

FORM ADV PART 2A: FIRM BROCHURE

Poetic Group LLC

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This brochure (this “Brochure”) provides information about the qualifications and business practices of Poetic Group LLC. If you have any questions about the contents of this Brochure, please contact us by e-mail at notices@poeticgroup.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Registration as an investment adviser does not imply that Poetic Group LLC or any of its principals or employees possess a particular level of skill or training in the investment advisory business or any other business.

Additional information about Poetic Group LLC is also available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2. Material Changes

Poetic Group LLC filed its most recent annual amendment to this Brochure on March 28, 2024. At the time of such filing, the final audited financial statements for the private funds managed by Poetic Group LLC were not complete. This brochure has been amended to reflect the asset numbers set forth in such statements.

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Item 4. Advisory Business

Poetic Group LLC (“Poetic Group”) is a New York limited liability company that was formed on February 6, 2018. Poet Hill Capital Management LP (“Poet Hill”), its relying adviser, is a Delaware limited partnership that was formed on September 8, 2022. Poetic Group is principally owned by PLGA2 LLC, 10Northeast II LLC, and Rouen LLC, which are, in turn, principally owned by Adam Berkowitz, Samuel Mark and Daniel Li (the “Poetic Group Principals”), respectively. Poet Hill is principally owned by PLGA2 LLC, 10Northeast II LLC, NRME LLC, and North 8 Capital, LLC, which are, in turn, principally owned by Adam Berkowitz, Samuel Mark, Jackson Nurmi and Brant Brooks (collectively with the Poetic Group Principals, the “Principals”), respectively. Mr. Berkowitz is our Chair and is not involved in our investment activities.

As described in more detail below, Poetic Group and Poet Hill (together referred to as “we,” “us” or “our”) provide investment management services to private funds, including: (i) serving as investment adviser to private funds sponsored by our related persons and (ii) providing discretionary sub-advisory services to a private fund sponsored by another manager (the “Sub-Advised Fund”). Unless the context clearly suggests otherwise, references throughout this document to: (i) the “Funds” refer to private funds that we advise that are sponsored by our related persons any other private fund sponsored by our related persons that we may advise in the future and (ii) the “Clients” refer to the Funds, the Sub-Advised Fund, and any other account that we may advise on a discretionary basis in the future.

Clients are managed in accordance with their investment and trading objectives, as described in their offering documents, governing agreements or investment management agreements (collectively, the “Governing Documents”). We do not permit investors in the Funds to impose limitations on the investment activities described in such documents. Under certain circumstances, we may contract with a non-Fund Client to adhere to limited risk and/or operating guidelines determined by that Client. (*See Item 16 - Investment Discretion*)

The Funds

Poetic Group provides discretionary investment advice to the following Funds: (i) Poetic Holdings VII LLC (“Poetic VII”), (ii) Poetic Holdings 8 LP (“Poetic 8”), and (iii) Poetic Holdings IX LP (“Poetic IX”). Poet Hill provides discretionary investment advice to Poetic Opportunities Fund X LP (“Poetic X”).

Related persons of ours serve as the general partner to each Fund (each, a “General Partner,” and collectively, the “General Partners”).

The Sub-Advised Fund

Poet Hill provides discretionary investment advice to a Sub-Advised Fund.

The Investment Consulting Clients

In addition, Poetic Group provides investment recommendations or advice to certain entities (“Investment Consulting Clients”) on a non-discretionary basis but such advice is currently limited to the sales of investments that it previously recommended to such clients. In these circumstances, Poetic Group is not responsible for implementing any of its investment recommendations or advice and the Investment Consulting Clients are solely responsible for accepting, rejecting, and implementing such recommendations and advice.

We do not participate in wrap fee programs.

As of December 31, 2023, we managed \$427,074,835 of regulatory assets under management, all of which are managed on a discretionary basis.

Item 5. Fees and Compensation

Our fees and compensation are described in our Clients' Governing Documents.

The Funds

Poetic 8 pays us a monthly management fee of 1% on an annualized basis of the aggregate capital commitments by investors. Poetic IX and Poetic X pay us a quarterly management fee equal to a percentage of funded investor commitments. Poetic IX's and Poetic X's investors are all "qualified purchasers" (as defined in the Investment Company Act of 1940, as amended (the "1940 Act")) or knowledgeable employees (as defined under the 1940 Act).

Poetic 8's, Poetic IX's, and Poetic X's management fees are paid in advance. The Firm may, in our sole discretion, defer payment of the management fee for any calendar month, in which case it will be payable to us at a future date. We will not charge interest on such deferred management fees. We have waived and may in the future, in our sole discretion, waive or reduce our management fee for investors in any Fund, including for internal capital.

Poetic VII is no longer paying management fees.

Each General Partner is also entitled to receive carried interest from the relevant Fund, as further described in *Item 6 – Performance-Based Fees and Side-By-Side Management*.

The Sub-Advised Fund

The Sub-Advised Fund pays us a quarterly management fee equal to a percentage of the lesser of the cost or fair value of its investments. Such management fee is paid quarterly in arrears. The Sub-Advised Fund's management fees are invoiced to, and paid by, the Sub-Advised Fund. We are also entitled to receive performance-based fees from the Sub-Advised Fund, as further described in *Item 6 – Performance-Based Fees and Side-By-Side Management*.

Investment Consulting Clients

Each Investment Consulting Client pays us a quarterly management fee equal to a percentage of either the cost of its investments or its net asset value. Such management fees are paid quarterly in arrears. Such fees are neither invoiced nor debited, but are paid to us directly by each Investment Consulting Client in accordance with the sub-advisory agreement relating to such client. In addition, we are entitled to receive performance-based fees from each Investment Consulting Client, as further described in *Item 6 – Performance-Based Fees and Side-By-Side Management*. All of our Investment Consulting Clients are "qualified purchasers."

Fund Expenses

The expenses paid by the Funds are set forth in detail in their Governing Documents. Such expenses differ among the Funds. Thus, although the following is a summary of expenses the Funds will generally bear, it is not an exhaustive or complete list with respect to each Fund and not all Funds will bear every expense on this list. Investors and prospective investors in a Fund should therefore review the relevant Fund's Governing Documents carefully because such documents describe more precisely the expenses such Fund will bear.

The Funds will generally be responsible for all expenses incurred in connection with their businesses, affairs and operations, which are expected to include, but not limited to, the following: management fees; indemnification expenses; commissions; clearing fees; fees, interest and other costs on margin accounts or other financings or re-financings; any taxes, duties or other governmental charges payable in any jurisdiction in connection with the operation of the Funds; accounting and legal fees and disbursements (including legal fees related to the acquisition, protection and distribution of the Funds' investments and the costs of prosecuting and defending legal actions involving the Funds); accounting, audit and tax preparation expenses; third-party administrator fees; investment-related expenses, including Intex, Bloomberg terminals, and other investment management software, research, subscriptions, quotation services, data sets, and data feeds; borrowing charges on securities sold short; custodial fees; bank service fees; third-party valuation and servicing agents; brokerage and finder fees and expenses, including (without limitation) those incurred in connection with transactions directed to broker-dealers in part in recognition of investment research and information furnished or expenses for services rendered by broker-dealers in the execution of such orders and the use of such research and other services provided by such broker-dealers; expenses related to the implementation and maintenance of information technology systems utilized by the Funds, including (without limitation) cloud data; expenses incurred in connection with the retention of third-party consultants and advisors providing services to the Funds; investment-related travel and entertainment expenses, including industry conferences; expenses related to outsourced appraisal, recordkeeping, bookkeeping, finance reporting, accounting and professional services provided to the Funds; expenses in connection with proposed investments (including investments that fail to close); portfolio management software; expenses related to reporting to and communicating with investors (including the maintenance of any data rooms); expenses related to regulatory compliance, filings and reporting arising out of the Funds' investment activity, including (without limitation) filings with respect to Sections 13(d), 13(g) and 16 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Form PF; liability insurance premiums with respect to us and the General Partner (including, without limitation, policies such as Directors and Officers and Errors and Omissions insurance); expenses related to the registered office of the Funds; expenses of winding up and dissolving the Funds; expenses incurred in connection with any tax audit, settlement or review of the Funds or their investment vehicles; expenses incurred in connection with any restructuring or amendments to the constituent documents of the Funds and their related entities, including the General Partners; expenses incurred in connection with the formation of special purpose investment vehicles; costs related to the holding of meetings of the Fund investors; and any other expenses related to the purchase, sale, holding or transmittal of the Funds' assets or liabilities or the business or affairs of the Funds.

In addition, bookkeeping and similar expenses charged by independent contractors or consultants that perform functions for self-administered Funds traditionally performed by fund administrators are currently borne directly by such Funds.

Expenses frequently will be incurred on behalf of one or more Funds. The Investment Manager seeks to allocate those common expenses among the funds in a manner that is fair and reasonable over time. Generally, expenses incurred between two or more Funds shall be allocated pro rata based on the net asset value of the fund. Nonetheless, Clients should note that the portion of a common expense that the Investment Manager allocates to a fund for a particular product or service may not reflect the relative benefit derived by the client from that product or service in any particular instance. The expense allocations often depend on inherently subjective determinations.

In accordance with its Expense Management Policy and Procedures, the Investment Manager retains the authority to determine the methodology to allocate expenses. If the Investment Manager allocates expenses

across Client Accounts by a methodology other than a pro rata allocation, then the methodology shall be approved and documented by the Chief Compliance Officer.

Sub-Advised Fund Expenses

The Sub-Advised Fund bears expenses incurred in connection with Poet Hill's provision of advisory services to such fund, including but not limited to brokerage commissions, transfer taxes and other fees and expenses incurred in the purchase, sale or other disposition of the Sub-Advised Fund's assets. Further, the Sub-Advised Fund shall be responsible for a proportionate share of expenses incurred by Poet Hill related to the execution of its investment strategy, including, without limitation, fees for data, third-party consultants, legal fees, and investment-related travel expenses.

Investment Consulting Client Expenses

The Investment Consulting Clients bear all expenses that we incur in relation to investments that they hold that were presented to them by us (subject to an expense cap). Because we are no longer presenting new investments to such entities, investment-specific expenses incurred in relation to new investment opportunities for our Clients are not borne by the Investment Consulting Clients.

To the extent that we incur any expenses for the benefit of multiple Clients, will generally allocate such expenses in a reasonable manner among such Clients. However, it is possible that under some Clients' Governing Documents, we may not require a Client to directly or indirectly incur certain expenses, despite the fact that such Client may receive a benefit in connection with our incurrence of such expenses. In such cases, we will bear the portion of such expenses that are not borne by the relevant Client.

Our expense allocations often depend on inherently subjective determinations, but we will make such determinations in good faith. Consequently, the portion that we allocate any Client for a particular expense may not reflect the relative benefit derived by such Client in any particular instance.

For a more detailed discussion of brokerage and transaction costs, see *Item 12 - Brokerage Practices*.

Valuation

Valuation of the Fund's portfolio may involve uncertainties and judgmental determinations. The process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ from values that would have been determined had a ready market existed for such securities and may differ from the prices at which such securities may ultimately be sold. Further, third-party pricing information at times may not be available regarding certain of the Fund's securities and other assets. If the Investment Manager's valuation by of the Fund's securities in accordance with the Investment Manager's valuation policy should prove to be incorrect, the net asset value of the Fund's investments could be adversely affected. Absent manifest error, valuation determinations in accordance with the Investment Manager's valuation policy will be conclusive and binding. Given the direct impact of any such valuation on the Fund's performance, the Investment Manager's involvement in the valuation of the Fund's assets presents a conflict of interest, though such conflict is somewhat ameliorated by the fact that neither the Management Fee nor Carried Interest is calculated by reference to the value of the Fund's portfolio.

Item 6. Performance-Based Fees and Side-By-Side Management*The Funds*

Each General Partner is entitled to receive carried interest from the relevant Fund, which is performance-based compensation that is distributed as the Fund's investments are monetized. Each Fund's carried interest will be equal to 20% of profits after a return of contributed capital and a preferred return. We have waived and may in the future, in our sole discretion, waive or reduce our management fee for investors in any Fund, including for internal capital.

The Sub Advised Fund

We are entitled to receive performance-based fees from the Sub-Advised Fund on a quarterly basis, subject to a loss carryforward provision.

Investment Consulting Clients

We are entitled to receive performance-based fees from each Investment Consulting Clients generally on a quarterly basis following the close of its investment period.

Side-by-Side Management

Performance-based compensation arrangements create an incentive for us to recommend investments that may be riskier or more speculative than those that would be recommended under a different compensation arrangement. Performance-based compensation arrangements also create an incentive for us to favor accounts with higher performance-based compensation rates over other accounts when allocating investments. In light of the foregoing, we have adopted and follow procedures designed and implemented to ensure that our Clients are treated fairly and equitably. (See Item 12 – Broker Practices)

The method by which the General Partner is compensated presents the General Partner with a potential conflict of interest that could result in the General Partner causing the Fund to follow investment strategies that involve significantly greater risk than would be the case under other economic arrangements.

Item 7. Types of Clients

Investors in the Funds are generally high net worth individuals, institutional investors and family offices that qualify as "accredited investors" (as defined in Rule 501 under the Securities Act of 1933, as amended). In the case of Poetic VII and Poetic 8, such investors must be "qualified clients" (as defined under the Investment Advisers Act of 1940, as amended (the "Advisers Act")) if they are subject to performance-based compensation. In the case of Poetic IX and Poetic X, such investors are qualified purchasers or knowledgeable employees.

Outside of Poetic X, the Funds are no longer accepting commitments. The minimum commitment for Poetic X is \$1,000,000, but the General Partner of Poetic X reserves the right to accept commitments of lesser amounts in its sole discretion. The minimum initial investment amount for any Fund that we manage in the future will be set forth in such fund's Governing Documents.

If we determine to require a minimum investment for any other Client account, we will make that determination on a case-by-case basis.

Item 8. Methods of Analysis, Investment Strategies and Risk of Loss*Methods of Analysis and Investment Strategies Generally*Poetic X

Poetic X's investment objective is to generate attractive risk-adjusted returns by investing in residential mortgage-backed securities ("RMBS") and other assets, claims, debts and rights associated with such securities as well as residential and consumer finance more broadly. While the majority of Poetic X's assets will be allocated to RMBS, we expect that up to 25% of Poetic X's invested cost basis may be invested in non-RMBS investments ("Non-RMBS Investments"). We expect Non-RMBS Investments to generally be in either consumer finance or other asset-backed securities ("ABS"), as well as other assets, claims, debts or rights associated with consumer finance and ABS. Poetic X may also invest in cash equivalents, short-duration bonds, investment-grade structured credit bonds and hedging instruments to the extent we deem such investments advisable, which will not be counted towards the 25% non-RMBS limit. Poetic X may use debt financing in connection with the acquisition, ownership and management of the investments in such amounts and on such terms as we may determine.

RMBS are created by assembling a pool of mortgages that have a mix of risk characteristics from loan originators or other loan note holders. These characteristics include loan size, lien seniority, term to maturity, loan rates, prepayment terms, adjustment terms, loan-to-value ratios, geographic location, servicing rates and collateralization levels. The pools are divided into different security interests.

RMBS, in general, will not be rated by credit rating agencies or will have below investment-grade ratings. Additionally, neither the RMBS nor the underlying mortgages themselves are generally expected to be guaranteed by government-sponsored agencies such as the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation. As such, RMBS to be purchased by Poetic X are considered higher-risk, and typically have higher interest rates associated with them, than more highly-rated securities or residential mortgage-backed securities collateralized by agency-guaranteed mortgages. Poetic X will acquire RMBS that in our judgment offer the correct balance of risk and return when accounting for the underlying risk characteristics of the mortgages and the mix of RMBS in their respective portfolios.

Poetic X will generally invest in bonds of differing seniority, various types of structures and secured by several types of collateral, including sub-prime, Alt-A, second lien, and home equity collateral in an effort to diversify their holdings. However, there may exist circumstances in which we decide to focus investments in one particular bond, issuer, or collateral type, or type of pool structure.

Poetic X intends to purchase and hold a mix of RMBS and other assets. The schedule for repayment of principal is dependent on the specific mix of RMBS purchased by Poetic X and may be intermittent, depending heavily on the pace of RMBS cash flows. The exact makeup of the pool will only be determined after the end of the investment period and reinvestment period for Poetic X.

Poetic X also intends to invest in ABS. ABS are backed by consumer assets, as well as some non-consumer assets, including, without limitation, auto loans and credit cards. ABS are highly diverse in nature, with many asset types, asset structures, deal structures, geographic locations and other features. Poetic X may invest in ABS that may or may not be rated by credit rating agencies.

Additionally, Poetic X may borrow, including through the use of Re-REMIC trusts, to leverage its portfolio. This means, effectively, that we may use Poetic X's securities as collateral for one or more loans used to purchase more investments. Such leveraging increases both the risk and potential return of Poetic X's

portfolio. Subject to the rights and obligations enumerated in Poetic X's Governing Documents, we also plan to use the ongoing cash flow generated by the assets purchased, as well as the proceeds from sales and financing activity, by Poetic X to purchase additional assets during the investment period and reinvestment period of Poetic X.

Poetic IX

Poetic IX is only making follow-on investments. When doing so, Poetic IX pursues a strategy that is substantially similar to Poetic X's strategy.

Poetic VII and Poetic 8

As noted above, Poetic VII and Poetic 8 are no longer making new investments.

The Sub-Advised Fund

The Sub-Advised Fund pursues similar investments as the Funds that are in their investment or reinvestment periods, but only: (i) after such Funds have reached their respective target maximum allocations for the type of investment in question or (ii) where the profile of the relevant investment has been deemed to be outside of the Poetic X's target asset universe.

Investing in securities involves risk of loss that Clients and investors should be prepared to bear.

Risk Factors

A discussion of the material risks of Poetic X's strategy is provided below. Such risk factors do not purport to be a complete enumeration or explanation of the risks involved in such strategy. While many of the risks described below apply to other Clients, the Governing Documents for such Clients' accounts may contain different or additional risk factors. Prospective clients and investors should read the relevant Governing Documents associated with their investment and consult with their own advisers before deciding whether to invest in the strategies. In addition, as the strategies develop and change over time, an investment in the strategies may be subject to additional and different risk factors.

Economic Conditions. Changes in economic conditions, including changes in interest rates, inflation rates, industry conditions, government regulation, competition, technological developments, political events and trends, tax laws and many other factors can affect substantially and adversely the business and prospects of Clients and of the issuers or properties underlying the securities in which they may invest. None of these conditions is within our control.

Available Information. We select investments for Clients in part on the basis of information and data filed by the issuers of securities with various government regulators or made directly available to us by such issuers, or through sources other than the issuers. Although we evaluate all such information and data and seek independent corroboration when we consider it appropriate and when it is reasonably available, we are not in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases complete and accurate information is not readily available.

Market Disruptions. Clients may incur substantial losses in the event of disrupted markets or other extraordinary events in which historical pricing relationships (on which we base a number of our trading positions) become materially distorted. The risk of loss from pricing distortions is compounded by the fact that in disrupted markets many positions become illiquid, making it difficult or impossible to close

out positions against which the markets are moving.

Pandemics. The securities industry is subject to risks related to public health crises such as the pandemic associated with the 2019 novel coronavirus (“COVID-19”). A global disease outbreak, and the public and private sector policies and initiatives in response thereto (such as the imposition of travel restrictions and the adoption of remote working), may impact issuers across many industries. Furthermore, pandemics may impact the broader economies of affected countries, including negatively impacting economic growth, the proper functioning of financial and capital markets, foreign currency exchange rates, interest rates and supply chain. For example, the spread of COVID-19 has led to substantial disruption and volatility in the global capital markets, which increases the cost of capital and adversely impacts access to capital. In addition, a delay in discretionary spending and travel plans because of concerns about the pandemic could result in increased delinquencies among the mortgage loans in which Clients intend to invest. Due to the speed with which pandemics may develop, the uncertainty of their duration, the timing of recovery and related governmental intervention, we are not able to predict the extent to which a pandemic may have a material effect on a Client’s ability to implement its investment strategy or the results thereof.

Competition. The securities industry generally, and the varied strategies and techniques to be engaged in by us in particular, are extremely competitive. Clients will be competing for investments against various other investors, including many of the larger securities and investment banking firms, which have substantially greater financial resources and research staffs. Accordingly, there can be no assurance that a Client will be able to identify and complete suitable investments, acquire them for an appropriate level of consideration, achieve any particular rate of return, or be able to invest fully its committed capital.

Nature of Investments. We have broad discretion in making investments for Clients and expect to utilize highly speculative investment techniques, including leverage. There can be no assurance that we will correctly evaluate the nature or magnitude of the various factors that could affect the value of and return on investments. Prices of investments may be volatile. A variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, may detrimentally impact issuers and securities in which Clients invest. These factors and others may significantly affect the results of Clients’ activities and the value of their investments. In addition, the value of each Client’s portfolio may fluctuate in response to fluctuations in the general level of interest rates.

Financial Model Risk. Each Client’s investment strategies may utilize (in varying degrees) various quantitative and qualitative models developed by us and third parties. As market dynamics shift (for example, due to changed market conditions and participants) over time, a previously highly successful model may become outdated or inaccurate, perhaps without our recognizing the change before significant losses are incurred. In addition, although most investments have market prices, in the absence of any readily determinable market value, certain investments may be valued based partially or entirely on our internal models. For such investments, the valuations so determined may differ materially from realized values.

Liquidity of Investments. Many of our Clients’ investments will be subject to liquidity-related risks, particularly the risk that Clients will be unable to dispose of such investments by sale or other means at attractive prices or will otherwise be unable to complete any exit strategy. Among others, these risks include changes in the financial condition or prospects of the properties underlying Clients’ investments. It is not generally expected that private securities acquired by Clients will eventually be registered and listed on a securities exchange. Absent registration, Clients will not be able to sell such securities unless an exemption from such registration requirements is available. In addition, in some cases Clients may be prohibited by contract or regulatory restrictions from selling such securities for a period of time. To the extent that there is no liquid trading market for an investment, Clients may be unable to liquidate that investment or may be unable to do so at a profit. Moreover, there can be no assurances that private

purchasers for Clients' investments will be found.

Reserves. As is customary in the private funds industry, we may establish reserves for follow-on investments by Clients, operating expenses, margin calls on leverage, and other potential liabilities, as set forth in greater detail in each Client's Governing Documents. Estimating the appropriate amount of such reserves is difficult. Inadequate or excessive reserves could impair the investment returns to investors. If reserves are inadequate, Clients may be unable to take advantage of attractive follow-on or other investment opportunities or to protect their existing investments from dilutive or other punitive terms associated with "pay-to-play" or similar provisions. If reserves are excessive, Clients may decline attractive investment opportunities.

Currency Exposure. The assets of Clients may be invested in securities and other investments which are denominated in currencies other than U.S. Dollars. Accordingly, the value of such assets may be affected favorably or unfavorably by fluctuations in currency rates. We may seek to hedge the foreign currency exposure of Clients. However, Clients necessarily are subject to foreign exchange risks. In addition, prospective investors whose assets and liabilities are predominately in other currencies should take into account the potential risk of loss arising from fluctuations in value between the U.S. Dollar and other currencies.

Foreign Securities. Clients may invest in securities and other instruments backed by non-U.S. assets. Investing in such securities involves certain considerations not usually associated with investing in securities backed by U.S. assets, including, among other things, political and economic considerations, such as greater risks of expropriation, nationalization and general social, political and economic instability; the small size of the market for such securities and the low volume of trading, resulting in potential lack of liquidity and in price volatility; fluctuations in the rate of exchange between currencies and costs associated with currency conversion, imposition of withholdings and other taxes and certain government policies that may restrict Clients' investment opportunities. In addition, accounting and financial reporting standards that prevail in many foreign countries are not equivalent to U.S. standards. There is also less regulation, generally, of the securities markets in many foreign countries than there is in the United States.

Hedging Transactions. The success of each Client's hedging strategy is subject to our ability to assess correctly the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments in the portfolio being hedged. Since the characteristics of many securities change as markets change or time passes, the success of each Client's hedging strategy is also subject our ability to recalculate, readjust, and execute hedges continually and in an efficient and timely manner.

While Clients may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for Clients than if they had not engaged in any such hedging transactions. For a variety of reasons, we may not seek to establish a perfect correlation between such hedging instruments and the risks being hedged. Such imperfect correlation may prevent a Client from achieving the intended hedge or expose the Client to risk of loss. In addition, we may not hedge a risk inherent in a Client's portfolio because a hedge may not be available or is too costly in light of the likelihood of the possible risk actually occurring or because the risk simply was not anticipated.

Derivatives. Clients may use various derivative financial instruments for hedging and other purposes, which may be volatile and speculative. Certain positions may be subject to wide and sudden fluctuations in market value, with a resulting fluctuation in the amount of profits and losses. Use of derivative financial instruments presents various risks, including: (i) an imperfect or variable degree of correlation between price movements of the derivative instrument and the underlying investment sought to be hedged may prevent Clients from achieving the intended hedging effect or expose Clients to greater risk of loss; (ii)

derivative financial instruments may not be liquid in all circumstances and a Client may not be able to close out a position without incurring a substantial delay or loss; and (iii) derivative financial instruments can result in large amounts of leverage which may magnify the gains and losses experienced by Clients and could cause their investments to be subject to wide fluctuations in value. Swaps and other derivative instruments are subject to the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty.

Financing and Leverage. Clients expect to employ leverage (also referred to herein as “financing”). A Client’s forms of leverage may include, without limitation: repurchase agreements, securitization financing options, short sales, swaps, forwards and other derivative instruments. The use of leverage creates special risks and may significantly increase the Client’s investment risk. Leverage creates an opportunity for greater yield and total return but, at the same time, increases a Client’s exposure to capital risk and interest costs. Any investment income and gains earned on investments made through the use of leverage that are in excess of the interest costs associated therewith may cause the value of a Client’s interests to increase more rapidly than would otherwise be the case. Conversely, where the associated interest costs are greater than such income and gains, the value of the Clients’ portfolios (and Fund interests) may decrease more rapidly than would otherwise be the case.

Any material indebtedness of Clients could limit their ability to respond to changing business conditions. Any agreements relating to any leverage that a Client may enter into with its creditors will likely contain provisions that may limit the Client’s operations by imposing operating and financial restrictions on the Client. Therefore, if indebtedness is obtained, no assurance can be given that a Client will be able to take advantage of favorable conditions or opportunities as a result of covenants under any such indebtedness or that additional debt or equity financing will be available when needed or, if available, will be obtainable on terms that are favorable to the Client. As a general matter, the banks and other counterparties that provide financing to a Client may apply discretionary margin and “haircuts” to the Client’s collateral. Changes by financing counterparties to such policies, or the imposition of other credit limitations or restrictions, whether due to market circumstances or governmental, regulatory or judicial action, could result in margin calls, loss of financing, forced liquidation of positions at disadvantageous prices, termination of swap and repurchase agreements and cross-defaults to agreements with other banks or dealers. Any such adverse effects could be exacerbated in the event that such limitations or restrictions are imposed suddenly and/or by multiple market participants at or about the same time. The imposition of such limitations or restrictions could compel a Client to liquidate all or a portion of its portfolio at disadvantageous prices.

Rating Agencies. Certain Client assets, and certain assets relating to certain Client assets, may from time to time be assigned credit ratings by various rating agencies. The ratings may not reflect the potential impact of all risks related to structure, market and other factors that may affect the value of such assets. In addition, such rating agencies could withdraw or change their ratings or could place any such asset on “credit watch” with negative implications. If any such event were to occur, the market value of the applicable assets could fall.

Generally, a credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the relevant rating agency at any time. Each rating should be evaluated independently of any other rating.

Reverse Repurchase Transactions. A Client may enter into reverse repurchase agreements with a broker-dealer or other financial institution in which the Client “buys” securities from that counterparty subject to the obligation of that counterparty to repurchase such securities at the price paid by the Client plus interest at a negotiated rate. If the seller of securities to the Client defaults on its obligation to repurchase the underlying securities, the Client will seek to dispose of such securities, which action could involve costs

or delays. If the seller becomes insolvent and subject to liquidation or reorganization under applicable bankruptcy or other laws, a Client's ability to dispose of the underlying securities may be restricted. Further, in a bankruptcy or liquidation scenario, a Client may not be able to substantiate its interest in the underlying securities. Finally, if a seller defaults on its obligation to repurchase securities under a reverse repurchase agreement, a Client may suffer a loss to the extent that it is forced to liquidate its position in the market, and proceeds from the sale of the underlying securities are less than the repurchase price agreed to by the defaulting seller.

Due Diligence. Before making an investment, we intend to conduct due diligence to the extent we deem reasonable and appropriate based on the applicable facts and circumstances. When conducting due diligence, we generally will evaluate a number of important business, financial, tax, accounting, regulatory and legal issues in determining whether or not to proceed with an investment. Nevertheless, when conducting due diligence and making an assessment regarding an investment, we will be required to rely on resources available to us. The due diligence process may at times be required to rely on limited or incomplete information. Accordingly, we cannot guarantee that the due diligence investigation carried out with respect to any investment opportunity will reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Our failure to identify relevant facts through the due diligence process may cause us to make unfavorable investment decisions, which could have a material adverse effect on Clients. Due diligence may also be costly, which will decrease Clients' overall returns.

Custodial Risk. Clients could suffer losses if there were a default or bankruptcy by any bank or brokerage firm that holds their securities or other assets. Securities and other assets of Clients may be deposited with banks or brokers as collateral to secure borrowings and other obligations of Clients, and accordingly will not be entitled to the same protection in the event of the insolvency of the bank or brokerage firm as assets held in the name of a Client by a bank or brokerage firm. Assets of a Client held with a broker or bank may be held with subsidiaries or affiliates of such financial institution in one or more jurisdictions outside the United States. While care is taken in selecting reputable financial institutions to trade with and hold custody of the assets of each Client, any such financial institutions could become insolvent. In the event of the failure of a brokerage firm holding assets of a Client, the Client might not have the right to recover all securities held by the broker, and might under certain circumstances instead have only a claim (which may be unsecured) against the broker for the net value of the assets of the Client held by the broker.

Litigation. From time to time, in the ordinary course of their operations, we and our affiliates may be subject to litigation and arbitration, which can be costly and divert significant portions of our available staff time and resources. There can be no assurance that any such litigation or arbitration, once begun, would be resolved in favor of Clients. Any litigation or arbitration could have a materially adverse effect on Clients.

Absence of Insurance and Regulation. Fund interests are not insured by any governmental or private agency, nor are they guaranteed by any public or private entity. Likewise, Clients are not regulated or subject to examination in the same manner as commercial banks and thrift institutions. Clients are not commercial banks or thrift institutions. Each Client is dependent upon proceeds from its investments to make distributions to the investors and to conduct its ongoing operations. Each Client's revenues from operations, including the acquisition, servicing and management of its investments and the Client's working capital represent the sole sources for distributions to investors.

Risk Identification and Management. Although we attempt to identify, monitor and manage significant risks, such efforts cannot take all risks into account and there can be no assurance that such efforts will be effective. Moreover, many risk management techniques, including those we employ, are based on historical market behavior; future market behavior can be unpredictable and, accordingly, the risk

management techniques employed on behalf of Clients that were effective historically may prove to be incomplete or altogether ineffective. Similarly, we may be ineffective in implementing or applying our risk management techniques. Any inadequacy or failure in our risk management efforts could result in material losses to Clients.

General RMBS and ABS Risks. RMBS are assets created from pools of individual residential mortgages. When market interest rates decline, more mortgages are refinanced and the securities are paid off earlier than expected. Prepayments may also occur on a scheduled basis or due to foreclosure. When market interest rates increase, the market values of RMBS generally decline. At the same time, however, mortgage refinancings and prepayments slow, which lengthens the effective maturities of these securities. As a result, the negative effect of the rate increase on the market value of RMBS is usually more pronounced than it is for other types of fixed income securities.

In addition, RMBS are susceptible to the risks inherent in the mortgage industry, including but not limited to the risks of: borrower default, foreclosure, prepayment rates, loan modification, loss severity on liquidated home sales, reduced collateral values, loan servicer errors, loan servicer advance rates, government intervention, changes in servicing practices and lawsuits related to fraudulent mortgage creation. These risks, which may reduce the value of pooled residential mortgages and therefore of RMBS, are especially high in an economic environment in which housing prices fall resulting in an increasing number of defaults and lawsuits asserting fraudulent mortgage lending practices and defective foreclosure procedures. Such defaults and lawsuits would cause the value of the RMBS to fall and may lower the ability of a Client to resell its RMBS investments. A decrease in the value or ability to resell RMBS could cause a Client to lose money on its investment and could cause investors to lose money on their investment in the Client.

Non-Agency RMBS.

Generally. The vast majority of each Client's portfolio will be invested in non-agency RMBS. Non-agency RMBS are securities issued by non-governmental issuers, the payments on which depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities) primarily on the cash flow from residential mortgage loans made to borrowers that are secured (on a first priority basis or second priority basis, subject to permitted liens, easements and other encumbrances) by residential real estate (one to four family properties), the proceeds of which are used to purchase real estate and purchase or construct dwellings thereon (or to refinance indebtedness previously so used). Non-agency RMBS have no direct or indirect government guarantees of payment and are subject to various risks as described herein.

Credit-Related Risk. Credit-related risk on non-agency RMBS arises from losses due to delinquencies and defaults by the borrowers in payments on the underlying mortgage loans and breaches by originators and servicers of their obligations under the underlying documentation pursuant to which the non-agency RMBS are issued. Residential mortgage loans are obligations of the borrowers thereunder only and are not typically insured or guaranteed by any other person or entity. The rate of delinquencies and defaults on residential mortgage loans and the aggregate amount of the resulting losses is affected by a number of factors, including general economic conditions, particularly those in the area where the related mortgaged property is located, the level of the borrower's equity in the mortgaged property and the individual financial circumstances of the borrower. If a residential mortgage loan is in default, foreclosure on the related residential property may be a lengthy and difficult process involving significant legal and other expenses. The net proceeds obtained by the holder on a residential mortgage loan following the foreclosure on the related property may be less than the total amount that remains due on the loan. The

prospect of incurring a loss upon the foreclosure of the related property may lead the holder of the residential mortgage loan to restructure the residential mortgage loan or otherwise delay the foreclosure process.

Prepayment Risks. Non-agency RMBS are susceptible to prepayment risks. The mortgage loans underlying legacy non-agency RMBS generally no longer contain prepayment penalties and a reduction in market interest rates will increase the likelihood of prepayments on the related non-agency RMBS, resulting in a reduction in yield to maturity for most holders of such securities. In the case of certain home equity loan securities and certain types of non-agency RMBS, even though the underlying mortgage loans often contain prepayment premiums, such prepayment premiums may not be sufficient to discourage borrowers from prepaying their mortgage loans in the event of a reduction in market interest rates, resulting in a reduction in the yield to maturity for holders of the related non-agency RMBS. In addition to reductions in the level of market interest rates and the prepayment provisions of the mortgage loans, repayments on the residential mortgage loans underlying an issue of non-agency RMBS may also be affected by a variety of economic, geographic and other factors, including the size difference between the interest rates on the underlying residential mortgage loans (giving consideration to the cost of refinancing) and prevailing mortgage rates and the availability of refinancing. In general, if prevailing interest rates fall significantly below the interest rates on the related residential mortgage loans, the rate of prepayment on the underlying residential mortgage loans would be expected to increase. Conversely, if prevailing interest rates rise to a level significantly above the interest rates on the related mortgage loans, the rate of prepayment would be expected to decrease. Prepayments could reduce the yield received on the related issue of non-agency RMBS.

Non-agency RMBS typically contain provisions that require repurchase of mortgage loans by the originator or other seller in the event of a breach of a representation or warranty regarding loan quality and characteristics of such loan. Any repurchase of a mortgage loan as a result of a breach has the same effect on the yield received on the related issue of non-agency RMBS as a prepayment of such mortgage loan. Any increase in breaches of representations and the consequent repurchases of mortgage loans that result from inadequate underwriting procedures and policies and protections against fraud will have the same effect on the yield on the related non-agency RMBS as an increase in prepayment rates.

Extension Risk. Extension risk is the flip side of prepayment risk. Extension results in slower prepayments of the underlying mortgage loans, because it extends the time it would take to receive cash flows and would generally compress the yield on non-agency RMBS. Rising interest rates can cause the average maturity of Clients to lengthen due to a drop in mortgage prepayments. This will increase both the sensitivity to rising interest rates and the potential for price declines of Client portfolios.

“Spread Widening” Risk. The prices of non-agency RMBS may decline substantially, for reasons that may not be attributable to any of the other risks described herein. In particular, purchasing assets at what may appear to be “undervalued” levels is no guarantee that these assets will not be trading at even more “undervalued” levels at a time of valuation or at the time of sale. It may not be possible to predict, or to protect against, such “spread widening” risk.

Fraud in RMBS Markets. The business of buying and selling of RMBS between private parties on an off-exchange basis has experienced fraudulent conduct, particularly in connection with fraud committed by loan originators, mortgage borrowers, RMBS underwriters and other parties to RMBS transactions. While we believe that our experience, the reputation of Clients’ counterparties and the limitations built into Clients’ investment programs will significantly mitigate this risk, the risk of fraud cannot be eliminated.

Moreover, the incidence of fraud that has occurred in connection with RMBS trading increases the risk that we or Clients may be subject to inquiry by the SEC or other securities or financial regulatory authority, which could require Clients to incur legal fees and expenses related to any such inquiry and/or require Clients to suspend their investment activities pending the outcome of any such inquiry.

Uncertain Schedule of Repayment. Clients intend to purchase and hold a variety of RMBS. The schedule for repayment of principal is dependent on the specific mix of assets purchased by Clients, and may be intermittent. The exact makeup of the pool will change during each Client's investment period and reinvestment period. As such, investors will not know the schedule for receiving repayment of principal prior to investing, which may be longer than the investors prefer.

Declines in Real Estate Values. The risks associated with each Client's RMBS investments will be more severe during economic recessions and may be compounded by declining real estate values. Declining real estate values will likely reduce the level of new mortgage loan originations since borrowers often use appreciation in the value of their existing properties to support the purchase of additional properties. Borrowers will also be less able to pay principal and interest on loans underlying the securities in which Clients invest if the value of residential real estate continues to weaken. Further, declining real estate values significantly increase the likelihood that the value of collateral on the mortgages underlying Clients' investments in RMBS may be insufficient to cover the outstanding principal amount of the loan. Borrowers unwilling or unable to bear this discrepancy are more likely to default on their loans. Any sustained period of increased payment delinquencies, foreclosures or losses could adversely affect the returns of Clients' investments related to mortgage markets.

ABS. Clients will invest in ABS, such as ABS backed by credit-card receivables, automobile loans, automobile leases, mobile home loans, aircraft leases and other financial assets. Holders of ABS bear various risks, including, without limitation, credit risks, liquidity risks, interest rate risks, market risks, operations risks, structural risks and legal risks. Important determinants of the risks associated with holding ABS include (i) the relative seniority or subordination of the class of ABS held, (ii) the relative allocation of principal and interest payments in the priorities by which such payments are made under the ABS' governing documents, (iii) the effect of credit losses on the issuer and the holders' returns, (iv) whether the underlying ABS collateral represents a fixed set of specific assets or accounts, (v) whether the underlying ABS collateral assets are revolving or closed-end, (vi) the terms (including maturity of the ABS) under which any remaining balance in the accounts may revert to the issuer and (vii) the extent to which the entity that sold the underlying collateral to the issuer is obligated to provide support to the issuer or to holders of the ABS. The risks associated with holding certain ABS are more closely correlated with similar risks on corporate bonds of similar terms and maturities than with the performance of a pool of similar assets. In addition, certain ABS (particularly subordinated ABS) provide that the nonpayment of interest thereon in cash will not constitute an event of default in certain circumstances, and the holders of such ABS will not have available to them any associated default remedies. Interest not paid in cash will generally be capitalized and added to the outstanding principal balance of the related security. Deferral of interest through such capitalization will reduce the yield on such ABS.

The investment characteristics of ABS differ from traditional debt securities. For example, interest and principal payments on the collateral supporting ABS are made more frequently than traditional debt securities, and the principal may be prepaid at any time because the ABS' underlying loans generally may be prepaid at any time. In addition, ABS are not secured by an interest in the related collateral. Credit card receivables, for example, are generally unsecured and the debtors are entitled to the protection of a number of state and federal consumer loan laws, many of which give such debtors the right to set off certain amounts owed on the credit cards, thereby reducing the balance due. Most issuers of ABS backed by automobile receivables permit the servicers to retain possession of the underlying obligations. If the servicer were to sell these obligations to another party, there is a risk that the purchaser would acquire an

interest superior to that of the holders of the related ABS. In addition, because of the large number of vehicles involved in a typical issuance and technical requirements under state laws, the trustee for the holders of the ABS may not have a proper security interest in all of the obligations backing such ABS. Therefore, there is a possibility that recoveries on repossessed collateral may not, in some cases, be available to support payments on these securities. The risk of investing in ABS is ultimately dependent upon payment of consumer loans by the debtor.

The collateral supporting ABS is of shorter maturity than certain other types of loans and is less likely to experience substantial prepayments. ABS are often backed by pools of any variety of assets, including, for example, leases, mobile home loans and aircraft leases, which represent the obligations of a number of different parties and use credit enhancement techniques such as letters of credit, guarantees or preference rights. The value of an ABS is affected by changes in the market's perception of the asset backing the security and the creditworthiness of the servicing agent for the loan pool, the originator of the loans or the financial institution providing any credit enhancement, as well as by the expiration or removal of any credit enhancement.

Structural and legal risks associated with ABS include the possibility that, in a bankruptcy or similar proceeding involving the originator or the servicer (often the same entity or affiliates), a court having jurisdiction over the proceeding could determine that, because of the degree to which cash flows on the assets of the ABS issuer may have been commingled with cash flows on the originator's other assets (or similar reasons), (i) the assets of the issuer could be treated as never having been truly sold by the originator to the issuer and could be substantively consolidated with those of the originator, or (ii) the transfer of such assets to the issuer could be voided as a fraudulent transfer. The time and expense related to a challenge of such a determination also could result in losses and/or delayed cash flows to holders of the relevant ABS.

Additional risks relating to investing in ABS may arise from the complexity of the ABS structure, variety and number of assets and quality of service providers responsible for managing monthly principal and interest payments on behalf of lenders. For example, if an ABS servicer becomes subject to financial difficulty or otherwise ceases to be able to carry out its functions, it may be difficult to find other acceptable substitute servicers and cash flow disruptions or losses may occur, particularly with underlying collateral comprised of non-standard receivables or receivables originated by private retailers who collect many of the payments at their stores.

LIBOR and SOFR. Historically, LIBOR was used extensively in the US and globally as a "benchmark" or "reference rate" for a wide variety of financial instruments denominated in different currencies. The rate was set by way of panel banks submitting their cost of funds in different tenors daily to the administrator of the rate based in London. In 2017, the Financial Conduct Authority and the Bank of England decided to wind down the benchmark due to concerns about systemic risk. Under an agreement with these regulators, the panel banks submitted to LIBOR until the end of December 2021 in respect of all major currencies, other than U.S. Dollar LIBOR, which will continue to be published until the end of June 2023. The phasing out of LIBOR and its replacement by alternative reference rates may magnify some of the foregoing risks, such as "Market Disruptions" and "Derivatives."

Although U.S. markets affected by the phasing out of LIBOR generally appear to have accepted the Secured Overnight Financing Rate ("SOFR") as the replacement for the U.S. Dollar LIBOR settings, the lack of credit sensitivity inherent in the rate has caused some concerns and other rates such as those published by the American Financial Exchange and Bloomberg (the American Interbank Offered Rate and the Short-Term Bank Yield Index, respectively) have emerged which could ultimately disrupt or surpass market acceptance of SOFR. In July 2021, the Alternative Reference Rates Committee (a group convened by the Federal Reserve Bank of New York for the purpose of facilitating the LIBOR transition)

recommended the adoption of a Term SOFR Reference Rate published by CME for the lending markets. Use of this term version of the SOFR rate has been gathering pace as a benchmark in the cash markets (including CLO transactions). However, this development is very recent, and historical data by which to measure and validate its use is therefore limited. Although the Federal Reserve Bank of New York started publishing SOFR in 2018 and began publishing historical indicative SOFR dating back to 2014, such historical data inherently involves assumptions, estimates and approximations. Since the initial publication of SOFR, daily changes in SOFR have, on occasion, been volatile and the level of SOFR over the term of a Client may bear little or no relation to historical actual or historical indicative data. Additionally, regulatory intervention with respect to a benchmark rate may result in changes to its calculation methodology or in market uncertainty as to the continued acceptance of such rate.

Reverse Repurchase Transactions. A Client may enter into reverse repurchase agreements with a broker-dealer or other financial institution in which the Client “buys” securities from that counterparty subject to the obligation of that counterparty to repurchase such securities at the price paid by the Client plus interest at a negotiated rate. If the seller of securities to the Client defaults on its obligation to repurchase the underlying securities, the Client will seek to dispose of such securities, which action could involve costs or delays. If the seller becomes insolvent and subject to liquidation or reorganization under applicable bankruptcy or other laws, a Client’s ability to dispose of the underlying securities may be restricted. Further, in a bankruptcy or liquidation scenario, the Client may not be able to substantiate its interest in the underlying securities. Finally, if a seller defaults on its obligation to repurchase securities under a reverse repurchase agreement, a Client may suffer a loss to the extent that it is forced to liquidate its position in the market, and proceeds from the sale of the underlying securities are less than the repurchase price agreed to by the defaulting seller.

Cybersecurity and Systems Risks. We rely on computer programs, networks, devices and systems (and may rely on new systems and technology in the future) in connection with Clients’ activities, including, without limitation, to trade, clear and settle securities transactions, to evaluate certain investments based on real-time information, to monitor each Client’s portfolio and net capital and to generate risk management and other reports that are critical to oversight of each Client’s activities. In addition, we, certain Clients and our respective affiliates’ operations interface with or depend on computer programs, networks, devices and systems operated by third parties, including each Fund’s administrator as well as market counterparties and their sub-custodians and other service providers, and we may not be able to verify the risks or reliability of such third-party systems. These programs or systems may be subject to certain defects, failures, interruptions or security breaches, including, but not limited to, those caused by computer “worms,” viruses, power failures and social engineering schemes such as “phishing.”

Cybersecurity and information security 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. Our operations are dependent on each of these systems and the successful operation of such systems is often out of our control. Any such defect, failure or breach could have a material adverse effect on us, Clients, and our respective affiliates. For example, systems failures, information security incidents or cybersecurity breaches could cause settlement of trades to fail, lead to inaccurate accounting, recording or processing of trades, and cause inaccurate reports, which may affect our ability to accurately monitor Clients’ investment portfolios and risks. Cybersecurity breaches may cause or result in (i) disruptions and impact business operations, potentially resulting in financial losses to Clients; (ii) interference with our ability to calculate the value of Clients’ investments; (iii) impediments to trading; (iv) violations of applicable privacy and other laws; (v) regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs; as well as (vi) the inadvertent release of confidential information. Similar adverse consequences could result from system failures and cybersecurity breaches affecting (i)

counterparties with which Clients engage in transactions; (ii) issuers of securities in which Clients invest; (iii) governmental and other regulatory authorities; (iv) exchange and other financial market operators, banks, brokers, dealers, insurance companies, and other financial institutions; and (v) other parties. In addition, substantial costs may be incurred by these entities in order to prevent any cybersecurity breaches in the future.

Evolving Cyber-Security and Data Protection Laws and Regulations. The adoption, interpretation and application of consumer and data protection laws or regulations in the U.S., Europe and elsewhere are often uncertain and in flux, and in some cases, laws or regulations in one country may be inconsistent with, or contrary to, those of another country. Federal, state, or foreign government bodies or agencies have in the past adopted, and may in the future adopt, laws and regulations affecting data privacy. For example, in November 2020, the California Privacy Rights Act of 2020 (CPRA) passed as a ballot initiative in California, broadly amending the existing California Consumer Privacy Act of 2018 (CCPA), which went into effect in January 2020 and grants consumers additional data protection and privacy rights, and imposes additional obligations on companies that collect personal information. Industry organizations also regularly adopt and advocate for new standards in this area. In the U.S., these include rules and regulations promulgated under the authority of federal government bodies and agencies, state attorneys general, legislatures and consumer protection agencies. Compliance with the often complicated, inconsistent and ever-changing regulations governing cyber-security and data protection could pose significant risks for us and therefore Clients.

Item 9. Disciplinary Information

There are no legal or disciplinary events that are material to a Client's or prospective Client's evaluation of our advisory business or our management.

Item 10. Other Financial Industry Activities and Affiliations

Relationship with Poet Advisors LLC

Poet Advisors LLC ("Poet Advisors"), an exempt reporting adviser with the SEC that is controlled by Adam Berkowitz (our Chair), provides discretionary investment advice to, and serves as managing member of, private funds.

We have an established relationship with Poet Advisors whereby Poet Advisors will seek to engage our non-investment employees to work on specific projects. Such engagements will be subject to review by our Chief Compliance Officer (our "CCO") and will not be permitted if our CCO believes that an employee would be unable to devote an appropriate amount of time and attention to us. Our CCO will review each engagement in an effort to highlight any potential for conflicts of interest, taking into account, among other things, whether the resources dedicated thereto would negatively impact our Clients.

Management of pooled investment vehicles by investment advisers that are owned, in whole or in part, by the same Chair, could give rise to a variety of potential and actual conflicts of interest, including the possible sharing of material non-public information across such managers. In addition to the processes described above, we and Poet take a number of steps to mitigate these conflicts, including the following:

- Mr. Berkowitz, Poet Advisors' owner, is no longer involved in our investment advisory activities;

- Our investment professionals will not provide any services to Poet Advisors;
- We and Poet Advisors share the same restricted list; and
- We and Poet Advisors are each independently capitalized.

Mr. Berkowitz has an immaterial ownership stake in a digitized subscription document platform that provides services to certain of our Funds. As stated above, Mr. Berkowitz is not involved in our investment advisory activities, nor is he involved in the selection of our Funds' service providers.

Services of the Investment Manager, the Principals and their Affiliates

The Fund depends on the Investment Manager for its day-to-day operations. The Investment Manager, the Principals and their affiliates are involved in other business activities not involving the Fund, including, without limitation, directly or indirectly purchasing, selling, holding or otherwise dealing with any securities for the account of other investment funds, for their own accounts or for the accounts of any of their family members or other clients or the organization and management of other accounts and pooled investment vehicles that employ similar strategies to the strategies employed by the Fund. In particular, at the Fund's inception, Samuel Mark will have an active role in providing investment advisory services to funds and managed accounts advised by Poetic Group; Brant Brooks is currently working at DSC Advisors, LP, focusing on one of its related portfolio companies, Approve Lending, a technology-enhanced lender in the auto refinance space; and Jackson Nurmi is also currently working at DSC Advisors focusing on Approve Lending. The Investment Manager, the Principals and their affiliates may also engage in other business opportunities not involving the Fund with some but not all of the Limited Partners. As a result of their other activities, the Investment Manager, the Principals and their affiliates may have conflicts of interest in allocating management time, services and functions among the Fund and other business ventures. Further, the Investment Manager and its affiliates' management of other investment funds and accounts creates potential conflicts of interest and the possibility of favorable or preferential treatment of a fund or account. The fees received by the Investment Manager and its affiliates for managing certain funds and accounts may be higher than fees received from other funds and accounts, and the Principals may have different levels of personal investment in such other funds. In addition, in managing such other investment funds, the Investment Manager and its affiliates may take actions to maximize the value of investments held by such funds that adversely affect the Fund. Finally, the Investment Manager may in its good faith discretion cause the Fund to transact with entities in which Principals maintain an ownership interest. The Investment Manager will adopt policies to help ensure conflicts of interest are resolved in a fair manner, but there is no guarantee that such policies will always be effective.

Prior to the expiration of the Reinvestment Period, investment opportunities that the Investment Manager determines in good faith to be suitable for the Fund which are also suitable for other private funds and accounts advised by the Investment Manager or its affiliates shall be allocated among the Fund and such other funds and accounts on an equitable basis as reasonably determined by the Investment Manager.

Services by Related Persons

As noted above, each General Partner serves as the general partner to a Fund.

Management of Multiple Client Accounts

The management of multiple accounts by us results in a potential conflict of interests when we and our related persons allocate time and investment opportunities among such accounts. For example, the compensation we and our related persons earn from Client accounts may differ from account to account. Performance-based compensation arrangements could create an incentive for us to favor accounts with

higher performance-based compensation rates over other accounts when allocating investments. We have adopted and, when applicable, will follow procedures designed and implemented to ensure that all of our Clients are treated fairly and equitably.

A cross-trade occurs when an investment adviser effects a trade between two or more of its advisory clients. If we were to cause a cross-trade between two Clients, it may result in a conflict of interest because the transaction may result in benefits to one Client that may be greater than the benefits to the other Client. We do not generally expect to engage in cross trades. In the event that we determine to make a cross-trade, we will only do so if we determine that it is in the best interests of, and is fair and equitable to, the participating Clients. All cross-trades between Clients require the prior approval of our CCO. Cross-trades, if any, would generally be made at the closing price for the applicable security on such day or, if no closing price is available, at a price for the relevant security that is determined in accordance with our documented valuation policies. No brokerage commission, transfer fee or other commission will be paid to us or our affiliates in connection with any such transaction.

Consulting Arrangement with Unaffiliated Fund Sponsor

Poetic Group has entered into a consulting arrangement with an unaffiliated sponsor of private funds, under which it receives a fee in exchange for providing advice and assistance relating to such sponsor's business. The services provided by us under this arrangement are not advisory services and do not constitute a substantial portion of our time or effort. Further, we do not discuss specific investments with the sponsor to which we are providing services. Accordingly, we do not believe that this arrangement poses a conflict of interest in relation to our advisory business.

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

Code of Ethics Overview

We have adopted a Code of Ethics, which is designed to help ensure that we conduct our business in accordance with all applicable laws and regulations and in an ethical and professional manner. In addition, our Code of Ethics set forth standards of conduct for our employees to ensure that they conduct their business on our behalf in a manner that enables us to fulfill our fiduciary duty to our Clients.

Among other things, our Code of Ethics: (i) governs personal trading by our employees, (ii) contains our policies with respect to gifts and entertainment, (iii) contains our policies regarding certain outside activities of our employees, (iv) sets forth our policies and procedures relating to insider trading, and (v) sets forth the manner in which employees may report violations of law or our policies and procedures. We will provide a copy of our Code of Ethics to any Client (including an investor of any Client) or prospective Client upon request.

Personal Trading Policy

Under our Code of Ethics, employees are required to obtain the prior approval of our CCO prior to engaging in any transactions in: (i) private investments (e.g., private placements or limited offerings), (ii) initial public offerings, and (iii) structured products, including bonds securitizing assets. Additionally, employees are required to provide our CCO with periodic reporting relating to their trading activity and personal accounts. Our personal trading policy also generally applies to an employee's spouse or minor child, or an immediate family member of an employee living in the same household as such employee.

Participation or Interest in Client Transactions

We make available to qualified prospective investors the opportunity to invest in the Funds. Our Principals, employees and/or other related persons have significant personal investments in the Funds. In addition, we and our affiliates receive performance-based compensation from the Funds.

From time to time, employees may hold existing investments in securities that are held by Client accounts. A conflict of interest exists in such cases because such employees have the ability to transact ahead of Clients and potentially receive more favorable prices than Clients will receive. To mitigate this conflict of interest, such a transaction will not be permitted unless our CCO has approved the transaction, after carefully assessing the details and potential conflicts associated with it. Note that the Poetic Group Principals, their family members, and entities affiliated with or controlled by them primarily own, directly or indirectly, an account that can make investments. However, this account is not expected to make new investments in securities or other financial instruments, and at no time was the account investing in securities that were appropriate for a Fund that was in its investment period.

We will not engage in any principal transactions unless we have determined that the transaction is in the relevant Clients' best interests and have obtained Client consent in accordance with our written procedures and applicable law.

Gifts and Entertainment; Political Contributions; Charitable Giving

Brokers, counterparties, service providers and other third parties with whom the Investment Manager does business occasionally provide gifts and entertainment to the Investment Manager's Principals and employees. Accepting gifts or entertainment from brokers, counterparties, service providers and other third parties with whom the Investment Manager does business may create actual or perceived conflicts of interest. To address these, the Investment Manager has adopted policies and procedures to limit the value of gifts and monitor the appropriateness of entertainment received. The Investment Manager also has policies and procedures in place to help monitor, and in certain cases prohibit, the political contributions that its Principals and employees make to public officials and candidates for elected office.

Transactions Between Clients

The Investment Manager may elect to effect purchase and sale transactions between the Fund and the Investment Manager's (or its affiliates') other clients with respect to particular investments; provided that (i) the transaction must be effected at a price that is fair to the advisory clients on both sides of the trade, (ii) neither the Investment Manager nor any of its affiliates may receive compensation for effecting the transaction and (iii) the trade must be in the best interests of the advisory clients on both sides of the transaction.

Item 12. Brokerage Practices*Selection of Brokers*

We have an obligation to seek to obtain "best execution" for our Clients with respect to their trading activity. While not defined by statute or regulation, "best execution" generally means the execution of Client trades at the best price considering all relevant circumstances. When selecting broker-dealers and, to the extent applicable, determining such broker-dealer's transaction compensation, we may take into account many factors, including but not limited to the following: price, the likelihood of execution within a desired timeframe, market conditions, the ability and willingness of a broker-dealer to execute in desired volumes,

responsiveness, the ability of a broker-dealer to act on a confidential basis, the ability of a broker-dealer to act with minimal market effect, the creditworthiness of a broker-dealer in relation to the risk created by a transaction, the level and experience of operational coordination between a broker-dealer and us, the willingness and ability of a broker-dealer to make a market in particular securities, a broker-dealer's reputation for ethical and trustworthy behavior, infrastructure, the willingness of a broker-dealer to commit capital to a particular transaction, the market knowledge of a broker-dealer, the ability of a broker-dealer to execute difficult transactions in unique and/or complex securities, the adequacy and reliability of recordkeeping, whether a broker will treat us fairly in resolving disputes, any contractual arrangements with a broker-dealer, whether a broker-dealer can provide access to underwritten offerings and secondary markets, the ability to establishing financing transactions (see below), and, under appropriate circumstances, the availability of research and brokerage services provided by a broker-dealer.

When utilizing broker-dealers for borrowing through repurchase arrangements, we generally solicit price quotes and take into account the following factors, among others: creditworthiness, ability to agree to transaction terms, ability to provide stability in financing and counterparty exposure limits.

We have established a Best Execution Committee, which meets on a semi-annual basis to evaluate our execution practices and confirm that we are continuing to seek best execution for our Clients. Among other things, the committee will review our trading activity, financing activity, broker-dealers and transaction pricing, taking into account the factors listed above.

Research and Other Soft Dollar Benefits

We do not currently have any formal soft dollar arrangements, but we occasionally receive bundled products or services from broker-dealers. To our knowledge, such products and services are generally made available to all institutional clients doing business with these broker-dealers. If we determine to engage in soft dollar transactions in the future, we intend to comply with the safe harbor provided by Section 28(e) of the Exchange Act.

During our last fiscal year, we acquired investment research with Client brokerage commissions (or markups or markdowns).

Trade Errors

We may on occasion experience errors with respect to trades made on behalf of Client accounts. We will generally reimburse each Client account for net losses resulting from trade errors in accordance with the exculpation provisions of such Client's Governing Documents.

Allocation of Investments; Aggregation of Orders; Co-Investments

We have established investment allocation policies and procedures, which are intended to seek to ensure that investment opportunities are, to the extent practicable, allocated among our Clients on a basis that over time is fair and equitable to each Client relative to the other Clients, taking into account all relevant facts and circumstances.

We intend to allocate investments only to those Funds that are currently making new investments. While we expect that multiple Clients that are still making investments will have overlap in the types of investments that are suitable for them, we expect that various investments will not be appropriate for multiple investing Clients. The determination of whether an investment is appropriate for a Fund will be made by the adviser that manages such Fund, considering various factors, including: (i) the time horizon of the investment, (ii) whether the investment in question would deviate from the Fund's general investment mandate, (iii) the Fund's capital availability, investment guidelines and restrictions, (iv) tax, legal or

regulatory considerations, including regulatory constraints or liquidity characteristics that apply to a specific investment, and (v) the Fund's current lifecycle stage (including whether the Fund is in its investment period). Poetic Group and Poet Hill will separately make this determination with respect to the Funds that they manage.

When there is an opportunity to purchase a security that would be appropriate for multiple Funds, the purchase of such security will be generally allocated to such Funds based on their respective buying power (as determined by us). Nonetheless, we may deviate from such allocation methodology based on a number of factors, including: (i) liquidity considerations, (ii) the size of each Fund's existing position in the relevant security, if any, (iii) each Fund's investment policies, guidelines or restrictions, and (iv) each Fund's risk tolerance. In this regard, if we believe that a trade is so small that an allocation to multiple Funds would sacrifice the relevant position's liquidity, we will allocate such position to a single Fund. Such positions will be allocated on a rotational basis among the Funds.

Transactions will only be allocated to the Sub-Advised Fund: (i) after the Funds that are in their investment or reinvestment periods have reached their respective target maximum allocations for the type of investment in question or (ii) where the profile of the relevant investment has been deemed to be outside of the Poetic X's target asset universe.

As noted above, Poetic Group's advice to the Investment Consulting Clients is currently limited to the sales of investments that it previously recommended to such entities. In the event that Poetic determines to sell a position for a Fund and such position is also held by the Investment Consulting Clients, Poetic Group will promptly notify the primary adviser of the Investment Consulting Clients that it wishes to sell such position for the relevant Fund(s). Poetic Group will coordinate such notification process in a manner that it believes will not disadvantage any of its Clients, taking into account their respective holdings in the relevant position.

Poetic Group and Poet Hill share employees and two Principals, but have some Principals who do not overlap. As a result, there may be potential conflicts of interest between such entities in relation to allocating investment opportunities among their respective Clients. We believe that the investment allocation processes described above are designed in a manner that mitigates such conflicts.

Aggregation, or "bunching," describes a procedure whereby an investment adviser combines the orders of two or more clients into a single order for the purpose of obtaining better prices and lower execution costs. Aggregation opportunities for us generally arise when more than one Client account is capable of purchasing or selling a particular security.

To the extent that a security is purchased or sold for more than one Client, we will generally aggregate orders for such security unless aggregation is not consistent with our duty to seek best execution and the terms of the investment guidelines and restrictions applicable to the Clients or specific facts exist that make aggregation impractical for us. To the extent an aggregated order is only partially filled, we will allocate the investment opportunity or partially filled order on a fair and equitable basis based on the criteria described above. To the extent that we cause different Clients to transact independently in the same security, we will follow guidelines to confirm that no Client is systematically disadvantaged relative to other Clients over time.

We may, from time to time, offer certain investors or other third parties the right or opportunity to co-invest with other investors in certain portfolio investments. Any such co-investment opportunity would only be offered following a determination by us that relevant Clients have received the full amount of their desired allocation of a particular investment.

Item 13. Review of Accounts*Review of Accounts*

Our Clients' portfolios are reviewed, and their performance analyzed, by the relevant Principals (other than our Chair) on a regular basis. In addition, the same relevant Principals will regularly review our Clients' portfolios to determine that the securities held by them remain consistent with their investment strategies, objectives and guidelines. Client portfolios are also periodically reviewed by our CCO.

Reporting

We furnish investors with a copy of the Funds' annual audited financial statements and, if applicable, a statement of taxable income (Schedule K-1). In addition, we furnish all Fund investors with quarterly unaudited reporting regarding the respective Funds' performance.

In addition, investors or Clients may be provided with certain information about us and our Clients in response to questions and requests. This information may not be distributed to other investors or Clients. Each investor and Client is responsible for asking such questions as it believes are necessary in order to make its own investment decisions and must decide for itself whether the information provided by us is sufficient for its needs.

Item 14. Client Referrals and Other Compensation

Other than the products and services that we receive from broker-dealers (described above in *Item 12*), we do not receive any economic benefits from third parties in connection with the provision of investment advice to our Clients.

Currently, we do not compensate any third-party marketers for introductions to potential investors or Clients, but we may do so in the future.

Item 15. Custody

For purposes of Rule 206(4)-2 under the Advisers Act (the "Custody Rule"), we are deemed to have custody over the Funds' assets. In accordance with the Custody Rule, a qualified custodian is not required to deliver quarterly account statements to such vehicles or their respective investors as long as: (i) such vehicles are audited by an independent public accountant that is registered with, and subject to inspection by, the Public Company Accounting Oversight Board, (ii) such vehicles' audited financial statements are prepared in accordance with U.S. generally accepted accounting principles, and (iii) we deliver such annual audited financial statements to investors within 120 days after the end of each such vehicle's fiscal year.

We do not have custody over the Sub-Advised Fund's or the Investment Consulting Clients' assets.

Item 16. Investment Discretion

The Funds are managed in accordance with their investment and trading objectives, as described in their respective Governing Documents. We generally do not permit investors in the Funds to impose limitations on the investment activities described in such documents. Under certain circumstances, we may contract

with a non-Fund Client to adhere to limited risk and/or operating guidelines imposed by that Client. We negotiate such arrangements on a case-by-case basis.

Item 17. Voting Client Securities

We have voting discretion over securities held in our Funds. Our proxy voting policy and procedures are summarized below.

Given the focus of our investment strategy, we anticipate that we will rarely receive proxies with respect to investments. When we exercise our voting authority over securities, our policy is to vote proxies in a manner that serves the best interests of each Client. In addition, we may determine to abstain from voting a proxy if we believe that such action is in the best interests of a particular Client. Further, if we deem that the issue being voted upon is not material for the Clients or we determine that the cost of voting a proxy would exceed the expected benefit to the Clients, we will not be obligated to vote on such matter.

If a material conflict of interest arises in relation to a proxy, we will rely exclusively in making our voting decision on the recommendation of an independent third party that is experienced in advising investment managers regarding proxy decisions.

Upon request by a Client, we will disclose to such Client how we voted proxies for securities owned by such Client. We will also provide a copy of our proxy voting policy and procedures to Clients upon request.

Item 18. Financial Information

We are not required to include our balance sheet for our most recent fiscal year with this Brochure.

Item 19. Requirements for State-Registered Advisers

We are not a state-registered adviser.