a Fund's tax returns;
- all expenses incurred in connection with any tax audit, investigation, settlement or review of a Fund;
- any taxes, fees or other governmental charges levied against a Fund or its income or assets (subject to such exceptions as may be expressly set forth in a limited partnership agreement);
- expenses relating to the formation, organization and operation of any alternative investment vehicle or holding vehicle;
- costs incurred in relation to any amendments to, and waivers, consents or approvals sought pursuant to a limited partnership agreement;
- expenses incurred in relation to a Fund that are classified as extraordinary items in accordance with U.S. generally accepted accounting principles, if any;
- expenses relating to defaults by investors with respect to capital contributions;
- costs relating to protecting the confidential or non-public nature of any information or data;
- costs relating to winding up or liquidating a Fund;
- administrative expenses of a Fund such as the costs of the annual audit and legal and accounting expenses;
- any of the foregoing expenses, costs and liabilities incurred in connection with the operation of feeder funds; and
- any other fees, costs, expenses, liabilities or obligations approved by an Advisory Committee.

#### **5.D. Payment of Fees in Advance**

One Advisory Client pays its management fee quarterly in advance based on a percentage of the investors' commitments until the end of the commitment period. Thereafter, the management fee percentage is applied to the investors' allocable share of the cost basis of investments held by a Fund.

If the Manager's services to an Advisory Client are terminated prior to the end of the period in respect of which fees have been paid in advance, the fees are generally returnable to investors in the relevant Fund.

#### **5.E. Compensation for Sales of Securities**

WaterEquity supervised persons do not accept any compensation for the sale of securities or other investment products.

## ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

WaterEquity receives performance-based compensation from one Fund that it manages. Performance-based compensation will only be charged in accordance with the requirements of the Advisers Act.

Performance-based compensation has the potential to create conflicts of interest because it can incentivize an investment advisor to make an investment that is riskier than it would otherwise make due to the higher return potential associated with higher risk investments. In addition, the terms of the performance-based compensation could give an investment advisor an incentive to make decisions regarding the timing, structure or realization of a transaction that are not in the best interest of its investors. WaterEquity seeks to mitigate such conflicts through its Credit and Investment Policy as well as aligning its interests through equity commitments by the Manager in the Funds themselves or alongside the Funds.

Different fee arrangements have the potential to create an incentive for an investment advisor to treat Advisory Clients that are charged higher fees preferentially as compared to Advisory Clients that are charged lower fees (e.g., spend more time and/or resources on higher fee-paying Advisory Clients). WaterEquity seeks to mitigate such conflicts through the adoption and implementation of its Investment Allocation Policy.

### **Investment Allocation**

For its Financial Institution investments, WaterEquity follows an Investment Allocation Policy which seeks to equitably allocate investment opportunities among the various Funds that it manages.

For its Infrastructure investments, WaterEquity does not anticipate that the opportunities that are appropriate for this Fund will overlap with those that are appropriate for its other Funds. Nevertheless, in the event that WaterEquity identifies an investment opportunity that is appropriate for both Financial Institution Funds and the Infrastructure Fund, WaterEquity will follow its Investment Allocation Policy.

In addition, the Manager may have a conflict of interest between its responsibility to act in the best interests of a Fund and/or its investors and any benefit, monetary or otherwise, that it or its affiliates may accrue from the operation of a Fund. For example, because a Fund may be operated in furtherance of the charitable purposes of WaterEquity, Inc., the owner of the Manager, the Manager may have an incentive to pursue risky investments on behalf of a Fund that have a limited return to investors but have a potentially significant charitable impact if successful. In addition, the Manager may not make investments that conflict with WaterEquity, Inc.'s charitable purposes, which may lead it to avoid investments that may otherwise be profitable.

## ITEM 7 – TYPES OF CLIENTS

WaterEquity provides investment advisory services to pooled investment vehicles operating as Funds.

Each investor in a Fund must meet certain eligibility provisions. Partnership interests in each Fund are offered to U.S. investors who are (i) Accredited investors within the meaning of Regulation D of the Securities Act of 1933, as amended (“Accredited investors”), (ii) Qualified Purchasers within the meaning of Section 2(a)(51) of the Investment Company Act of 1940, as amended (“Qualified Purchasers”), or (iii) “Knowledgeable Employees” under Section 3(c)(4) of the Investment Company Act of 1940, as amended (“Knowledgeable Employees”). Partnership interests are also offered to non-U.S. investors.

Subscriptions in Funds managed by WaterEquity are subject to a minimum investment amount of \$500,000 to \$1,000,000. The Manager may waive such minimum requirements in its sole discretion.



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

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

WaterEquity has broad discretion, subject to approval by the Investment Committee, when making investments for the Funds. The investment strategies summarized below are set forth in detail in the governing documents for each Fund. In all cases, Fund investments involve a risk of loss and such losses will be borne by investors.

**All WaterEquity Funds.** WaterEquity has implemented a five-step process to select, implement, and monitor its Funds' portfolios: (1) Screening to assess the prospective investee's basic eligibility, required loan size and terms, credit risk, developmental impact, and ESG compliance; (2) Due Diligence to assess the investee's operational and financial performance, management and governance, capital structure, strategy and competitive position, and risk/credit profile; (3) Structuring to identifying the optimal investment characteristics, such as investment vehicle, currency denomination, fixed or floating rate, amortizing or bullet loan, securitization, and covenants; (4) Approval for the Investment Committee to approve or reject the proposed investment; and (5) Monitoring to track interest payments, exchange movements, impact, and for the Investment Committee to review.

**Financial Institution Funds.** WaterEquity's Financial Institution Funds invest in financial institutions and small-to-medium enterprises that serve low-income individuals and groups around the globe by helping them increase their access to safe water and sanitation. The financial institutions in which WaterEquity invests must demonstrate some or all the following criteria: well-governed, sustainable, efficient, good portfolio quality and/or solid growth prospects, and a demonstrated commitment to ESG standards. Some candidates may solicit WaterEquity directly for capital. In most cases, WaterEquity will leverage its market network (its Management Committee, its sole member's Board of Directors, members of the Investment Committee, Water.org, etc.) to locate desirable investments. WaterEquity may also use research materials prepared itself or by others. Prior to approaching any particular investment opportunity, WaterEquity will typically first conduct country analyses to identify appropriate markets for the relevant Advisory Client based on factors including: water and sanitation conditions, political stability/risk, economic risk, financial sector risk, transparency/corruption, business environment, enforceability of contract and investor rights, financial sector supervision, demand for microfinance and SME bank finance, and maturity of the low-income finance sector.

Financial Institution Fund assets are classified as Level 3 investments under Topic 820 established by the U.S. Financial Accounting Standards Board (FASB). Level 3 assets are generally not tradable, and valuations must be based on models or unobservable inputs. The assets will be valued at their initial face value in local currency terms, multiplied by the current U.S. dollar exchange rate unless there has been a loan loss provision against the investment. There will not be general loan loss provisions due to the smaller number of loans in the portfolio and the detailed monitoring of each borrower that is carried out on an ongoing basis. Instead, specific provisions based on the risk level and expected losses on each individual loan are made.

**Infrastructure Fund.** WaterEquity's Infrastructure Fund is customized for the emerging markets water and sanitation sector, by responding to specific regulatory and policy environments and leveraging local expertise and resources to identify what it sees as the best opportunities. The strategy involves equity and/or debt investments in both projects and growth companies to seek to maximize reach across the water value chain, diversify the portfolio, and enable investment in varied policy environments, some of which lack abundant project opportunities. Investments in projects are intended to balance risk through highly structured, longer-term, more predictable cashflows, and key investment criteria include a robust revenue model, proven operating partners, and attractive project debt financing. Investments in growth companies will focus on scaling up of technology and services solutions that seek to boost efficiency, profitability, and impact in the water sector. Key investment criteria for growth companies include proven technologies and business models, experienced management teams, access to local working capital, and what a Fund sees as significant growth potential.

## 8.B. Material Risks Associated with WaterEquity Investment Strategies

By its nature, the search for potentially successful investments is highly speculative and is subject to risks which even a combination of industry experience, market and business information, or careful study cannot always overcome. WaterEquity does not represent or guarantee that its services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate Funds or investors from losses due to market corrections or declines. Additionally, past performance is not an indication of future performance. It is important for investors to refer to the relevant confidential private offering memorandum and other governing documents for a complete understanding of the material risks involved in relation to WaterEquity's investment strategies and methods of analysis. The information contained here is a summary only and is qualified in its entirety by such documents:

**Overall Investment Risk.** All investments involve the risk of loss of capital. The nature of the investments to be made by a Fund and techniques and strategies to be employed in an effort to increase profits may increase risk. The identification and exploitation of investment opportunities involves uncertainty, and no assurance can be given that the Manager will be able to identify promising investment opportunities. In addition, a Fund may use certain strategies and instruments that are themselves inherently volatile and may increase a Fund's exposure to specific market movements. Many unforeseeable events, including actions by governmental authorities, may cause sharp market fluctuations that impact a Fund's investments.

**Currency Exposure.** The Funds' partnership interests are denominated in U.S. Dollars and will be issued and redeemed in U.S. Dollars. It is anticipated that a substantial portion of a Fund's assets from time to time may be invested in securities and other investments that are denominated in other currencies. The value of such assets may be affected favorably or unfavorably by fluctuations in currency rates. The Manager may seek to hedge the foreign currency exposure, but such hedging strategies may not necessarily be available or effective and may not always be employed. A Fund may, at times, take a fundamental position in one or more currencies. Accordingly, partnership interests may at times be, directly or indirectly, subject to foreign exchange risks.

**Emerging Markets Risk.** All, or substantially all, of a Fund's investments are likely to be in growth companies and projects in emerging markets. Investing in emerging markets involves additional risks and special considerations not typically associated with investing in other more established economies or securities markets. Such risks may include increased risk of nationalization or expropriation of assets or confiscatory taxation, greater social, economic and political uncertainty including war, higher dependence on exports and the corresponding importance of international trade, greater volatility, less liquidity and smaller capitalization of securities markets, greater volatility in currency exchange rates, greater risk of inflation, greater controls on foreign investment and limitations on repatriation of invested capital and on the ability to exchange local currencies for U.S. Dollars, increased likelihood of governmental involvement in and control over the economies, governmental decisions to cease support of economic reform programs or to impose centrally planned economies, differences in auditing and financial reporting standards that may result in the unavailability of material information about issuers, less extensive regulation of the securities markets, longer settlement periods for securities transactions and less reliable clearance and custody arrangements, and less developed corporate laws regarding fiduciary duties of officers and directors and the protection of investors, and risks associated with the maintenance of a Fund's securities and cash with non-U.S. brokers and securities depositories.

**Lack of Partner Control Over Fund and Fund Investments.** The Funds will be managed exclusively by the Manager. While the Manager will make all formal decisions with respect to a Fund's investments, such decisions will be made after considering recommendations from the Manager and its Investment Committee. Investors will not manage or control or provide investment advice to the Funds. The success of the Funds will depend largely on the expertise of the Manager and the Investment Committee. The Investment Committee establishes investment guidelines and supervises the investment activity. While the Manager has appointed individuals to the Investment Committee that it believes to possess expertise in the type of investments targeted by the Funds, there can be no assurance that the investments determined by the Investment Committee will be successful. Further, there can be no assurance that, in the event the Investment Committee's members need to be replaced, qualified individuals or investment advisory firms can be found and appointed on favorable terms.

**Legislation and Administrative Regulations.** Legal, tax and regulatory developments that would adversely affect a Fund could occur during the term of a Fund. The regulatory environment for private investment funds is evolving, and changes in the regulation of private investment funds and their investment and trading activities may adversely affect the ability of a Fund to pursue its investment strategy and its ability to obtain leverage and financing and determine the value of its investments. In recent years, there has been an increase in governmental, as well as self-regulatory, scrutiny of the alternative investment industry in general.

**Hedging Risks.** The Manager, from time to time, may use hedging strategies in an attempt to reduce certain of the risks associated with currencies and a Fund's investments. However, hedging strategies may not always be possible or effective in limiting losses. The success of a Fund's hedging activity will depend, in part, upon the Manager's ability to correctly assess the degree of correlation between the performance of the instruments used for hedging purposes and the performance of the currencies and investments being hedged. The characteristics of many securities change as markets change or time passes. Consequently, the success of a Fund's hedging activity will also be subject to the Manager's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. The purpose of entering into hedging transactions is to seek to reduce risk, but such transactions also limit the opportunity for gain (and can increase risk) if the values of hedged positions increase and thus may result in poorer overall performance for a Fund than if it had not engaged in such transactions.

**Unhedged Risks.** A significant portion of a Fund's positions from time to time may be unhedged or only partially hedged. For a variety of reasons, the Manager may not seek to establish a perfect correlation between the hedging instruments used and the portfolio holdings being hedged. Such an imperfect correlation may prevent a Fund from achieving the intended hedge or expose a Fund to risk of loss. The Manager may not hedge against a particular risk because it does not regard the probability of the risk occurring to be sufficiently high as to justify the cost of the hedge, or because it does not foresee the occurrence of the risk. Moreover, it may not be possible for the Manager to hedge against certain risks, e.g., the risk of a fluctuation that is so generally anticipated by market participants that the Manager cannot enter into a hedging transaction at a price sufficient to protect the Manager from the decline in value of the portfolio position anticipated as a result of such a fluctuation.

**No Assurance of Investment Opportunities or Investment Returns.** The Manager cannot provide assurance that it will be able to identify, choose, or make funding of the type targeted for a Fund, or that a Fund will be able to invest fully its committed capital. A Fund may not generate returns that will be commensurate with the risks of a Fund or will be within a Fund's investment objectives. There can be no assurance that a Fund's investment or charitable objectives will be achieved or that there will be any return of capital to investors. Loans made by a Fund are subject to a wide range of significant risks that could cause such loans to lose value. The loans made by a Fund are speculative in nature and the possibility of partial or total loss of the investors' Capital Contributions exists. Accordingly, an investment in a Fund should only be considered by prospective investors who are able to withstand a total loss of their investment in a Fund. Furthermore, a Fund's investment return objectives are targets only and there can be no assurance that a Fund will achieve these objectives.

**Not a Complete Investment Program.** A Fund will pursue the investment strategy described in its offering memorandum. An investment in a Fund is not intended as a complete investment program. If a Fund's strategy is not successful, or if the Manager is unable to implement the strategy effectively, investors could lose some or all their capital. Except for the investment limitations described herein, the Manager is not required to adhere to the investment strategy as described in a Fund's offering memorandum, but may, in its discretion, change strategies. For these reasons, an investment in a Fund may be deemed speculative and is appropriate only for sophisticated and experienced investors who are able to bear the risk of loss of their entire investment.

**General Economic and Market Conditions; Possible Economic Downturns.** The success of a Fund's investment activities will be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws and national and international political circumstances, trade wars, governmental or regulatory intervention in capital markets, currency exchange controls and failures of major financial institutions, as well as changes in the financial condition of the issuers of a Fund's investments and other custodians and counterparties due to other factors. Such conditions may affect the level and volatility of securities prices and the liquidity of a Fund's investments.

Volatility or illiquidity in the markets in which a Fund will invest could impair a Fund's profitability or result in losses. A Fund may maintain substantial investment positions that can be adversely affected by such volatility or illiquidity; the larger the positions, the greater the potential for loss. Moreover, economic slowdowns or downturns may lead to losses.

**Securities of Non-U.S. Issuers.** A Fund may invest in securities of non-U.S. issuers, including securities traded outside the United States. The economies and markets of certain non-U.S. countries may be vulnerable to changes in international trading patterns, trade barriers, price volatility, fluctuations in currency exchange rates, other protectionist or retaliatory measures, and actual or potential defaults on sovereign debt obligations. Investments in non-U.S. countries also may be adversely affected by governmental actions such as the imposition of capital controls, nationalization of companies or industries, expropriation of assets or imposition of punitive taxes. As compared to U.S. entities, non-U.S. entities generally disclose less financial and other information publicly, may be subject to less stringent and less uniform accounting, auditing and financial reporting standards and may be subject to less stringent regulatory oversight. It may also be more difficult to obtain and enforce legal judgments against non-U.S. entities than against domestic entities. In addition, certain governments may prohibit or impose substantial restrictions on foreign investment in capital markets or in certain industries. Any such action could severely affect securities prices, impair a Fund's ability to purchase or sell non-U.S. securities or otherwise adversely affect a Fund. Other risks of investing outside the U.S. may include, without limitation, difficulties in pricing securities and difficulties in enforcing favorable legal judgments in courts. The economies of certain non-U.S. countries may be based predominantly on only a few industries and may have higher levels of debt or inflation. These risks may be more pronounced in connection with a Fund's investments in securities of issuers located in emerging countries.

**Restrictions on Foreign Investments and Repatriation.** Foreign investment in the securities of issuers in certain nations is restricted or controlled to varying degrees. These restrictions or controls may at times limit or preclude foreign investment in issuers in such nations and increase the costs and expenses of a Fund. Certain countries may restrict investment opportunities in issuers or industries deemed important to national interests. Some countries require governmental approval for the repatriation of investment income, capital, or the proceeds of sales of securities by foreign investors. In addition, if there is deterioration in a country's balance of payments or for other reasons, its government may impose temporary restrictions on, or altogether change its restrictions on, foreign capital remittances abroad. Finally, repatriation of income from and investments in entities that are organized or domiciled in foreign countries may be affected adversely by local withholding and other foreign tax requirements.

**Water and Sanitation Sectors.** The Funds will make investments in the water and sanitation sectors. Private sector participation and private investment in the water sector is emerging and rapidly evolving, and its future success is uncertain. If the water sector proves unsuitable for private investment, a Fund's investments may be adversely affected. A Fund's focus on water and sanitation infrastructure investments means that a Fund's performance will be closely tied to the performance of issuers or projects in the water and sanitation sectors and the fiscal and financial health of issuers of securities funding such projects. The concentration of a Fund's investments may present more risk than if a Fund were broadly diversified over numerous industries and sectors of the economy. There can be no assurance that the allocation of a Fund's assets among investments in growth companies and projects will provide investors with any of the benefits typically associated with sector diversification.

**Water Risk.** Water supply utilities are subject to the risk of existing or future environmental contamination, including, among others, soil and groundwater contamination as well as the delivery of contaminated water, as a result of the spillage of hazardous materials or other pollutants. Water supply utilities are also subject to the risk of increased costs, which may result from several factors, including fluctuations in water availability or costs associated with desalination.

**Public Infrastructure Risks.** A Fund may invest in public infrastructure projects that constitute significant strategic value to public or governmental bodies. Such assets may have a national or regional profile and may have monopolistic or oligopolistic characteristics. The very nature of these assets could create additional risks not common in other industry sectors. Given the national or regional profile and/or irreplaceable nature of certain strategic assets, such assets may constitute a higher risk target for terrorist acts or political actions, such as expropriation, which may negatively affect the operations, revenue, profitability, or contractual relationships of investments. For example, in response to public pressure and/or lobbying efforts by specific



interest groups, government entities may put pressure on these investments to reduce fee rates, limit or abandon planned rate increases and/or exempt certain classes of users from fees. Given the essential nature of the services provided by certain public infrastructure, there is also a higher probability that if an owner of such assets fails to make such services available, users of such services may incur significant damage and may be unable to replace the supply or mitigate any such damage, thereby heightening the risks of third-party claims. These assets are also impacted by the interests of local communities and stakeholders, which may affect the operation of such assets. Certain of these communities may have or develop interests or objectives which are different from, or even in conflict with, the owners of such assets.

**Construction Risk.** To the extent a Fund invests in projects that involve significant construction, such projects are subject to construction risk. Construction delays may adversely affect companies that generate power from clean sources. The ability of these projects to generate revenues will often depend upon their successful completion of the construction and operation of generating assets. Construction phases may not be completed or may be substantially delayed, because of inclement weather, labor disruptions, technical complications or other reasons, and material cost over-runs may be incurred, which may result in such projects being unable to earn positive income, which could negatively impact the market values of our investments.

**Concentration of Investments.** A Fund's portfolio may be highly concentrated. Any loss in such a Fund's position may have a significant adverse impact on the Fund's portfolio. Accordingly, a Fund's assets may be subject to a greater risk of loss than if they were more widely diversified, since the failure of one or a limited number of investments could have a material adverse effect on the Fund.

**Equity Securities.** A Fund may be permitted to invest in common and preferred stock and other equity securities, including both public and private equity securities. Equity securities generally will be subordinate to the debt securities and other indebtedness of the issuers of such equity securities. Prices of equity securities generally fluctuate more than prices of debt securities and are more likely to be affected by poor economic or market conditions, general stock market fluctuations and changes in market confidence and perceptions of their issuers. Investors' perceptions are based on various and unpredictable factors, including expectations regarding governmental, economic, monetary and fiscal policies, inflation and interest rates, economic expansion or contraction, and global or regional political, economic or financial crises. Issuers of equity securities in which a Fund may invest may be more vulnerable than larger companies to adverse business or market developments, may have limited markets or financial resources, may lack experienced management and may not be followed by stock or industry analysts. Due to perceived or actual illiquidity or investor concerns regarding leveraged capitalization, certain equity securities often trade at significant discounts to otherwise comparable investments or are not readily tradable. In addition, actual and perceived accounting irregularities may cause dramatic price declines in the equity securities of companies reporting such irregularities or that are rumored to be subject to accounting irregularities. Furthermore, there may be no public market for some equity securities. Equity securities generally will not produce current income for a Fund.

**Illiquid Positions.** A Fund may invest in illiquid and other long-term securities such as private placement securities, or securities with limited, if any, trading volume. Although the Manager may provide technical assistance for operational improvements in connection with certain of its investments, to the extent a Fund takes minority positions in companies in which it invests, the Manager may not be in a position to exercise control over the management of such companies and, accordingly, may have a limited ability to protect its position in such companies.

Most of a Fund's investments will have significant liquidity risks, as they are not generally traded on organized markets. Therefore, such illiquid investments carry the risk that a buyer may not be found for such investments. The lack of an established, liquid secondary market for many of a Fund's investments may have an adverse effect on the market value of a Fund's investments and on a Fund's ability to dispose of them. No assurance can be given that a viable exit mechanism will be available at the end of the anticipated holding period or that, once the Manager determines to dispose of a particular investment, it will be able to dispose of such investment at the prevailing market price. In addition, certain investments may have to be held for a substantial period of time before they can be liquidated to a Fund's greatest advantage or, in some cases, at all. As a result, calculating the fair market value of a Fund's holdings may be difficult. Illiquid securities are subject to wide spreads. Therefore, prices can vary significantly from one period to the next, and valuations assigned to securities and other investments are not necessarily equivalent to the value that can be realized

by a Fund on the sale of those securities and other investments. In addition, there is a risk that the valuations of a security made pursuant to U.S. generally accepted accounting principles may differ from the price at which the security may actually be sold.

**Restricted Securities.** A portion of a Fund's investments may consist of securities that are subject to restrictions on resale by a Fund (e.g., because they were acquired in a "private placement" transaction). Generally, a Fund will be able to sell such securities without restriction to other large institutional investors but may be restrained in its ability to sell them to other investors. If restricted securities are sold to the public, a Fund may be deemed to be an underwriter or possibly a controlling person with respect thereto for the purposes of the Securities Act and may be subject to liability as such under the Securities Act. In addition, a Fund may hold securities subject to contractual restrictions on transfer.

**Debt Obligations Generally.** Debt obligations are subject to credit and interest rate risks. "Credit risk" refers to the likelihood that a borrower will default in the payment of principal and/or interest on a loan or other debt instrument. Financial strength and solvency of a borrower are the primary factors influencing credit risk. In addition, lack or inadequacy of collateral or credit enhancement for a loan or other debt instrument may affect its credit risk. Credit risk may change over the term of a loan or other instrument. "Interest rate risk" refers to the risks associated with market changes in interest rates. Interest rate changes may affect the value of a loan or other debt instrument indirectly (especially in the case of fixed-rate debt securities) and directly (especially in the case of loans or other debt instruments whose rates are adjustable). In general, rising interest rates will negatively impact the price of a fixed-rate loan or other debt instrument and falling interest rates will have a positive effect on price. Adjustable-rate loans also react to interest rate changes in a similar manner, although generally to a lesser degree, depending on the characteristics of the reset terms, including the index chosen, frequency of reset, and reset caps or floors, among other factors. Interest rate sensitivity is generally more pronounced and less predictable in loans and other debt instruments with uncertain payment or prepayment schedules. There is also a risk that the general condition of the debt markets may deteriorate. Prices of debt securities fluctuate and are susceptible to general stock market fluctuations and to changes in market confidence and perceptions of their issuers.

**Debt Financing.** A Fund may provide debt financing to borrowers that may have difficulty obtaining financing from other sources. While the Manager believes that this may provide an attractive opportunity for a Fund to generate profits, such borrowers may have difficulty repaying their loans to a Fund upon maturity. A borrower's ability to repay its loan may be adversely affected by numerous factors, including, without limitation, a failure to meet its business plan, a downturn in its industry or negative economic conditions. Deterioration in a borrower's financial condition and prospects may be accompanied by a decrease in the value of any collateral and a reduced likelihood of a Fund capitalizing on any guarantees it may have obtained from the borrower's management or other parties. From time to time, a Fund's direct loans may be subordinated to a senior lender and any collateral securing such loans would, accordingly, likely be subordinated to another lender's security interest.

**Non-Performing Loans and Participations.** A Fund may invest in loans that become "non-performing loans" (i.e., where the borrower fails to make payments of principal and/or interest on a timely basis) for a variety of reasons. Such non-performing loans may require a substantial amount of workout negotiations and/or restructuring, which may entail, among other things, a substantial reduction in the interest rate and a substantial write-down of the principal of such loan. However, even if a restructuring were successfully accomplished, a risk exists that, upon maturity of such loan, replacement takeout financing will not be available. Purchases of participations in loans raise many of the same risks as investments in loans and also carry risks of illiquidity and lack of control.

**Distressed Secured Loans.** In the case of loans secured by real estate or other collateral, it is possible that a Fund may find it necessary or desirable to foreclose on collateral securing one or more loans purchased by the Fund. The foreclosure process will vary jurisdiction by jurisdiction and 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, lender liability claims and defenses, even when such assertions may have no basis in fact, in an effort to prolong the foreclosure action. During the foreclosure proceedings, a borrower may have the ability to file for bankruptcy or its equivalent, potentially staying the foreclosure action and further delaying the foreclosure process. Foreclosure litigation tends to create a negative public image of the collateral property and may result in disrupting ongoing leasing and

management of the property. In addition, in the case of loans secured by real estate or other collateral, the value of the collateral may be worth less than the amount advanced against such collateral.

**Lender Liability and Equitable Subordination.** A Fund may be a lender. Judicial decisions in the United States have, at times, upheld the rights of borrowers and other persons to sue lenders on the basis of various evolving legal theories, collectively termed “lender liability.” Generally, lender liability is founded on the premise that a lender has either violated a duty, whether implied or contractual, of good faith and fair dealing owed to the borrower or assumed a degree of control over the borrower resulting in the creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. In addition, under common law principles, a court may elect to subordinate the claim of a lender to the claims of one or more creditors (a remedy called “equitable subordination”) if a lender intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower, engages in other inequitable conduct to the detriment of such other creditors or engages in fraud with respect to, or makes misrepresentations to, such other creditors. Certain non-U.S. jurisdictions may follow common law principles analogous to the principles applied in the United States and others may present different issues.

**Loan Servicing Risk.** In cases where a Fund retains a third party to service loans acquired by a Fund, both default frequency and default severity of loans will be highly dependent on the quality of the loan servicer. If a loan servicer retained by a Fund is not vigilant or effective in encouraging borrowers to make their monthly payments, the borrowers may be far less likely to make these payments, leading to higher frequency of default. If any loan servicer takes longer than originally anticipated to liquidate non-performing assets, loss severities may tend to be higher than originally anticipated.

**Risks Relating to Servicing Rights Transfers.** Servicers may go out of business, requiring a transfer of servicing to another servicer. Servicers may not perform to a Fund’s expectations or standards, which may result in a Fund transferring servicing to another servicer. The transfer of servicing rights from one servicer to another servicer may involve the risk of disruption in collections due to data input errors, misapplied or misdirected payments, system incompatibilities, the requirement to notify the borrowers about the servicing transfer, delays caused by the transfer of the related servicing files and records to the new servicer, and other reasons. In addition, both delays in obtaining loan documentation and incomplete documentation may have an adverse effect on a servicer’s ability to exercise remedies. Servicer bankruptcy may prevent a Fund from transferring servicing rights without the prior approval of a bankruptcy court. As a result of a servicing transfer and any delays associated with the transfer, the rate of delinquencies and defaults on the affected loans could increase at least for a period of time. There can be no assurance that there will not be disruptions associated with the transfer of servicing or that, if there are disruptions, they will not adversely affect a Fund.

**Fraudulent Conveyances and Preferences.** Various laws enacted for the protection of creditors may apply to the investments made by a Fund by virtue of a Fund’s role as a creditor with respect to such investments made by a Fund. For example, if a court adjudicating a lawsuit brought by an unpaid creditor or representative of creditors of a borrower were to find that the borrower did not receive fair consideration or reasonably equivalent value for incurring indebtedness evidenced by an investment made by a Fund and the grant of any security interest or other lien securing such investment made by a Fund, and, after giving effect to the incurring of such indebtedness, the borrower was insolvent or its financial condition was approaching insolvency, then such court could invalidate, in whole or in part, such indebtedness and such security interest or other lien as fraudulent conveyances, subordinate such indebtedness to existing or future creditors of the borrower or recover amounts previously paid by the borrower in satisfaction of such indebtedness or proceeds of such security interest or other lien previously applied in satisfaction of such indebtedness. In addition, in the event of the bankruptcy of an issuer under the U.S. Bankruptcy Code, payments made to a Fund (or other value received by a Fund) in relation to its investments in such issuer could be subject to avoidance as a “preference” and recaptured if made within a certain period before insolvency, depending on several factors. Similar doctrines may apply under the laws of other jurisdictions, and the measure of insolvency for purposes of the foregoing will vary depending on the law of the jurisdiction which is being applied. If payments made by the borrower are voidable, whether as fraudulent conveyances or preferences, such payments generally can be recaptured either from the initial recipient (such as a Fund) or from subsequent transferees of such payments.

**Possible Licensing Requirements.** A Fund may be required to obtain registrations or licenses related to its loan activities, if any. There may be costs and compliance obligations associated with such registrations

or licenses, and the requirement to obtain such registrations or licenses could cause a delay in a Fund's ability to make loans.

**Geopolitical Risks.** An unstable geopolitical climate, macroeconomic financial distress, economic uncertainty in certain regions and continued threats of terrorism could have a material effect on general economic conditions, market conditions and market liquidity. In addition, a serious pandemic or natural disaster could severely disrupt global, national and/or regional economies. A negative impact on economic fundamentals and consumer confidence may increase the risk of default of particular investments made by a Fund, negatively impact market values, increase market volatility, cause credit spreads to widen and reduce liquidity, all of which could have an adverse effect on the investment performance of a Fund. No assurance can be given as to the effect of such events on the value of the investments made by a Fund or the markets for such investments.

**Risk of Epidemics and Pandemics.** The occurrence of epidemics and pandemics, including the outbreak of the novel coronavirus resulting in the disease known as "COVID-19," may create economic and financial market instability resulting in disruptions in the real estate sector, which could have an adverse effect on the performance of a Fund. The value of a Fund's investment portfolio may decline, and its ability to raise capital and pursue its investment program may be adversely affected, due to disruptions caused by the spread of large-scale epidemics and pandemics. The global outbreak of COVID-19, together with the resulting voluntary and national and state actions, which included quarantines, extended business and school shutdowns, cancellation of events and travel, reduction in the volume of business activity and financial transactions, meaningfully disrupted the global economic markets. As economies re-opened after the COVID-19 shutdowns, global supply chain disruptions have occurred. Product shortages and strong demand for raw materials have resulted as global supply-chain problems persist and countries continue to recover from COVID-19 and the resulting tight labor markets, which may further disrupt global economic markets. The impact of these events, including their effect on the investment environment, increases uncertainty for and could potentially have a negative impact on a Fund.

**Personnel.** The Manager may not yet have identified or hired all the personnel who will be employed in connection with a Fund's business and investment activities. The investment and asset management industries are competitive and other industry participants may from time to time seek to recruit the Manager's professionals and other employees away from the Manager. The ultimate success of a Fund is substantially dependent on the Manager's key personnel. Should any such key personnel become incapacitated or in some way cease to participate in a Fund, a Fund's performance could be adversely affected. There can be no assurance that all key personnel will remain in the employment of the Manager or otherwise continue to be able to carry on their work for a Fund.

**Manager's Contingent Obligations.** The Manager is responsible for its ordinary course expenses in excess of the management fee. If any claim is asserted against the Manager, it is unlikely the Manager will have sufficient resources to make a payment in respect of such claim and, therefore, any such claim could render the Manager insolvent. The insolvency of the Manager would likely have a material adverse effect on the Manager's ability to perform its contractual obligations to a Fund and could, therefore, adversely affect the investors.

**Absence of Recourse to the Manager.** The Manager's relationship with a Fund will be contractual and the limited partnership agreement will limit the circumstances under which the Manager can be held liable to a Fund. As a result, the investors may have a limited right of action against the Manager in certain cases.

**Leverage.** The Manager may cause a Fund to borrow money from time to time in order to make investments, make distributions to the investors or pay fund expenses or for other capital needs of a Fund on a short-term basis. Such borrowings may be secured in whole or in part by a pledge or grant of a security interest by a Fund of, over or in the investors' undrawn capital commitments and the proceeds of any capital contributions made in respect thereof. Fluctuations in the market value of a Fund's investments will be magnified to the extent such investments are leveraged and thus may have a more significant effect on a Fund's capital. The risk and magnitude of possible losses, as well as the magnitude of possible gains, is therefore increased. Any carried interest distributions arrangements create incentives for the Manager to finance Investments, because the investors' Preferred Returns will be calculated using the respective dates on which capital is contributed by the investors, rather than the dates on which amounts are borrowed.



In addition, certain of a Fund's Investments from time to time may be in securities of issuers that are themselves highly leveraged, which will increase a Fund's exposure to leverage-related risk. The amount of leverage that may be used by such issuers will increase their exposure to adverse economic factors, such as downturns in the economy or deterioration in the conditions of such issuers or their respective industries. The interest rates at which a Fund and the issuers of its portfolio securities can borrow will affect the operating results of a Fund.

**Private Company Securities Risk.** A Fund's investments in private companies may be subject to higher risk than investments in securities of public companies. Little public information may exist about many of the issuers of these securities, and we will be required to rely on the ability of the Manager and Investment Committee to obtain adequate information to evaluate the potential risks and returns involved in investing in these issuers. If the Manager and Investment Committee are unable to obtain all material information about the issuers of these securities, it may be difficult to make a fully informed investment decision, and we may lose some or all of our investment in these securities. These factors could subject us to greater risk than investments in securities of public companies and negatively affect our investment returns, which could negatively impact the dividends paid to you and the value of your investment. In addition, we will likely be able to sell our investments in private companies only in private transactions with another investor or group of investors, and there can be no assurance that we will be able to successfully arrange such transactions if and when we desire to sell any of our investments in private companies or, if successfully arranged, that we will be able to obtain favorable values upon the sale of our investments in private companies in such transactions.

**Co-Investment Risks.** The Manager, in its sole and absolute discretion, may permit investors to co-invest with a Fund in certain of the Fund's investments. In particular, co-investments may occur when the Manager determines, in its sole discretion, that it is preferable for a Fund not to take an entire investment opportunity. In addition, subject to the limitations described elsewhere in its offering memorandum, affiliates of the Manager may co-invest with a Fund in certain of a Fund's investments. Such co-investments may have the effect of limiting the size of a Fund's investment in such opportunities. In addition, although co-investment opportunities may arise because of a Fund's activities, the Manager may choose to offer such co-investment opportunities to outside parties rather than making larger investment on behalf of a Fund in such opportunities or offering such opportunities to the investors.

In addition, co-investments by a Fund with third parties through partnerships, joint ventures or other entities may involve risks not present in investments where a third party is not involved, including the possibility that a third-party coventurer or partner may at any time have economic or business interests or goals that are inconsistent with those of a Fund, may be in a position to take action contrary to the investment objectives of a Fund, or may fail to fund their share of capital requirements or otherwise default on their obligations with respect to such co-investment, resulting in a negative impact on the underlying investment. With respect to Investments that call capital from investors over time, any failure by any third party coventurer to meet its capital commitment obligations in respect of any such investment could limit the ability of the particular partnership, joint venture or other entity to continue operating or expanding or otherwise adversely affect such Portfolio Investment and the value of a Fund's investment therein. A Fund may in certain circumstances also be liable for the actions of its third-party coventurer or partner. In addition, a Fund's ability to exercise control or significant influence in connection with these cooperative arrangements may be limited and will depend on the nature of the relevant documentation.

**Highly Competitive Market for Investment Opportunities.** The success of a Fund depends upon the identification and availability of suitable investment opportunities. The availability of investment opportunities will be subject to market conditions, the prevailing regulatory conditions in industries and regions in which a Fund may invest and other factors outside the control of a Fund. In addition, the activity of identifying, completing, and realizing attractive investments is highly competitive and involves a high degree of uncertainty. A Fund will be competing for investment opportunities against various other groups, including industry participants, investment firms and merchant banks. Additional funds with similar investment objectives to those of a Fund may be formed in the future by others. There can be no assurance that a Fund will be able to locate and complete investments that satisfy a Fund's rate of return objective or realize upon their values or that it will be able to invest its available capital fully.

**Expedited Transactions.** The Manager's investment analysis and decisions may often be undertaken on an expedited basis in order for a Fund to take advantage of investment opportunities. In such cases, the

information available to the Manager at the time of an investment decision may be limited and the Manager may not have access to the detailed information necessary for a full evaluation of the investment opportunity. In addition, the Manager may not have the time or resources to complete its preferred level of due diligence on the potential investment. Moreover, the Manager may rely upon outside advisors in connection with its evaluation of proposed investments. There can be no assurance that such advisors will accurately evaluate such investments.

**Custodian and Counterparty Risks.** A Fund will be subject to the risk of the inability of banks, brokers and dealers and other custodians of assets of a Fund to safeguard assets and carry out their respective other duties and the inability of counterparties to perform with respect to transactions, whether due to bankruptcy, insolvency, failure to comply with rules designed to ensure the safekeeping of customer assets or other causes. There is a risk that any of such financial institutions could become bankrupt or insolvent. The bankruptcy or insolvency of any such financial institutions may result in a Fund losing all or a portion of its assets held with such financial institutions or the termination of any outstanding transactions. In addition, financial institutions may use sub-custodians and disclaim responsibility for any losses which may result therefrom.

While certain financial institutions are subject to regulatory requirements mandating the segregation of customer assets, if any of such financial institutions fails to do so or is unable to satisfy a substantial deficit in such customer accounts, its other customers may be subject to risk of loss of their funds in the event of such financial institution's bankruptcy.

In an effort to mitigate such risks, the Manager will attempt to limit transactions and entrust assets to multiple financial institutions that it believes are established, well-capitalized and creditworthy. However, even the capitalization of a long-established financial institution may deteriorate rapidly when it has substantial risk exposure to one or more asset classes that become distressed, its counterparties and customers lose confidence in its ability to perform its transactions and safeguard assets, or it encounters other severe difficulties. Furthermore, the commercial soundness of many financial institutions may be closely interrelated because of credit, trading, clearing or other relationships between these financial institutions. Accordingly, concerns about, or a default or threatened default by, one financial institution could lead to significant market-wide liquidity and credit problems, losses, or defaults by other financial institutions. This is sometimes referred to as "systemic risk" and may adversely affect financial institutions with which a Fund interacts and could therefore adversely affect a Fund. There can be no guarantee that a Fund could unwind transactions and withdraw assets from a once-creditworthy financial institution if such financial institution's capital begins to deteriorate rapidly or in the event of significant market-wide liquidity and credit problems.

**Litigation.** Litigation can and does occur in the ordinary course of the management of an investment fund or vehicle such as the Funds. A Fund may be engaged in litigation both as a plaintiff and as a defendant. This risk is somewhat greater where the Manager exercises control or significant influence over a company's direction, e.g., because of board participation. Such litigation can arise because of issuer defaults, issuer bankruptcies or other reasons. In certain cases, such issuers may bring claims or counterclaims against a Fund, the Manager and/or their respective principals and affiliates alleging violations of securities laws and other typical issuer claims and counterclaims, seeking significant damages. In addition, reorganizations can be contentious and adversarial. It is by no means unusual for participants to use the threat of, as well as actual, litigation as a negotiation tactic. The Manager and others are indemnified by the Funds in connection with such litigation, subject to certain conditions. The expense of defending against third-party claims made against a Fund or persons indemnified by the Fund and paying any amounts pursuant to settlements or judgments generally would be borne by the Fund and reduce net assets to the extent that the Fund has not been able to protect itself through indemnification or other rights against the relevant portfolio company, is not entitled to such protections, or is entitled to such protections but the portfolio company is not solvent.

**Financial Projections and Forecasts.** Any financial projections and forecasts are presented for illustrative purposes only and should not be relied upon as indicative of the actual results which will be achieved. The actual results achieved will depend on numerous factors beyond the control of a Fund and the Manager.

**Multiple Investment Positions.** There can be no assurance that gains achieved on profitable investments will exceed losses generated by unprofitable investments or that the selection of multiple investments will prove more successful than would selection of a smaller number of investments.

**Past Performance Not Indicative of Future Performance or Success.** There can be no assurance that a Fund's investments will perform as well as the past investments of the Manager. Actual events are difficult to predict, and results could be affected by multiple factors, including changes in available credit, interest rates, asset mix, the percentage of leverage used by a Fund, the performance of the underlying assets, recent changes in the competitive nature of the water and sanitation market, and financial, health, and legal uncertainties. There can be no assurance that the Manager will be able to locate and complete investments for a Fund that satisfy the Fund's objectives or that a Fund will be able to fully invest its available capital commitments and loan facilities.

**A Fund's Investment Purpose.** The Manager's investment strategy may seek to create an investment portfolio consisting of loans made to eligible institutions. These Institutions, in turn, use their investment capital to scale their water and sanitation loan portfolios and to on-lend to local enterprises providing water and sanitation products or services. Accordingly, a Fund's investment portfolio does not rely on diversification outside of this target asset class in the target geographies. Consequently, any negative events that impact this target asset class could be magnified in a Fund's portfolio relative to an investment portfolio that has a diversified investment strategy. Because a Fund's portfolio is expected to be concentrated in a limited number of target geographies and in a single type of asset class, a Fund's risk of loss will be higher and/or a Fund's financial results may be more volatile than would be the case for a more broadly diversified investment program. Further, a Fund may invest in a limited number and type of loans to eligible borrowers, as described above. Therefore, a Fund may be substantially affected by the unfavorable performance of a small number of its investments.

**Impact Investing.** Applying impact considerations may restrict a Fund from making otherwise attractive investments, and impact policies may result in lower returns. In addition, because impact strategies such as that of the Funds are relatively new and developing, they can be difficult to execute. Therefore, there may be a higher than usual risk that a Fund will not successfully execute and manage its investment program for a variety of reasons, including the potentially limited availability of appropriate investments. Additionally, there is potentially a greater than usual investment exit risk, such as the risk that a Fund's investments may be less likely to have strong public or secondary markets because they are often in emerging markets.

**Impact Measurement.** While a Fund will monitor and evaluate its investment portfolio's social impact performance according to industry standards, including IRIS+ and the Operating Principles for Impact Management, there is no guarantee that the actual social and environmental impact supported by a Fund will exceed, or even be equal to, a Fund's estimates for such social and environmental impact. In addition, industry standards are not necessarily designed to capture all aspects of the impact that the Funds seek to have (e.g., where impact investments are illiquid and located in emerging economies), and the Manager may perform some of the measurement itself, which may make measurement more subjective and creates a conflict in that the Manager will have an incentive to maximize reported impact measurements.

**ESG and Impact Regulatory Matters.** Regulations related to ESG, and funds that pursue ESG and impact strategies, such as the Funds, are evolving rapidly, including laws and regulations that are opposed to ESG investment strategies. Monitoring and complying with these developments may require significant time and attention from the Manager.

**Exculpation and Indemnification Obligations.** Certain exculpatory provisions contained in the limited partnership agreement will preclude rights of action against the Manager and certain of its related persons that might otherwise have been available to investors or a Fund absent the inclusion of such provisions in such documents. In addition, a Fund is obligated to indemnify the Manager certain of related persons under certain circumstances. A Fund may be obligated to indemnify certain other parties, as well, under agreement entered into with such parties (including service providers, administrators and counterparties of a Fund). If a Fund or a party that it has agreed to indemnify were to be named as a defendant in an action, arbitration, claim, demand, dispute, investigation, lawsuit or other proceeding, a Fund would bear the additional costs of defending and indemnifying against such action and would be at further risk if the Fund or any indemnified party (subject to the applicable standard of liability) failed to prevail in the litigation.

**Third-Party Advice.** The Funds and the Manager utilize the services of attorneys, accountants, and other consultants in their operations. The Funds and the Manager generally rely upon such advisors for their professional judgment with respect to legal, tax and regulatory matters. There exists a risk that such advisors may provide incorrect advice from time to time. The Manager will have no liability to the Funds, and neither



the Funds nor the Manager will have any liability to investors, for any act or omission suffered or taken by the Manager on behalf of the Funds or in furtherance of the interests of a Fund in good faith reliance upon and in accordance with the opinions or advice of such advisors.

**Absence of Operating History.** Funds that are newly formed entities have no prior operating history upon which an investor can base its prediction of future success or failure. The past performance records of other Funds managed by the Manager are not indicative of the future results of a Fund that is a newly formed entity.

**Securities Law Considerations.** The partnership interests are not and will not be registered under the Securities Act or any other securities laws, including state securities or blue-sky laws. A Fund's partnership interests will be offered only to "accredited investors" (as such term is defined under Rule 501 of Regulation D of the U.S. Securities Act of 1933, as amended (the "Securities Act")) and in offshore transactions (as defined in Regulation S under the Securities Act) to non-U.S. persons (as defined in Regulation S under the Securities Act) who are not purchasing for the account or benefit of a U.S. person and, in each case, who can demonstrate sophistication and/or prior experience with investments as determined by the Manager at its sole discretion. In addition, a Fund will be structured so that it will not be an "investment company" within the meaning of the U.S. Investment Company Act of 1940, as amended. Investors will be required to make representations to the Funds to ensure compliance with securities laws. The Manager is registered as an investment adviser in the U.S. under the Investment Advisers Act of 1940.

**Recourse to a Fund's Assets and Insolvency Risk.** The assets of a Fund are available to satisfy all liabilities and other obligations of a Fund. If a Fund becomes subject to a liability, parties seeking to have the liability satisfied may have recourse to a Fund's assets generally and not be limited to any particular asset, such as the investment giving rise to the liability. Under applicable law, a Fund may not be permitted to make distributions to investors at such times where the assets of a Fund as the case may be, are less than that entity's liabilities, or in situations where a Fund is otherwise insolvent, has not satisfied its creditors following dissolution or has entered bankruptcy. An investors may also be required under applicable law to return any distributions received by such investors at any time where a Fund was insolvent, has not satisfied its creditors following dissolution or in bankruptcy at the time when such distributions were made.

**Restrictions on Transfer.** A Fund's partnership interests may be acquired for investment purposes only and not with a view to their resale or other distribution. A Fund's partnership interests are not registered under the Securities Act. The transferability and assignability of A Fund's partnership interests are substantially restricted, both under applicable securities laws and under the terms of the limited partnership agreement. The consent of the Manager is a condition to any transfer or assignment, and such consent may be granted, withheld, or conditioned in its sole and absolute discretion. Investors may not generally withdraw all or any portion of their capital accounts prior to the dissolution and winding up of a Fund. Investors have not been, and will not be, granted the right to require the registration of a Fund's partnership interests, and a Fund has no intention to register the Fund's partnership interests. No public market for a Fund's partnership interests is ever expected to exist.

**Subsequent Closings.** Additional investors will participate in any unrealized existing investments made by a Fund prior to any subsequent closings, thereby diluting the interest of existing investors in such investments. Although additional investors generally will be required to contribute their pro rata share of previously made capital contributions with respect to such investments, plus notional interest thereon, there can be no assurance that such contributions will reflect the fair value of a Fund's existing investments at the time of such contributions.

**Excuse and Exclusion from Investments.** Under certain limited circumstances, an investor may be excused from participating in an investment (including, without limitation, to avoid violations of law, statute, rule, regulation or policy of any governmental authority having jurisdiction over such investor or a violation of an investor's pre-existing written policies prohibiting its investment in certain investments as disclosed to the Manager prior to making a commitment to a Fund) or the Manager may exclude or limit the participation of an investor in an investment (including, without limitation, if an investor's participation is reasonably likely to have a material adverse effect on a Fund or the issuer of the applicable investment or result in a violation of any law, statute, rule or regulation of any governmental authority to which a Fund or the issuer of the applicable investment is subject). In any such circumstance, each other investor may be required to make an additional capital contribution to a Fund in respect of such investment, subject to certain limitations set



forth in the limited partnership agreement, thereby resulting in each other investor having an increased investment exposure in such investment than such investor would otherwise have had but for such excuse or exclusion event.

**Failure to Make Capital Contributions.** If any investor fails to make required capital contributions when due, a Fund's ability to execute its investment strategies or otherwise continue operations may be substantially impaired. A default by one or more investors with substantial capital commitments could prevent a Fund from meeting its funding obligations to one or more investments, would limit opportunities for investment diversification and could reduce returns to the Fund. In the event of any failure on the part of a Fund to meet its funding obligations to an investment, a Fund may be subjected to significant penalties, including (i) legal action against a Fund being taken by the manager or operator of such investment, (ii) the forfeiture of all or a portion of a Fund's investment or rights in such investment or (iii) a dilution of a Fund's investment therein. Furthermore, any failure by a Fund to meet its funding obligations to a Portfolio Investment could limit its ability to continue operating or expanding and adversely affect the value of a Fund's investment therein. Any investor that defaults in making a required capital contribution will be subject to certain significant and adverse consequences pursuant to the provisions of the limited partnership agreement, including, without limitation, the forfeiture of all or a portion of its partnership interests.

**Side Letters.** From time to time, the Manager may enter into side letter agreements or other similar arrangements with one or more investors that alter or supplement the terms of the limited partnership agreement or an investor's subscription agreement. As a result of such side letters, certain investors may receive rights, terms, and other benefits (such as reduced management fees and/or reduced carried interest distributions) that other investors will not receive. The Manager and a Fund will not be required to notify all other investors of any such side letters or any of the rights or terms or provisions thereof, nor will the Manager be required to offer such additional or different rights or terms to all other investors. The other investors generally will have no recourse against a Fund or Manager if certain investors receive additional or different rights, terms, or other benefits as a result of such side letters.

**Disclosure of Confidential Fund and Investor Information.** Investors and their affiliates may include entities that are subject to public records or similar laws that may compel public disclosure of confidential information regarding a Fund, its investments, and its investors. There can be no assurance that such information will not be disclosed publicly or to regulators, law enforcement or otherwise, including to comply with regulations or policies to which a Fund, the Manager, issuers of investments or service providers to any of them may be or becomes subject. To the extent that the Manager determines in good faith that, as a result of such public records or similar laws, the investors, their affiliates or agents may be required to disclose information relating to a Fund or the issuers of investments (other than information that the Manager has previously consented in writing that such investors may disclose), the Manager may, in order to prevent any such potential disclosure, withhold all or any portion of the information otherwise to be provided to such investors (other than certain basic capital account information). Confidential Fund information may also become subject to public disclosure or regulatory disclosure due to the relationship between a Fund and a public entity. Moreover, in order to comply with regulations and policies to which a Fund, the Manager, the Manager, issuers of investments or service providers (including brokers and dealers) to any of them are or may become subject, or to satisfy regulatory or other requirements in connection with transactions, a Fund and/or the Manager may be required to disclose information about the investors, including their identity.

**Expense-Sharing Arrangements.** Operating Expenses include certain fees and expenses, which may benefit a Fund, including, fees and expenses associated with legal counsel and certain other agents and consultants retained by or on behalf of the Fund. Such fees and expenses will be allocated among all Funds. Such allocations of fees and expenses may be based on the ratio that a Fund's capital bears to all other Funds or such other ratio that the Manager deems appropriate in its sole and absolute discretion. A Fund may pay a greater or smaller portion of such fees and expenses than if an attempt were made to allocate such fees and expenses among all Funds based on the relative benefit to the Fund and all other Funds.

**Cybersecurity Risk.** The computer systems, networks and devices used by Manager and its service providers to carry out routine business operations employ a variety of protections designed to prevent damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches. Despite the various protections utilized, systems, networks or devices potentially can be breached. A Fund and the investors could be negatively impacted because of a cybersecurity breach. Cybersecurity breaches can include: unauthorized access to systems,

networks or devices; infection from computer viruses or other malicious software code; and attacks that shut down, disable, slow or otherwise disrupt operations, business processes, or website access or functionality. Other incidents, such as user errors, power outages and catastrophic events such as fires, floods, hurricanes, and earthquakes, may also result in cybersecurity breaches. Cybersecurity breaches may cause disruptions and impact business operations, potentially resulting in financial losses to a Fund; interference with the Manager's ability to calculate the values of a Fund's investments and distribute investment proceeds to the investors; the inability, or the impairment of the ability, of the Manager and other service providers to transact business; violations of applicable privacy and other laws (including the release of private investor information); regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs; as well as the inadvertent release of confidential information. Similar adverse consequences could result from cybersecurity breaches affecting issuers of securities in which a Fund invests; counterparties with which a Fund engages in transactions; governmental and other regulatory authorities; exchange and other financial market operators; and other persons with which a Fund and the Manager or one of their respective service providers does business. In addition, substantial costs may be incurred by these entities in order to prevent any cybersecurity breaches in the future.

**Limited Net Worth of the General Partner.** The General Partner's net worth is expected to be limited to the value of its investment in a Fund from time to time.

**Difficulty Locating Suitable Investments.** Identification of investment opportunities is difficult and competitive and involves a high degree of uncertainty. A Fund may incur significant investment expenses in connection with identifying investment opportunities and investigating other potential investments which are ultimately not consummated. Furthermore, the availability of investment opportunities generally will be subject to market conditions as well as, in some cases, the prevailing regulatory, economic, and/or political climate. It is possible a Fund will never be fully invested for a variety of reasons, including lack of investment opportunities and lack of sufficient potential for a financial return, among other things. In addition, if a Fund makes only a limited number of loans, the unfavorable performance of any one such loan will have a proportionally greater adverse effect on the aggregate returns realized by the investors.

**Absence of Substantive Disclosure Relating to Prospective Investments.** While a Fund may have identified loan candidates, the Fund may not have yet identified any specific loans that it intends to make. Accordingly, a Fund is unable to give specific disclosures to investors, other than the general descriptions of the types of loans and investments contemplated by a Fund as described herein. Further, because a Fund may not have identified loans in which it intends to invest, investors in a Fund will be unable to evaluate transaction terms, financial, or operational data concerning all investments before a Fund invests. Accordingly, investors will be relying on the ability of the Manager to identify investments, propose transactions, and approve such investments. In addition, the investments of a Fund may not produce a realized return to the investors in a Fund for a period of several years, if at all.

**Investors of a Fund Will Be Taxed on Profits Whether or Not Distributed.** The Manager expects that the Funds will be treated as a partnership for U.S. federal income tax purposes. Accordingly, each investor will be required to report on its U.S. federal income tax return, and will be subject to tax in respect of, its distributive share of each item of a Fund's income, gain, loss, deduction, and credit for each calendar year of a Fund, ending with or within the investor's taxable year. Each item generally will have the same character as if the investor had realized the item directly. Investors must report these items regardless of the extent to which, or whether, they receive cash distributions from a Fund for such taxable year, and thus may incur income tax liabilities in excess of any distributions from a Fund. In addition, due to the complex requirements relating to partnership tax accounting, it is possible that under certain conditions investors of a Fund may be allocated gains or losses for U.S. federal income tax purposes that are greater or less than any actual increase or decrease in the value of their partnership interests. Moreover, a Fund may invest in certain securities, such as "original issue discount" obligations or in the stock of certain types of non-U.S. corporations that are treated as "controlled foreign corporations" or "passive foreign investment companies," that could cause a Fund, and consequently the investors, to recognize taxable income without receiving any cash. Investment in a "passive foreign investment company" could also, in the absence of a specific election to pay current tax on the passive foreign investment company's earnings, cause a Partner to pay an interest charge on taxable income that is treated as having been deferred.

**Possibility of Taxation of a Fund as a Corporation.** The Manager expects that the Funds will be treated as partnerships for U.S. federal income tax purposes and not as an association or "publicly traded

partnership” taxable as a corporation. This conclusion has not been confirmed by a ruling from the U.S. Internal Revenue Service (“IRS”), and no such ruling has been or will be requested. If a Fund were to be treated as a corporation for U.S. federal income tax purposes, its income and deductions would be reflected solely on its own income tax return rather than being passed through to its investors, and its U.S. taxable income, if any, would be taxed at regular corporate income tax rates applicable to U.S. corporations (21% in the case of U.S. federal income tax). Investors would not be allowed to deduct losses of a Fund on their U.S. federal income tax returns. In addition, all or a portion of any distributions made by a Fund to its investors, other than certain withdrawals, would constitute ordinary dividends (or, in certain instances, qualified dividend income that is taxable to noncorporate taxpayers at a preferential rate) for U.S. federal income tax purposes to the extent of its current and accumulated earnings and profits, and the amount of such distributions would not be deductible by a Fund in computing its taxable income.

**Limitations on Deductions.** Tax laws in certain cases may limit an investor’s ability to deduct certain losses and expenditures (including the Management Fee) allocable to it, him, or her. The applicability of such laws may depend on whether a Fund is engaged in a lending trade or business or investment activities, which is uncertain.

**Unrelated Business Taxable Income.** Tax-exempt investors should be aware that a Fund’s income and gain may be treated as UBTI, and, thus, may cause such investors to be subject to U.S. federal income tax (and possibly state and local income tax) with respect to their share of such income and gain. Tax-exempt investors should also note that the use of leverage by a Fund may create UBTI.

**Fund Allocations.** If the allocation of Fund income, gains, losses, and deductions were determined not to have substantial effect for U.S. federal income tax purposes, these items would be reallocated among the investors in proportion to their respective partnership interests as determined by the IRS or the courts. Additionally, investors may be allocated income or losses for tax purposes that may be greater or lesser than the economic increase or decrease in the value of their partnership interests during the corresponding taxable year.

**Effectively Connected Income.** It is possible that the activities of a Fund, including a Fund’s lending activities, could cause a Fund to earn income that is treated as “effectively connected” with the conduct of a trade or business in the United States. If a Fund earns such income, a Non-U.S. investor (as hereinafter defined) will be subject to U.S. federal income tax on a net basis with respect to its allocable share of such income and, in addition, in the case of a Non-U.S. investor that is a corporation, may be subject to the 30% U.S. federal “branch profits” tax on such income.

**State and Local Tax Consequences.** Investors may be subject to various state and local taxes and tax filing requirements in any state or other jurisdiction in which a Fund is doing business.

**Tax Audit Rules.** The U.S. federal income tax treatment of income and deductions of a Fund generally will be determined at a Fund level in a single proceeding, rather than by individual audits of the investors. If the IRS audits a Fund’s tax returns, however, an audit of the investors’ own returns may result. The legal and accounting costs incurred in connection with any audit of a Fund’s tax information returns will be borne by a Fund, but investors will bear the cost of audits of their own tax returns. U.S. federal income taxes arising from an IRS audit of a Fund generally will be payable by a Fund, and the Manager or its designee, as the “partnership representative” of a Fund, will have the power to act on behalf of a Fund and the investors in all IRS audits and other proceedings involving a Fund’s U.S. federal income, loss, deductions, and credits. In certain circumstances, an investor’s direct or indirect share of any such taxes could be greater than its share would have been had the related tax item giving rise to such tax been so reported on a Fund’s original return.

**Permanent Establishment Risks.** A Fund will not generally conduct its operations in a manner that will not cause it to have a “permanent establishment” in any country outside the United States, as such term is defined in the relevant income tax treaty. There can be no assurance that a particular country will not assert that a Fund has a permanent establishment or is generating income that is “effectively connected” with the conduct of a trade or business, in such country, and if such assertion were upheld, it could result in adverse tax consequences to a Fund. In addition, certain investments made directly or indirectly by a Fund may be subject to non-U.S. taxes, such as non-U.S. withholding taxes.

**Investments by Benefit Plans.** The Manager intends that the assets of the Funds will not constitute “plan assets” for purposes of ERISA and/or the U.S. Internal Revenue Code of 1986, as amended (the “Code”). No assurance can be given, however, that a Fund’s assets will never constitute “plan assets.” If a Fund’s assets were to constitute “plan assets” for purposes of ERISA and/or Section 4975 of the Code, the administration and operation of a Fund would be subject to ERISA and/or Section 4975 of the Code, the Manager and other persons providing investment advice to a Fund, if any, could become fiduciaries of Plans (as hereinafter defined) subject to ERISA and/or Section 4975 of the Code that invest in a Fund, Fund transactions could constitute prohibited transactions under ERISA and/or Section 4975 of the Code, and there could be adverse consequences for a Fund and for certain plan investors (as hereinafter defined) invested in a Fund. Plans and their financial and legal advisors should consider this risk before making any subscription for a partnership interest. While no assurances can be given that the assets of a Fund will never constitute “plan assets,” the Manager intends to manage participation in the Funds by plan investors in a manner designed to prevent assets of the Funds from constituting “plan assets.”

**Limited Regulatory Oversight.** It is not anticipated that a Fund will register as an investment company under the Investment Company Act. Accordingly, the protective provisions of such Act and the regulations promulgated thereunder (which, among other things, require investment companies to have a majority of disinterested directors, prohibit an investment company from engaging in certain transactions with affiliates of its adviser and impose limits on the use of leverage) are not applicable to a Fund. It is not expected that a Fund’s partnership interests will be registered under Section 12 of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”), and, accordingly, the Fund will not be required to file such periodic and other reports with the SEC as are filed by U.S. public reporting companies.

**General Solicitation.** Partnership interests in a Fund may be offered and sold without registration in reliance on the exemption from registration in Rule 506(c) of Regulation D under the Securities Act. Under Rule 506(c), a Fund will be permitted to engage in a general solicitation (e.g., advertising or otherwise publicizing the offering in a newspaper, magazine or similar media) so long as a Fund takes “reasonable steps” to verify that all investors in a Fund are “accredited investors” as defined in Rule 501(a) of Regulation D, among other requirements. A Fund will have the burden of demonstrating that its offering is entitled to rely on the exemption in Rule 506(c), including that it took reasonable steps to verify that all of its investors are accredited investors. While Rule 506(c) includes four safe harbor methods for verifying the accredited investor status of certain investors, there are a number of prospective investors in a Fund, such as entities and trusts, for which there are no clear safe harbor methods for verifying their accredited investor status. Accordingly, there is a risk that a Fund may be found to have violated the verification requirements in Rule 506(c) despite its best efforts to verify the accredited investor status of its investors. Moreover, even in instances where there are clear methods of verification set out in Rule 506(c), there is a risk that a Fund may be found to have violated its responsibility to take reasonable steps to verify the accredited investor status of its investors. In addition, private funds often rely on an exemption from registration under Rule 506(b) of Regulation D that provides a safe harbor under Section 4(a)(2) of the Securities Act for private offerings (i.e., offerings for which there was no general solicitation) that meet certain conditions. If an issuer is found to have violated the provisions of Rule 506(b), it may still be able to rely on the general exemption from registration in Section 4(a)(2) of the Securities Act for “transactions by an issuer not involving any public offering.” A Fund, on the other hand, will lose its ability to rely on Section 4(a)(2) of the Securities Act and the safe harbor under Rule 506(b) as soon as it engages in a general solicitation in reliance on Rule 506(c). Accordingly, there is a risk that a Fund may be unable to rely on any exemption from registration under the Securities Act if it is found to have violated the requirements of Rule 506(c). A Fund may incur significant costs if it is required to register its offering with the SEC or is otherwise found to have failed to do so when required. In addition, there is a risk that certain investors that may have otherwise invested in a Fund will decline to do so if they are required to provide the documentation necessary to verify their accredited investor status, which may affect a Fund’s ability to meet its fundraising goals.

**Regulatory Developments.** Legal, tax and regulatory developments that would adversely affect a Fund could occur during the term of a Fund. The regulatory environment for private investment funds is evolving, and changes in the regulation of private investment funds and their investment and trading activities may adversely affect the ability of a Fund to pursue its investment strategy and its ability to obtain leverage and financing and determine the value of its investments. In recent years, there has been an increase in governmental, as well as self-regulatory, scrutiny of the alternative investment industry in general.





The companies and projects in which a Fund will invest will be subject to regulation by governmental authorities in various jurisdictions and may be adversely affected by the imposition of special tariffs and changes in tax laws, regulatory policies and accounting standards. Stricter laws, regulations or enforcement policies could be enacted in the future which may increase compliance costs and may adversely affect the financial performance of such companies.

## ITEM 9 – DISCIPLINARY INFORMATION

WaterEquity is required to disclose all legal and disciplinary events that are material to clients and prospective clients for evaluation of WaterEquity or the integrity of WaterEquity's management. Neither WaterEquity nor its supervised persons have any legal or disciplinary events to report for this Item 9.

## ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Gary White serves as the Co-Founder and Chief Executive Officer of WaterEquity, Inc. and Water.org. WaterEquity, Inc. is the sole member of WaterEquity LLC, the Manager.

**Development Company.** Water.org is in the process of forming a company (“DevCo”) that is intended to help water and sanitation companies and projects in low and middle income countries position themselves for outside investment, including potentially (but not necessarily) from a Fund. Water.org will be the sole owner of DevCo, and DevCo will have no formal affiliation with WaterEquity, except that (a) John Moyer will simultaneously serve as (i) the President of DevCo and (ii) an independent member of the Investment Committee of WaterEquity and (b) Catherine Colyer will simultaneously serve as (i) the interim COO of DevCo and as a Manager of DevCo’s Board of Managers and (ii) the COO of WaterEquity and a member of WaterEquity’s Management Committee. In pursuit of the objective of expanding investment ready opportunities in water and sanitation, DevCo will offer three basic products and services: (1) project development (e.g., partnering, including through equity positions, with private developers to cultivate or improve water and sanitation projects and platforms), (2) impact subsidies (e.g., applying targeted grants to catalyze high impact transactions, new opportunities, or climate resilience) and (3) advisory services (e.g., engaging sector stakeholders to identify and promote policies that will enable private investment). The companies and projects that DevCo supports will make their own independent decisions about whether to seek further investment, and from whom (i.e., DevCo will have no influence on whether and from whom such companies and projects seek investment). It is possible (although there can be no assurances), however, that in time DevCo-related projects will become attractive investment opportunities for a Fund. If a Fund seeks to invest in a company or project that DevCo has supported, the WaterEquity will determine whether it believes any conflict of interest exists (e.g., if DevCo has an equity investment in such company or project) and if so, will seek Advisory Committee approval of such investment.

**Other Business Activities.** Certain of WaterEquity’s principals and other personnel may, from time to time, be involved in the investment and other business activities of other investment vehicles, businesses, and organizations, subject to WaterEquity’s internal policies. Certain members of WaterEquity’s investment team provide services respectively (a) on a volunteer basis to an angel network that provides angel funds to social enterprises in the United States, (b) to a South American investment advisor, (c) to an overseas company that provides wastewater treatment plants on an operating lease basis to customers and (d) to a fund that brings blended capital to early growth stage female businesses in Africa, in each case, the business and investment activities of which are not expected to overlap with those of the Fund. In addition, a member of WaterEquity’s Investment Committee serves as an unpaid advisor to a nonprofit impact investing firm that accepts philanthropic capital only and engages in some lending activities that may overlap with those of the Fund, and WaterEquity’s CIO serves as the Chair of the Investment Risk and Claims Committee of the Private Sector Enhancement Facility of the African Development Bank. All such investment and business activities by WaterEquity principals and personnel are subject to WaterEquity’s Code of Ethics.

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

### 11.A. Code of Ethics

All officers and employees of WaterEquity are subject to a variety of compliance requirements, some of them stemming from formal laws and regulations and some from policies and procedures that WaterEquity has decided to adopt as a matter of safe and sound business practice. WaterEquity has a written Code of Ethics that is shared with all supervised persons and available to clients or prospective clients upon request, which can be made to the Chief Compliance Officer (the “CCO”) at [mmilligan@waterequity.com](mailto:mmilligan@waterequity.com) or 816.800.8100. The Code of Ethics includes WaterEquity’s standards of business conduct, requirements for compliance with applicable laws, requirements related to reporting of securities transactions and holdings of supervised persons, and direction for reporting of any violations.

### 11.B. Participation in Client Transactions

WaterEquity serves as the investment manager to the Funds. WaterEquity, its supervised persons, and their related persons may, if qualified under SEC rules, invest directly in certain of the Funds. The fact that some or all these parties may have a financial ownership interest in the Funds creates a potential conflict in that it could cause WaterEquity to make different investment decisions than if they did not have such a financial ownership interest. WaterEquity charges Advisory Clients fees based on a percentage of assets. The management fees are payable without regard to the overall success or income earned by the Funds and therefore could create an incentive on the part of WaterEquity to raise or otherwise increase assets under management to a higher level than would be the case if WaterEquity were receiving a lower or no management fee.

Complete fee disclosures are provided to investors in the form of confidential private offering memoranda or other governing documents and should be carefully reviewed by prospective investors.

Further, as noted in 11.A., WaterEquity has established a Code of Ethics that sets forth a standard of business conduct that considers WaterEquity a fiduciary and requires supervised persons to place the interests of the Advisory Clients above their own interests.

### 11.C. Conflicts of Interest – Personal Trading

WaterEquity manages three types of securities:

- (a) privately offered, unregistered and uncertified loans to financial institutions and enterprises;
- (b) investments in equity and/or debt in companies and alternative, holding, or special purpose vehicles active in the supply, development, and operations of water and sanitation infrastructure; and
- (c) deliverable and non-deliverable forward currency contracts.

Since the securities under (a) are not tradable, it is difficult to see how an insider could take advantage of material, nonpublic information about them in a trading setting. It is possible that the securities under (b) could be in companies that are publicly traded. Accordingly, WaterEquity has adopted a policy on personal securities trading to manage potential conflicts of interest. Forward currency contracts under (c) present only a small chance that WaterEquity’s supervised persons could come into possession of material non-public information that is relevant to the currencies. Nevertheless, it is still possible that certain information fitting this definition, such as prospective client transactions in thinly traded emerging markets currencies, would come into their possession, and therefore certain currency transactions are also subject to WaterEquity’s policy on personal securities trading.

All WaterEquity supervised persons are prohibited from misusing material non-public information relating to any security, whatever the source of the information. Furthermore, supervised persons who know or suspect that they, or another supervised person, have come into possession of material non-public



information are required to disclose that fact to the CCO. The CCO, in turn, will document the acquisition of the information and the steps taken to protect against its misuse.

#### **11.D. Conflicts of Interest – Advisory Clients**

WaterEquity has an affirmative duty of care, loyalty, honesty, and good faith to act in the best interests of its Advisory Clients. Part of fulfilling this duty is avoiding conflicts of interest, and fully disclosing all material facts concerning any conflict that does arise. Employees should make every effort to avoid situations that even have the appearance of conflict or impropriety.

Conflicts of interest may arise when a supervised person's private interest interferes, or appears to interfere, with the interests of WaterEquity, or the interests of a supervised person or WaterEquity are inconsistent with those of an investor or potential investor, resulting in the risk of damage to the interests of WaterEquity or the investor.

To mitigate potential conflicts of interest, WaterEquity expects its supervised persons to:

- (a) act solely in the best interests of investors;
- (b) uphold WaterEquity's high ethical and professional standards;
- (c) identify, report, and manage actual, apparent, or potential conflicts of interest; and
- (d) make full and fair disclosure of any conflicts of interests, as may be required.

Supervised persons may not engage in any investment strategy that might compete with WaterEquity's offered strategies. Employees are prohibited from recommending, implementing, or considering any securities transaction for an Advisory Client without having disclosed any material beneficial ownership, business or personal relationship, or other material interest in the issuer or its affiliates to WaterEquity's CCO.

Supervised persons may not advocate or recommend any service provider to the company if they have a financial interest or other type of interest in the service provider. All employees are required to disclose any personal investments or other interests in vendors or suppliers with which the firm has a relationship or a prospective relationship.

No supervised person may own, directly or indirectly, any interest in any corporation or other entity if ownership of such interest could compromise the loyalty or judgment of such employee or person working for or on behalf of WaterEquity. Whether a particular financial interest will constitute a conflict of interest or the appearance thereof will vary depending on the circumstances.

WaterEquity requires each supervised person to complete an annual Conflict of Interest Questionnaire and to update it as necessary to reflect changes during the year.

## ITEM 12 – BROKERAGE PRACTICES

WaterEquity may hedge the currencies of its investments by engaging broker-dealers to execute deliverable and non-deliverable forward currency contracts. WaterEquity does not receive “soft dollar benefits” of any kind in connection with transactions. Neither WaterEquity nor its related persons receive client referrals from any broker-dealers.

## ITEM 13 – REVIEW OF ACCOUNTS

### 13.A. Review of Client Accounts

The performance, risk, and compliance with relevant governance provisions and applicable law of the Funds are reviewed on an ongoing basis by members of WaterEquity's senior management, various committees, and teams such as the Investment Management team, the Risk & Portfolio Management team, and the Legal & Compliance team.

The WaterEquity Investment Committee consists of Paul O'Connell, President & CEO; Marlene Hormes, Chief Investment Officer; Anu Valli, Senior Director, Financial Institution Investments; Sridhar Sampath, Senior Director, Infrastructure Investments; Julie Cheng, Independent Investment Committee Member; Leo Kirby, Independent Investment Committee Member; John Moyer, Independent Investment Committee Member; and Pieter Tobing, Independent Investment Committee Member.

### 13.B. Factors That Trigger Review

The Funds are under continuous review. The impact and risk levels of the investments in the Funds are tracked and monitored at both the market and investee level. Portfolio monitoring helps increase the chance of early detection of deviations in impact projections or deterioration in risk levels. Analysis of markets for which the Funds have exposure is undertaken monthly and considers macroeconomic, currency, and policy trends, along with analysis of relevant publications and events. Country risk scores are applied to each exposure. Review of investments in the Funds is undertaken through comprehensive quarterly reporting of financial, operational and impact indicators, tracking covenants (if applicable), review of financial statements, and investee site visits as needed based on investee performance and risk level. Factors that trigger review are deterioration in risk levels of the markets / countries to which the Funds are exposed or investee impact or risk changes, such as material deterioration in indicators, covenant breaches, payment delays or non-payment and other factors. See Item 13.A., above.

### 13.C. Content and Frequency of Regular Reports

Investors in the Funds will receive the following written reports, typically on the following schedule:

- annual audited financial statements (within 180 days after the end of the fiscal year);
- quarterly unaudited financial statements (within 60 days of the end of each quarter);
- quarterly reports that include key financial and social performance metrics, income statement, and balance sheet (within 60 days of the end of each quarter);
- annual report with financial and narrative content (e.g., annual report); and
- K-1s and other tax information within the time required by law.

## ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

### **14.A. Compensation from Someone Who Is Not a Client**

This Item is not applicable: WaterEquity does not receive compensation from anyone who is not a client for providing investment advice or advisory services to our clients.

### **14.B. Compensation for Client Referrals**

WaterEquity may enter into written arrangements with third parties to act as solicitors for its investment management business. All such compensation will be fully disclosed to each client consistent with applicable law. All such referral activities will be conducted in accordance with SEC Rule 206(4)-1 under the Advisers Act, as well as relevant SEC guidance. In general, WaterEquity may pay third party solicitors out of the fees received by WaterEquity for services provided to the Funds. Investors are not charged any additional fees as a result of the referral arrangements.



## ITEM 15 – CUSTODY

With respect to the Funds, WaterEquity is deemed to have custody by virtue of its status as the Manager. The qualified custodians presently utilized by WaterEquity for the Funds' cash and securities comprising the assets of the Funds are:

**Bank of America, N.A.**

1200 Main Street Kansas City, MO 64105

**EagleBank**

2001 K Street NW Washington, DC 20006

**HDFC Bank Ltd**

Bank House, Dr Annie Besant Rd, Shiv Sagar Estate, Worli Mumbai,  
Maharashtra 400018, India

To ensure compliance with Rule 206(4)-2 under the Advisers Act, WaterEquity reasonably believes that all investors in the Funds will be provided with audited financial statements for the Funds, prepared by an independent accounting firm that is registered with and subject to review by the Public Company Accounting Oversight Board, in accordance with U.S. generally accepted accounting principles, within 120 days of the end of the Funds' respective fiscal years.

Investors should carefully review the audited financial statements of the Funds.

## ITEM 16 – INVESTMENT DISCRETION

WaterEquity has discretionary authority to manage and is authorized to make purchase and sale decisions for the Funds.

As explained in Item 8 above, each Fund's investment strategy is set forth in detail in such Fund's offering memorandum. Investors in a Fund do not have the ability to impose limitations on WaterEquity's discretionary authority. Prospective investors are provided with an offering memorandum prior to their investment and are encouraged to carefully review the offering memorandum or similar governing documents, along with all other relevant offering materials, and to be sure that the proposed investment is consistent with their investment goals and tolerance for risk. Prospective investors should also consult with their legal, tax, or other advisors prior to making any investment. Prospective investors must also execute a subscription agreement, in which they make various representations, including representations regarding their suitability to invest in a high-risk investment pool. Further, prospective investors in the Funds must execute a Limited Partnership Agreement.

## ITEM 17 – VOTING CLIENT SECURITIES

### **17.A. Voting Policies and Procedures**

WaterEquity's Advisory Clients do not generally invest in securities of publicly held companies. On occasion, WaterEquity may make a debt investment in a company with a portion of its equity listed publicly, or a privately held company in which WaterEquity has made a debt or equity investment may hold an initial public offering. WaterEquity understands and appreciates what is at issue with proxy voting rules so, to the extent that WaterEquity may have discretion to vote on a proposal put before the shareholders of Advisory Clients, WaterEquity will vote in the best interests of the Advisory Clients and in accordance with applicable compliance and legal procedures.

In situations involving shareholder voting, WaterEquity will keep a record of applicable internal procedures, governing fund documents (e.g., limited partnership agreement), proposals received, votes cast, all communications received, and any internal documents created that were material to voting decisions.

### **17.B. Authority to Vote Client Securities**

WaterEquity does not expect its Advisory Clients to encounter proxy voting, but any such votes received for Advisory Clients will be immediately sent to such Advisory Client from WaterEquity.

## ITEM 18 – FINANCIAL INFORMATION

### **18.A. Prepayment of Fees**

One Advisory Client pays its management fee quarterly in advance based on a percentage of the investor's commitment until the end of the commitment period. Thereafter, the management fee percentage is applied to the investor's allocable share of the cost basis of investments held by a Fund.

### **18.B. Financial Condition**

WaterEquity is not currently aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to its Advisory Clients.

### **18.C. Bankruptcy Petition**

This Item is not applicable: WaterEquity has not been subject to a bankruptcy petition.