

## Form ADV Part 2A

Brochure  
March 28, 2024

This brochure provides information about the qualifications and business practices of PPM America, Inc. (as used in this brochure, “PPM” or the “Adviser”). If you have any questions about the contents of this brochure, please contact Thomas R. Barrus, Senior Vice President and Chief Compliance Officer at 312-634-2607 or [thomas.barrus@ppmamerica.com](mailto:thomas.barrus@ppmamerica.com).

PPM America, Inc. is registered with the US Securities and Exchange Commission (“SEC”) as an investment adviser. Registration does not imply a certain level of skill or training. The information in this brochure has not been approved or verified by the SEC or by any state securities authority.

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

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## Item 2 - MATERIAL CHANGES

### Annual Update as of March 28, 2024

The following material changes have been made to this brochure since the Other-Than-Annual update on July 17, 2023.

- Financial Institutional Risk was added to Item 8 to discuss if a Financial Institution experienced a Distressed Event.
- Additional disclosure was added to Liquidity Risk in Item 8 to discuss if PPM may be forced to sell securities at an unfavorable time and/or under unfavorable conditions to meet a client withdrawal or redemption request.
- Contingent convertible securities risk was added to Item 8 to discuss additional risk with these investments.
- LIBOR replacement risk was removed from Item 8.
- Disclosure of conflicts related to portfolio trade discounts or credits was added to Item 12.

#### **We encourage you to read the entire brochure**

Pursuant to SEC rules, we will ensure that you receive a summary of any material changes to this and subsequent brochures within 120 days of the close of PPM's fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new brochure as necessary based on material changes or new information, at any time, without charge.

Currently, this brochure may be requested by contacting Thomas R. Barrus, Senior Vice President and Chief Compliance Officer, at 312-634-2607 or [thomas.barrus@ppmamerica.com](mailto:thomas.barrus@ppmamerica.com).

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## Item 4 - ADVISORY BUSINESS

### Principal Owners

Headquartered in Chicago, PPM America, Inc. ("PPM") was founded in 1990 and, along with its affiliate PPM Loan Management Company 2, LLC, provides clients with investment solutions across markets, including public fixed income, private equity, private debt, commercial real estate and collateralized loan obligations ("CLOs"). PPM is an indirect, wholly owned subsidiary of Jackson Financial Inc. ("JFI"), a publicly traded company (NYSE: JXN) and parent company of Jackson National Life Insurance Company ("Jackson"). PPM's direct parent company is PPM Holdings, Inc., which is owned by Jackson Holdings, LLC, a subsidiary of JFI.

### Types of Advisory Services

PPM is the primary investment manager for the general account assets of JFI's insurance subsidiaries and also serves as sub-adviser to US mutual funds associated with Jackson's variable annuities and advised by Jackson National Asset Management LLC ("JNAM"), a subsidiary of Jackson. PPM is also the adviser to the PPM Funds, a family of institutional share class mutual funds. Additionally, PPM provides advisory services to non-US pooled investment vehicles, structured vehicles such as CLOs, private equity funds, and separately managed accounts for third-party institutional clients. (See Items 7 and 10).

Generally, PPM provides clients with investment advice across a range of investment strategies which include, but are not limited to:

- Public fixed income strategies
- Investment grade private placement debt
- Investment grade public / private credit
- Floating rate debt
- Private equity
- Commercial real estate debt

Depending on the strategy, PPM provides advice on a wide variety of security types, primarily US dollar-denominated, although, to a lesser extent, PPM also offers advice on similar types of securities or instruments denominated in currencies other than the US dollar. Such security and instrument types include but are not limited to:

- Corporate debt securities (including investment grade corporate debt and high yield corporate debt)
- Syndicated bank loans
- Mortgage securities (residential and commercial)
- Asset-backed securities
- Commercial mortgage loans ("CMLs")
- Real estate investment trusts ("REITs") (both equity and debt)
- US government securities
- Commercial paper
- Taxable municipal securities
- Derivatives (including, but not limited to options, futures, options on futures, swaps, options on swaps and other similar transactions)
- Private investments (including equity, debt and interests in partnerships or other entities)
- Equity securities (exchange-listed and over-the-counter, both US and foreign issuers)

PPM also provides advice to clients regarding the workout or restructuring of troubled or defaulted investments.

Information regarding the investment strategies and the instruments utilized in each strategy is included in Item 8 of this brochure entitled "Methods of Analysis, Investment Strategies and Risk of Loss."

PPM focuses primarily on investment management for its clients, and generally does not provide other types of services to advisory clients (for example, investment accounting or custodial services). However, for certain clients PPM provides various support services, including portfolio valuation and performance analysis; commercial mortgage loan origination and servicing; marketing and distribution support; assistance with regulatory inquiries; and analysis of existing and proposed statutes and regulations governing certain

investments. On a limited basis, PPM also provides services to third parties that are not advisory clients, including commercial mortgage loan origination and servicing and facilitation of private equity co-investments.

## Investment Restrictions

PPM designs each of its investment strategies based on an investment objective and risk appetite, as described in more detail in Item 8. However, PPM will work with clients to tailor a strategy to a client's mandate, including specific investment guidelines and restrictions. Generally, all investment guidelines and restrictions are incorporated into each client's investment advisory agreement or, in the case of pooled investment vehicles, a prospectus or other governing disclosure document. Client-imposed investment guidelines or restrictions that vary from PPM's established strategies may affect the account's performance, which can result in performance that is better or worse relative to other client accounts with similar investment strategies but differing guidelines or restrictions.

If a client requires guidelines that direct PPM to avoid investments based on common socially responsible investment themes (e.g., alcohol, tobacco or gambling) or other governmental imposed sanctions (e.g., Syria and Iran), and the client does not otherwise provide a specified list of restricted issuers or investments, PPM will use a third-party service provider to identify the universe of restricted securities. Absent a client providing specific direction on prohibited securities or issuers, PPM's interpretation of the socially responsible restriction will control.

## Wrap Fee Programs

PPM does not currently provide portfolio management or other services in connection with wrap fee programs.

## Class Actions

In addition to investment advisory services, PPM may assist its clients with class action claim filings throughout the course of a client's contractual relationship with PPM. In this regard, pursuant to an agreement with the client or other client direction, PPM will process class action claim filings on behalf of the client (with the cooperation and assistance of the client or its custodian), whereby PPM arranges (directly or through a service) for the filing and monitoring of such claims on behalf of the client. Absent client direction, PPM will have no obligation to recommend to a client whether the client should submit a claim, opt-in to a lawsuit, opt-out of a settlement or otherwise participate in litigation, and accordingly, the client and/or its custodian or other client agent would be responsible for handling such claims.

## Assets Under Management

As of December 31, 2023, PPM managed approximately \$73,107,200,000 in assets under management ("AUM")<sup>1</sup> for its 37 clients. Of this amount, approximately \$72,524,700,000 was managed for 33 clients on a discretionary basis and approximately \$582,500,000 was managed for 4 clients on a non-discretionary basis.

## Item 5 - FEES AND COMPENSATION

### Fee Schedules

Client fees for separately managed accounts are generally computed based on a percentage of the market value, book value or principal amount of assets under management in a client's account, as applicable and agreed. PPM may bill fees based on its own books and records, the client's books and records, or the records of the client's custodian. PPM values assets from independent pricing sources or, in the event that such independent valuations are unavailable, internally derives valuations based upon relevant security attributes and current market conditions, in accordance with its internal policies and procedures. PPM typically uses an average of assets under management for the billing period as the basis for fee calculation and pro-rates fees for partial billing periods, though PPM may use a different basis, as specifically agreed with certain clients. Pro rata adjustments in advisory fees may be made for material contributions and withdrawals made during the billing period. Fees for separately managed accounts may be subject to a minimum fee charge per annum and a minimum account size. Clients are responsible for verifying the accuracy of fee calculations.

PPM also charges certain clients a performance fee. Additional information on performance-based fees is included in the section of this brochure entitled "Performance-Based Fees and Side-by-Side Management."

PPM's standard fee schedule for separately managed accounts, which may be modified from time to time and is subject to negotiation, is as follows:

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<sup>1</sup> AUM figures are rounded to the nearest \$100,000. AUM includes committed but unfunded capital for PPM's private equity and commercial real estate businesses. Form ADV Part 1 includes disclosure of Regulatory Assets Under Management ("Regulatory AUM") which differs from the traditional calculation. For example, Regulatory AUM includes uncalled commitments for private accounts outside the investment period that would normally be excluded from PPM's assets under management disclosure. As of December 31, 2023, PPM's Regulatory AUM was \$73,144,800,000.

## Fixed Income

Strategy	Annual Fee (%)	Minimum Account Size	Minimum Fee
Core Fixed Income			
First \$100 million	0.225%	\$50 million	\$112,500
Next \$150 million	0.20%		
Thereafter	0.175%		
Core Plus Fixed Income			
First \$100 million	0.30%	\$50 million	\$150,000
Next \$150 million	0.25%		
Thereafter	0.20%		
Credit			
First \$100 million	0.35%	\$50 million	\$175,000
Next \$150 million	0.25%		
Thereafter	0.20%		
Floating Rate Income			
First \$100 million	0.50%	\$50 million	\$250,000
Next \$150 million	0.45%		
Thereafter	0.40%		
High Yield			
First \$100 million	0.45%	\$50 million	\$225,000
Next \$150 million	0.40%		
Thereafter	0.35%		
Investment Grade Credit			
First \$100 million	0.225%	\$50 million	\$112,500
Next \$150 million	0.20%		
Thereafter	0.175%		
Investment Grade Private Credit			
First \$100 million	0.25%	\$50 million	\$125,000
Next \$150 million	0.20%		
Thereafter	0.175%		
Investment Grade Public Private Credit			
First \$100 million	0.25%	\$75 million	\$187,500
Next \$150 million	0.20%		
Thereafter	0.175%		
LDI – Long Duration			
First \$250 million	0.25%	\$50 million	\$125,000
Next \$250 million	0.20%		
Thereafter	0.185%		

## Commercial Real Estate

Strategy	Annual Fee (%)	Minimum Account Size	Minimum Fee
Core Debt			
First \$250 million	0.35%	\$100 million	\$350,000
Next \$250 million	0.30%		
Thereafter	0.25%		
High Yield/Structured Loans			
First \$250 million	1.00%	\$100 million	\$1 million
Next \$250 million	0.90%		
Thereafter	0.80%		

Fee rates and minimums are negotiable based on circumstances believed by PPM to be relevant, such as affiliation or other relationships with PPM or its affiliates, asset class, investment strategy, size or future growth potential, and other considerations. Fees for custom strategies or separate account strategies not listed above are typically charged an asset based fee specifically negotiated with each client. Any performance-based fee charged by PPM will comply with the requirements of the Investment Advisers Act of 1940, as amended (the “Advisers Act”), including, when applicable, Rule 205-3 thereunder. Please see additional information in response to Item 6 below.

As noted under “Types of Advisory Services,” in Item 4 above, from time to time PPM will invest client assets in pooled investment vehicles that are managed by other managers, either affiliated or unaffiliated, in accordance with established investment guidelines. In such instances, the client will normally pay management and performance fees to the pool’s manager. Unless required by applicable law or pursuant to the terms of the specific agreement with the client, PPM typically does not reduce its fees or offset them by fees paid to the managers or advisers of these pooled products.

PPM also provides discretionary investment management services to pooled vehicles, including, without limitation, mutual funds, private funds, and non-US funds. PPM receives fees for such services that are disclosed in a fund's prospectus or other governing documents.

Additionally, PPM provides investment management services involving real estate securities, CMLs and other real estate investments to certain advisory clients for which it receives management fees. PPM also provides loan origination and servicing to third parties that are not advisory clients and receives other fees related to commercial mortgage lending activities, such as origination fees, loan servicing fees, inspection fees, exit/extension fees, property management fees, or other administrative fees. These fees are intended to compensate PPM for the costs and expenses for due diligence, credit analysis, servicing activities and other miscellaneous costs incurred in connection with closing and servicing commercial real estate loans. Any such fees will be described in the client's investment management agreement and/or other client agreements, including loan participation agreements.

## **Deduction of Fees**

PPM's fees are computed and billed on an annual, semi-annual, quarterly or monthly basis and are due from clients upon receipt of the billing statement. Fees are generally paid in arrears. Fees are not typically deducted directly from a client's account, but clients may request in writing that their fees be deducted. Other payment arrangements may be agreed upon and set forth in an agreement between PPM and the client.

## **Other Fees and Expenses**

Unless otherwise agreed, PPM is not obligated to pay any expenses of a client (or any other investment adviser to the client), including without limitation, expenses of employing lawyers or consultants in connection with the evaluation or restructuring of any investment, interest, and taxes. Where PPM advances payment on behalf of clients for such investment-related fees and expenses of clients, it is entitled to repayment of such advances, subject to the terms of a client's investment management agreement. Clients will directly bear the costs associated with custodians and other service providers to their separately managed account, as well as brokerage and other transaction costs associated with trading in the client account. Additionally, PPM may seek reimbursement for expenses associated with the use of a customized index in connection with the management of any client account. Investors in mutual funds or other pooled investment vehicles will also bear other fees relating to the pooled investment vehicle; see "Brokerage Practices" in Item 12 below. Such fees are disclosed in the prospectus (or other governing document). Clients that invest in CMLs may also incur additional expenses, including but not limited to costs associated with the following: pursuit costs, origination fees, loan servicing fees, loan documentation fees, and other ongoing fees paid directly by the client to administer its holdings, such as legal fees, tax preparation fees and fees of other administrative service providers.

## **Prepaid Fees**

As noted in "Deduction of Fees" above, fees due to PPM are generally paid in arrears following receipt of an applicable billing statement. Private equity funds fees are paid quarterly in advance and would be rebated on a pro-rata basis in the event that the private equity fund is terminated before the end of a billing cycle.

## **Compensation for the Sale of Securities**

PPM is not compensated separately for securities transactions or other types of services which might present a conflict.

PPM does not buy or sell investment products for client accounts through affiliated brokers or agents and does not receive commissions or other compensation for the sale of investment products recommended to clients. Also, PPM does not charge commissions or markups on the purchase or sale of investment products.

## **Item 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

As noted under "Fee Schedules" in Item 5 above, PPM charges certain clients a performance-based fee. The amount of a performance-based fee can vary depending on the performance of the applicable fund or account relative to a particular target or benchmark return. For private equity funds, a portion of each fund's net investment profit in excess of a preferred return hurdle is allocated to the capital of its general partner (GP) or special limited partner (SLP) as "carried interest." Each GP/SLP is a related person of PPM, and certain private equity team members maintain ownership interests in the GP/SLP entities.

While performance-based fees are intended to reward PPM for successful management of a client portfolio, they create an incentive for PPM to take additional risks in the management of the portfolio. PPM often manages multiple accounts with similar investment strategies. If some of these accounts are charged performance-based fees, versus a flat fee or an asset-based fee, this creates a conflict of interest as a portfolio manager may have an incentive to allocate attractive or limited investments to the accounts that are charged performance fees. A portfolio manager may also have an incentive to favor the performance-based fee accounts with respect to trade timing and/or execution price. In addition, there may be other instances where there are different incentives for PPM to implement an investment in one account over another.

Certain investments, such as new issuances, may be desired for more than one account or strategy and availability may be limited. In these instances, certain accounts may be excluded from or may not be able to fully participate in the investment opportunity. A portfolio

manager may have an incentive to devote more time or resources to, or to implement investment ideas in, one account over another, such as when a new account is being established.

Potential conflicts may also arise when different clients invest in different parts of an issuer's capital structure, such as when a client owns senior debt obligations of an issuer and other clients own junior tranches or equity securities of the same issuer. In such circumstances, decisions over whether to trigger an event of default, over the terms of any workout, or how to exit an investment may result in conflicts of interest. In order to minimize such conflicts, PPM may avoid certain investment opportunities and negotiations with issuers that would potentially give rise to conflicts among its clients, or PPM may enact internal procedures designed to minimize such conflicts, which could have the effect of limiting certain clients' investment opportunities.

PPM has designed and implemented procedures that seek to ensure that all clients are treated fairly and equitably, and to prevent these conflicts from influencing the allocation of investment opportunities among clients.

## **Item 7 – TYPES OF CLIENTS**

PPM is the primary US institutional asset manager for Jackson and also provides investment management services to unaffiliated, third-party clients. PPM's affiliated clients in the US include insurance companies, an investment adviser, and investment companies. PPM also serves as investment adviser to private investment funds in which certain affiliates and employees of PPM are investors. See Item 10 below.

Please see "Fee Schedules" in Item 5 above regarding minimum investment requirements.

## **Item 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **General Description**

PPM's mission is to be seen by clients and their consultants as a consistently reliable partner that can help them achieve their long-term value goals. PPM uses a variety of methods of analysis in formulating investment advice and/or managing client assets. The cornerstone of our investment process is rigorous, fundamental, and technical in-house research. Information considered may include, but is not limited to:

- Publicly available company financial statements
- On-site meetings and teleconference calls with company management
- Company roadshows
- Information provided through credit rating services
- Environmental, social, and governance ("ESG") factors
- Other publicly available information
- For private equity investments, information from equity sponsor groups

Generally, third-party research may be used on a supplemental basis. Subject to information blocking procedures, PPM may also receive private information, including material non-public information, for certain investments such as bank loans, private debt or private equity, or in connection with workouts or bankruptcies. PPM has implemented policies and procedures that establish information barriers intended to prevent the inappropriate communication or misuse of material non-public information.

PPM implements its investment strategies consistent with the investment objectives, guidelines and restrictions of its clients (the "Investment Guidelines"). On an ongoing basis, investments are made by portfolio managers based upon and subject to the Investment Guidelines. The Investment Guidelines stipulate the allowable types of investments and permissible ratings, concentrations and restrictions. Where applicable, and possible, PPM codes the Investment Guidelines into its automated compliance guideline monitoring system, and reviews exceptions on a pre and post trade basis. PPM also uses certain derivative transactions for risk management and other investment purposes, including but not limited to, options, futures, options on futures, and swap transactions. Swap transactions may include, but are not limited to interest rate, total return and credit default swaps (on individual companies or indices), options on swaps, and other similar transactions

PPM utilizes a team-based approach to manage the assets of portfolios; its teams work closely to generate ideas and gain greater insight on the economic environment as the team makes investment decisions. The portfolio management teams are organized by asset class including fixed income, bank loans, private debt, commercial real estate, and private equity. The portfolio management teams are supported by shared resources across the organization including credit research, structured products, debt restructuring, risk management, quantitative research and trading as follows:

- Corporate credit research and asset class specialist teams (ABS, CMBS, REITs, MBS) that provide ongoing research, monitoring, and the provision of an internal "relative value" rating system



- Quantitative research team that develops tools and methodologies designed to help generate alpha on behalf of our clients, working closely with the portfolio management teams as they construct portfolios
- Public fixed income trading team that provides technically-driven insight to portfolio managers and research analysts as well as seeks best execution
- Risk management team that oversees, monitors, and provides risk management metrics and reporting across fixed income, bank loan, and commercial real estate client accounts
- Administration groups that provide operations, investment performance analysis, information technology, and other support services across all asset classes and accounts, as well as legal and compliance and human resources
- Debt restructuring team that provides internal consulting, out-of-court and bankruptcy restructuring support, and litigation management

Although PPM strives to achieve a client's unique investment needs, PPM does not guarantee that a client's account will attain its investment objective or any particular result. The value of an account may decline and clients should be prepared to bear risk of loss. Past performance is no guarantee of future results.

## Environmental, Social and Governance ("ESG") Considerations

### Integration

PPM is an investment manager with a focus on bottom-up fundamental investing. Its teams emphasize relative value investing and building repeatable processes. Consistent with its fiduciary obligations, PPM seeks to put its clients' interests before its own. PPM believes that incorporating environmental, social, and governance factors into its investment analysis is consistent with that obligation.

Rather than exclude companies based on ESG screens, PPM prefers to integrate ESG issues directly into investment analysis, considering ESG issues in conjunction with all other relevant factors when forming investment views. This approach allows our investment teams to make more comprehensive assessments of risk and opportunities and is directly linked with our mission to meet the unique investment objectives of our clients. ESG issues considered include a wide range of topics, including consumer and product safety, environment and energy, labor standards and human rights, workplace and board diversity, and corporate political issues. While a variety of factors go into our investment analysis, the overall principle guiding all investment decisions focuses on value.

### ESG Exclusions Lists and Screening

PPM typically utilizes exclusion lists in two contexts:

- **Client-Led Investment Objectives.** PPM seeks to integrate ESG factors in conjunction with all other factors that can influence the risk or return of an investment. The result of this process does not include an ESG exclusion list that is to be applied at a strategy or fund level. Rather, PPM will work with clients to build specific exclusion lists unique to their ESG requirements.
- **Complying with Sanctions.** PPM is committed to complying with applicable sanctions imposed by jurisdictions in which the firm operates. All portfolios are subject to sanction related screening or exclusions. Specific requirements may vary, but a portfolio may be prohibited from investing in instruments associated with certain targeted sanction restrictions on sovereigns, corporates, individuals or industries.

## Strategies

### Fixed Income

PPM's fixed income team believes the volatility of market prices exceeds that of fundamental asset values. This dislocation may create opportunities for investors with the skilled personnel, infrastructure, and insight necessary to identify relative value generated by market inefficiencies. The team is strategically committed to a relative value, fundamentals-based investment approach and expects individual security selection and asset class/sector rotation to primarily influence excess returns. PPM utilizes a team-based approach to manage the assets of fixed income portfolios. Portfolio managers work closely with asset class specialists, corporate credit research analysts, and traders to generate ideas and to gain greater insight on the economic environment as they make investment decisions. PPM's Chief Investment Officer and Deputy Chief Investment Officer oversee the team and the portfolios, while individual portfolio managers are primarily responsible for the day-to-day management of portfolios.

The fixed income team focuses on investments in public investment grade debt securities, public high yield debt securities, private fixed income securities, structured products including asset-backed securities (ABS) and mortgage-backed securities (MBS), subordinated debt or debtor-in-possession financing as well as US government and agency securities, among other fixed income products. Floating rate or high yield bank loan investments are included in certain fixed income strategies as well. Specific strategies include the following:

- The **Core Fixed Income** strategy focuses primarily on sector rotation and individual security selection. It is benchmarked against the Bloomberg US Aggregate Index and invests primarily in US dollar-denominated investment grade asset classes represented in the benchmark, including US Treasury, government-related, corporate, and structured securities. The strategy typically does not purchase securities rated below BBB- (or its equivalent) at time of purchase; however, it may hold securities downgraded below this threshold after purchase.
- The **Core Plus Fixed Income** strategy focuses primarily on sector rotation, individual security selection, and to a lesser extent, duration and yield curve management. It is benchmarked against the Bloomberg US Aggregate Index and invests primarily in US dollar-denominated investment grade asset classes, including US Treasury, government-related, corporate, and structured securities, with a bias toward non-Treasury sectors. The strategy has broad flexibility to invest in high yield securities, which will typically be rated B- or higher (or its equivalent) at time of purchase.
- The **Credit** strategy focuses primarily on sector rotation, individual security selection, and to a lesser extent, duration and yield curve management. It is benchmarked against a custom ICE BofA 88% Investment Grade / 12% High Yield Index and invests primarily in US dollar-denominated investment grade corporate bonds. It also has broad flexibility to invest in other asset classes and sectors, including high yield, structured, US Treasury, and US agency securities. When allocating to high yield securities, it generally has a bias toward securities with a B or above rating (or its equivalent) at time of purchase.
- The **Floating Rate Income** strategy focuses primarily on individual loan and security selection. It is benchmarked against the Morningstar LSTA US Leveraged Loan Index and invests primarily in US dollar-denominated floating rate bank loans and other floating rate instruments. The strategy also has flexibility to invest in non-floating rate instruments, including fixed rate corporate bonds, structured securities, and equities.
- The **High Yield** strategy focuses primarily on individual security selection and portfolio diversification. It is benchmarked against the ICE BofA US High Yield Constrained Index, which imposes a 2% issuer constraint and includes deferred interest bonds and payment-in-kind securities. The strategy invests primarily in US dollar-denominated high yield corporate bonds but has broad flexibility to allocate to other asset classes, including investment grade corporate bonds, structured securities, floating rate loans and equity.
- The **Investment Grade Credit** strategy focuses primarily on individual security selection and secondarily on sector rotation. It is benchmarked against the Bloomberg US Credit Index. The strategy invests primarily in US dollar-denominated investment grade corporate bonds and, to a lesser extent, non-corporate securities represented in the benchmark, including sovereigns, supranationals, foreign agencies, and foreign local governments. It also has considerable flexibility to invest in structured securities. The strategy typically does not purchase securities rated below BBB- (or its equivalent) at the time of purchase; however, it may hold securities downgraded below this threshold after purchase.
- The **Investment Grade Private Credit** strategy focuses on capital preservation and total return. The strategy leverages our fundamental credit principles to select companies with business models we believe are attractive. The strategy typically invests in offerings ranging from \$25 million to over \$1 billion throughout, but not limited to, the US, Europe, Australia, New Zealand, and Canada. Focused on security selection, the strategy's primary focus is on senior unsecured loans for corporate borrowers, senior secured credit tenant leases and project finance/infrastructure financing – typically to higher quality borrowers (AAA to BBB-).
- The **Investment Grade Public Private Credit** strategy actively invests in a diversified portfolio of public and private investment grade bonds. The strategy maintains a high degree of liquidity by investing primarily in public bonds and seeks to increase yield and diversify portfolio holdings by selectively investing in private securities, which can offer enhanced yields and structural protections compared to public bonds. It seeks to maximize total return through security selection and tactical sector allocation, consistent with the preservation of capital and prudent investment management. The strategy typically does not purchase securities below BBB- or an equivalent rating but can hold a limited number of downgraded securities.
- The **LDI – Long Duration** strategy focuses on sector selection and individual security selection and to a lesser extent, duration and yield curve management. It is typically benchmarked against custom or client-specific benchmarks. The strategy invests primarily in US dollar-denominated investment grade corporate bonds with maturities generally longer than ten years but has flexibility to invest in other asset classes and sectors, including US dollar-denominated sovereign debt, US Treasury, and US agency securities as well as non-US dollar-denominated corporate sovereign debt.
- **Custom Strategies:** The fixed income team also manages several custom strategies. These highly tailored mandates are managed with unique objectives and guidelines primarily specific to asset liability matching, local market regulatory requirements, more constrained credit quality restrictions, target durations and other factors specific to a client's guidelines or investment objectives.

## Private Equity

The private equity team invests in primary funds, direct co-investments in sponsor-led transactions, including single asset continuation vehicles. The primary fund strategy is focused on North American middle-market buyout and growth opportunities, with capabilities in secondary or distressed investment types. The team works collaboratively with clients with an emphasis on building portfolios that are diversified by asset type, industry, manager, and vintage year in order to manage risk and seek enhanced returns. The co-investment strategy is primarily focused on North American middle-market management buyout, recapitalization, and growth equity opportunities. Historically, these transactions have covered a wide array of both sponsors and sectors, with an emphasis on building the value of our clients' portfolios through the long term appreciation of our investments.

## Commercial Real Estate

The commercial real estate team focuses on debt strategies offering varying risk-adjusted returns across commercial mortgage loans (CMLs), commercial mortgage-backed securities (CMBS), and unsecured debt issued by real estate investment trusts (REITs). The strategies are primarily focused on income-producing investments across five major property types including industrial, multifamily, retail, office, and hotels located throughout the US in primary and secondary markets.

**Investing in securities involves risk of loss that clients should be prepared to bear.** Past performance is no guarantee of future results.

**Investing in securities involves risk of loss that clients should be prepared to bear.**

## Material Risks for Significant Investment Strategies and Significant Types of Securities

Clients should understand that all investment strategies and the investments made pursuant to such strategies involve risk of loss, which clients should be prepared to bear. Risks will vary based on an account's strategy and specific investments held. Below is a summary of certain risks that may be associated with PPM's strategies. The risks provided are not a complete enumeration or explanation of the risks involved in a strategy. Where applicable, clients should rely on the risk disclosures found in a product's respective offering documents.

### General Risks

**Concentration risk** – Certain strategies may invest in fewer securities than other strategies, or in larger proportions of the securities of a single company or industry. If these securities were to decline in value, there could be a substantial loss of the investment. In addition, certain strategies may hold a small number of issuers. There is increased risk in investing in a smaller number of different issuers than there is in investing in a larger number of issuers since changes in the financial condition or market status of a single issuer may cause greater fluctuation in an account.

**Cybersecurity risk** – Cyber attacks could disrupt daily operations related to trading and portfolio management. In addition, technology disruptions and cyber attacks may impact the operations or securities prices of an issuer or a group of issuers, and thus may have an adverse impact on the value of an account's investments. Cyber attacks on securities markets or the financial services infrastructure could cause market volatility or the failure of critical financial services and could impact an account's performance.

**Financial Institution Risk** - An investment with PPM is subject to the risk that one of the banks, brokers, counterparties, clearinghouses, exchanges, lenders or other custodians (each, a "Financial Institution") of some or all of a client's investments fails to timely perform or otherwise defaults on its obligations or experiences insolvency, closure, seizure, receivership or other financial distress or difficulty (each, a "Distress Event"). Distress Events can be caused by factors including, but not limited to, eroding market sentiment, significant withdrawals, fraud, malfeasance, poor performance, undercapitalization, market forces or accounting irregularities.

If a Financial Institution experiences a Distress Event, PPM, its clients, or one or more of its clients' portfolio investments may be unable to access deposits, borrowing facilities or other services, either permanently or for an extended, potentially indeterminate, period of time. Any Distress Event could have a potentially adverse effect on the ability of PPM to manage its investments, and on the ability of PPM and any portfolio investment to maintain operations, which, in each case, could result in significant losses and the inability to complete investment acquisitions and dispositions. Such losses could include: a loss of funds; an obligation to pay fees and expenses in the event PPM is unable to close a transaction (including due to the inability to draw capital on a credit line provided by a Financial Institution experiencing a Distress Event); the inability of PPM to acquire or dispose of investments, including at prices that PPM believes reflect the fair value of such investments; and the inability of PPM or portfolio investments to make payroll, fulfill obligations or maintain operations.

While PPM seeks to do business with established Financial Institutions that it believes are well-capitalized and capable of fulfilling their respective obligations to a client, PPM is under no obligation to use multiple Financial Institutions or to maintain client account balances at or below a standard insured amount. Under certain circumstances, such as receiving capital contributions pursuant to a capital call or proceeds from a disposition, a client will not be able to maintain account balances at or below any relevant insured amounts.

**Force Majeure Events** – Portfolio investments may be affected by force majeure events (i.e., events beyond the control of the party claiming that the event has occurred, including, without limitation, acts of God, fire, flood, earthquakes, outbreaks of an infectious disease, pandemics or other serious public health concerns, war, terrorism, labor strikes, major plant breakdowns, pipeline or electricity line ruptures, failure of technology, defective design and construction, accidents, governmental policies and social instability). Some force

majeure events may adversely affect the ability of a party (including an issuer or a counterparty to a portfolio investment) to perform its obligations until it is able to remedy the force majeure event. Furthermore, force majeure events that are incapable of or are too costly to cure may have a permanent adverse effect on a portfolio company. Certain force majeure events (such as war or an outbreak of an infectious disease) could have a broader negative impact on the world economy and international business activity generally, or in a particular country and may contribute to volatility in financial markets. Any of the foregoing may therefore adversely affect the performance of an account.

**Investment strategy risk** – PPM implements an investment strategy to seek to achieve the agreed upon investment objective for each client account. Investment decisions made by PPM in accordance with these investment strategies may not produce the returns PPM expected and may cause a client account's value to decrease or may cause an account to underperform other strategies with similar investment objectives.

**Issuer risk** – The value of an individual security or particular type of security can be more volatile than the market as a whole and can perform differently from the market as a whole. A security's value may decline for reasons that directly relate to the issuer, such as management performance, corporate governance, financial leverage, and reduced demand for the issuer's goods or services. A change in the financial condition of a single issuer may affect securities markets as a whole. Certain unanticipated events, such as natural disasters, can have a dramatic adverse effect on the value of an issuer's securities.

**Liquidity risk** – Investments in securities that are difficult to purchase or sell (illiquid or thinly-traded securities) may reduce returns if the client account is unable to sell the securities at an advantageous time or price or achieve its desired level of exposure to a certain sector. Liquidity risk arises, for example, from small average daily trading volumes, trading restrictions, or temporary suspensions of trading. In times of market volatility, certain securities or classes of securities may become illiquid. Government or regulatory actions may decrease market liquidity and liquidity for certain securities. Certain securities that were liquid when purchased may later become illiquid or less liquid, particularly in times of overall economic distress. Illiquid securities may also be difficult to value, may be required to be fair valued in accordance with PPM's Valuation Policies and Procedures, and may reflect a discount, which may be significant, from the market price of comparable securities for which a liquid market exists.

Liquidity risk may also refer to the risk that PPM may be forced to sell securities at an unfavorable time and/or under unfavorable conditions to meet a client withdrawal or redemption request. If obligated to sell an illiquid security prior to an expected maturity date, it may not be possible to realize fair value. A client may also not be able to liquidate its investment in the event of an emergency or any other reason. In addition, although the fixed-income securities markets have grown significantly in the last few decades, regulations and business practices have led some financial intermediaries to curtail their capacity to engage in trading (i.e., "market making") activities for certain debt securities. As a result, dealer inventories of fixed-income securities, which provide an indication of the ability of financial intermediaries to make markets in fixed-income securities, are at or near historic lows relative to market size.

Investments in private equity are highly illiquid. Whether investing in a private equity fund or a direct co-investment interest, investments have very limited withdrawal rights and transfers are generally contingent upon the approval of the relevant entity. Additionally, interests in private equity funds and private companies will not be registered under the US Securities Act of 1933, as amended, or any state or other securities laws and may not be transferred unless registered under applicable federal or state securities laws or unless an exemption from such laws is available.

The commercial real estate strategy may also invest in illiquid assets. The ability to dispose of real estate assets in a timely or favorable manner is subject to many factors beyond PPM's control, including, but not limited to, general economic conditions, supply and demand, the availability of capital (whether from lenders or investors) and interest rates.

**Management risk** – The investment techniques PPM employs could fail to achieve a client account's investment objective or may negatively affect an account's investment performance, or legislative, regulatory, or tax developments may affect the investment techniques available to PPM. There is no guarantee that the investment objective of an account will be achieved.

**Market risk** – Bond market risk generally refers to credit risk and interest rate risk as described further herein.

An account's securities or other investments may decline in value due to factors affecting securities markets generally, such as real or perceived adverse economic, political or regulatory conditions, inflation, changes in interest or currency rates or adverse investor sentiment, terrorism, natural disasters, regional and global health epidemics, or due to factors affecting particular industries represented in the securities markets, such as competitive conditions. Changes in the financial condition of a single issuer can impact a market as a whole, and adverse market conditions may be prolonged and may not have the same impact on all types of securities. In addition, the markets may not favor a particular kind of security, including equity securities or bonds. The values of securities may fall due to factors affecting a particular issuer, industry or the securities market as a whole.

**Operational risk** – An account may suffer a loss arising from shortcomings or failures in internal or external processes, people or systems, or from external events. Operational risks can arise from factors such as processing errors, human errors, inadequate or failed processes, fraud, failure in systems and technology, changes in personnel and errors caused by third-party service providers.

**Portfolio turnover risk** – Active trading may increase transaction costs, which may reduce performance and increase realized short-term capital gains and losses.

**Regulatory Risk** – Governmental and quasi-governmental authorities and regulators may take actions that affect the regulation of the securities in which an account invests or the issuers of such securities in ways that are unforeseeable. Legislation or regulation also may change the way in which the accounts or PPM are regulated, limit or preclude an account's ability to achieve its investment objective and/or affect the account's performance. Governmental and quasi-governmental authorities and regulators have in the past responded to major economic disruptions with a variety of significant fiscal and monetary policy changes, including but not limited to direct capital infusions into companies, increased government spending, new monetary programs and dramatic interest rate changes. While such policies or actions generally are intended to support markets, the financial system and public finances, there can be no guarantee that such policies or actions will be sufficient or will have their intended effect. In addition, discontinuation or reversal of such policies could increase volatility in or otherwise adversely affect securities markets, which could adversely affect an account's investments.

**Restricted securities risk** – Restricted securities may be illiquid. PPM may be unable to sell them on short notice or may be able to sell them only at a price below current value. Also, PPM may get only limited information about the issuer of a restricted security, so it may be less able to predict a loss. In addition, if PPM receives material non-public information about the issuer, a client may be unable to sell the securities.

**Temporary defensive positions and large cash positions risk** – In anticipation of, or in response to, adverse market or other conditions, or atypical circumstances such as unusually large cash inflows or redemptions, PPM generally may temporarily hold all or a significant portion, without limitation, of an account's assets in cash, cash equivalents, and money market funds, or high-quality debt instruments. During periods in which PPM employs such a temporary defensive strategy or an account holds large cash positions, the account will not be pursuing, and will not achieve, its investment objective. Taking a defensive or large cash position may reduce the potential for appreciation of the portfolio and may affect performance.

## Fixed Income Risk

**Asset-backed securities risk** – Asset-backed securities including residential mortgage-backed securities, commercial mortgage-backed securities and other structured finance investments generally receive payments that are part interest and part return of principal. The interest and principal payments may vary based on the rate at which the underlying borrowers pay off their loans and the securities are subject to market risk, credit risk, extension risk, interest rate risk, prepayment risk and call risk. These securities may have less potential for capital appreciation during periods of falling interest rates which may result in more prepayments and PPM may need to reinvest the proceeds at lower interest rates. When interest rates rise, the number of principal prepayments often declines which may lengthen the duration of the security. An account's investment in asset-backed securities is also subject to the risks associated with the nature of the underlying assets which can negatively impact the price of the respective security. In the event of default, issuers may have limited ability to enforce the security interest in the underlying asset and to the extent applicable, any credit enhancements provided to support the securities may be inadequate.

Asset-backed securities may be classified as pass-through certificates or collateralized obligations. Pass-through certificates are asset-backed securities that represent an undivided fractional ownership interest in an underlying pool of assets. Pass-through certificates usually provide for payments of principal and interest received to be passed through to their holders, usually after deduction for certain costs and expenses incurred in administering the pool. Because pass-through certificates represent an ownership interest in the underlying assets, the holders thereof directly bear the risk of any defaults by the obligors on the underlying assets not covered by any credit support.

Asset-backed securities issued in the form of debt instruments, also known as collateralized obligations, are generally issued as the debt of a special purpose entity organized solely for the purpose of owning such assets and issuing such debt. Such assets are most often trade, credit card or automobile receivables. The assets collateralizing such asset-backed securities are pledged to a trustee or custodian for the benefit of the holders hereof. Such issuers generally hold no assets other than those underlying the asset-backed securities and any credit support provided. As a result, although payments on such asset-backed securities are obligations of the issuers, in the event of defaults on the underlying assets not covered by any credit support, the issuing entities are unlikely to have sufficient assets to satisfy their obligations on the related asset-backed securities.

**Corporate loan, sovereign entity loan, and bank loan risk** – Commercial banks, sovereign entities, and other financial institutions or institutional investors make corporate loans to companies or sovereign entities that need capital to grow, restructure, or pay for infrastructure projects. These instruments are commonly referred to as "loans" or "bank loans." Bank loans, corporate loans, loan participations, and assignments involve credit risk, interest rate risk, liquidity risk, and the risks of being a lender.

Borrowers generally pay interest on corporate loans at "floating" rates that change in response to changes in market interest rates such as the Secured Overnight Financing Rate ("SOFR"), the forward-looking term rate based on SOFR ("Term SOFR") or the prime rates of US banks. As a result, the value of such loan investments is generally less exposed to the adverse effects of interest rate fluctuations than investments that pay a fixed rate of interest. However, the market for certain loans may not be sufficiently liquid, and PPM may have difficulty selling them. It may take longer than seven days for transactions in loans to settle. Certain loans may be classified as "illiquid" securities.

Due to restrictions on transfers in loan agreements and the nature of private syndication of loans, some loans are not as easily purchased or sold as publicly traded securities. Some loans are illiquid, which may make it difficult for the client account to value them or dispose of them at the price at which the client account has valued the loan. In addition, compared to public securities, purchases and sales of loans generally take longer to settle. To the extent the extended loan settlement process gives rise to short-term liquidity issues, an account may need to hold cash, sell investments or temporarily borrow to meet its short-term liquidity needs. Additionally, because a loan is not considered a security, a client account may not be afforded the same legal protections afforded securities under federal securities laws.

Thus, PPM as well as the client account generally must rely on contractual provisions in the loan agreement and common-law fraud protections under applicable state law.

The secondary market for loans may be subject to irregular trading activity, wide bid/ask spreads and extended trade settlement periods, which may cause PPM to be unable to realize full value for the client's account upon sale.

Bank loans are not considered securities under the federal securities laws and accordingly, may offer less legal protection in the event of fraud or misrepresentation in connection with the purchase or sale of such instruments. Instead, lenders generally rely on the contractual provisions in the loan agreement itself, and common-law fraud protections under applicable state law.

Bank loans usually have mandatory and optional prepayment provisions and are subject to prepayment risk as described further herein. If a borrower prepays a loan, during periods of falling interest rates the client account may need to reinvest the early payments at lower interest rates.

Loan instruments may not be rated by a rating agency, registered with the SEC or any state securities commission or listed on any national securities exchange. The amount of public information available with respect to loans may be less extensive than that available for registered or exchange listed securities. In evaluating the creditworthiness of borrowers, PPM relies on its own evaluation of borrowers, but will consider, and may rely in part on, analyses performed by others.

PPM takes steps to ensure that it does not receive material non-public information about the issuers of loans who also issue (directly or through a related entity) publicly traded securities. In that circumstance, PPM may have less information than other investors about certain of the loans in which it invests or seeks to invest. This may place the client account at a disadvantage relative to other investors in loans.

A lead bank or other financial institution will often act as agent for all holders of a particular corporate loan. The agent administers the terms of the loan, as specified in the loan agreement. Unless a holder of the corporate loan, such as the client account, has direct recourse against the borrower, the holder may have to rely on the agent to apply appropriate credit remedies against a borrower under the terms of the loan or other indebtedness. The agent may also be responsible for distributing income from the corporate loan and, as a result, holders of the loan might incur certain costs and delays in realizing payment on the loan and could suffer a loss of principal or interest. In addition, investments in corporate loans may expose the holders of the corporate loan, including the client account, to the credit risk of both the financial institution and the underlying borrower. In the event of the insolvency of an agent bank, a corporate loan could be subject to settlement risk, as well as the risk of interruptions in the administrative duties performed in the day-to-day administration of the loan (such as processing SOFR or the relevant reference index calculations and processing draws).

After purchase of a loan, the client may only be able to enforce its rights through the lender and may assume the credit risk of both the lender and the borrower. In the event that a borrower defaults, access to the collateral securing the loan may be limited by bankruptcy and other insolvency laws. The collateral may decline in value and/or be inadequate or difficult to realize upon. In addition, a court could take action with respect to the floating rate loan adverse to the holders of the loan, such as invalidating the loan, subordinating the loan to presently existing or future indebtedness, or ordering the refund of interest previously paid to the borrower. As a result, the client account might not receive payments to which it is entitled. PPM may have to participate in legal proceedings or take possession of and manage assets that secure the issuer's obligations on behalf of the client's account. This could increase the client's expenses. To the extent that PPM invests in loans that are not secured by any specific collateral of the borrower and if the borrower is unable to pay interest or defaults in the payment of principal, there will be no collateral on which the client's account can foreclose. Therefore, these loans present greater risks than collateralized loans.

Certain corporate loans may be issued in connection with highly leveraged transactions, including leveraged buyout loans, leveraged recapitalization loans, and other types of acquisition financing. Leveraged buyout loans are subject to greater credit risks than other investments including a greater possibility that the borrower may default or enter bankruptcy. Indebtedness of companies whose creditworthiness is poor may be highly speculative involving substantially greater risks that those companies may never pay off their indebtedness, or may pay only a small fraction of the amount owed and may pay only after a delay, with a substantial risk of losing the entire amount invested.

Some loans may be "covenant lite" loans which do not include terms which allow the lender to monitor the performance of the borrower and declare a default if certain criteria are breached.

If a client account invests in a loan via participation, the account will be exposed to the ongoing counterparty risk of the entity providing exposure to the loan (and in certain circumstances, such entity's credit risk) in addition to the exposure the account has to the creditworthiness of the borrower.

**Call risk** – Call risk is the risk that the issuer may redeem a security by repaying it early, which may reduce income earned in a client account if the proceeds are reinvested at lower interest rates.

**Contingent convertible securities risk** – Contingent convertible securities ("CoCos") are a form of hybrid fixed-income instrument. They are subordinated instruments that are designed to behave like bonds or preferred equity in times of economic health for the issuer, yet absorb losses when a pre-determined "trigger event" affecting the issuer occurs. CoCos are either convertible into equity at a predetermined share price or written down if a pre-specified trigger event occurs (in certain circumstances, the value may be written down to zero). Trigger events vary by individual security and are defined by the documents governing the contingent convertible security. The triggers are generally linked to regulatory capital thresholds or regulatory actions calling into question the issuing banking institution's



continued viability as a going-concern. CoCos' unique equity conversion or principal write-down features are tailored to the issuing banking institution and its regulatory requirements. Some additional risks associated with CoCos include, but are not limited to:

- **Loss absorption risk.** CoCos have fully discretionary coupons. This means coupons can potentially be cancelled at the banking institution's discretion or at the request of the relevant regulatory authority in order to help the bank absorb losses.
- **Subordinated instruments.** CoCos will, in the majority of circumstances, be issued in the form of subordinated debt instruments in order to provide the appropriate regulatory capital treatment prior to a conversion. Accordingly, in the event of liquidation, dissolution or winding-up of an issuer prior to a conversion having occurred, the rights and claims of the holders of the CoCos against the issuer in respect of or arising under the terms of the CoCos shall generally rank junior to the claims of all holders of unsubordinated obligations of the issuer. In addition, if the CoCos are converted into the issuer's underlying equity securities following a conversion event (i.e., a "trigger"), each holder will be subordinated due to their conversion from being the holder of a debt instrument to being the holder of an equity instrument.
- **Market value will fluctuate based on unpredictable factors.** The value of CoCos is unpredictable and will be influenced by many factors including, without limitation: (i) the creditworthiness of the issuer and/or fluctuations in such issuer's applicable capital ratios; (ii) supply and demand for the CoCos; (iii) general market conditions and available liquidity; and (iv) economic, financial and political events that affect the issuer, its particular market or the financial markets in general.

**Counterparty risk** – A client account will be subject to credit risk with respect to the counterparties to the derivative contracts (whether a clearing corporation in the case of exchange-traded instruments or another third party in the case of over-the-counter instruments) and other instruments, such as repurchase and reverse repurchase agreements, entered into directly by an account or held by special purpose or structured vehicles in which a client account invests. If a counterparty becomes bankrupt or insolvent or otherwise fails or is unwilling to perform its obligations to a client account due to financial difficulties or for other reasons, the account may experience significant losses or delays in realizing on any collateral the counterparty has provided to an account in respect of the counterparty's obligations to the account or recovering collateral that an account has provided to the counterparty and is entitled to recover. In addition, in the event of the bankruptcy, insolvency or other event of default (e.g., cross-default) of a counterparty to a derivative transaction, the derivative transaction would typically be terminated at its fair market value. If a client account is owed this fair market value in the termination of the derivative transaction and its claim is unsecured, the account will likely be treated as a general creditor of such counterparty. A client account may obtain only a limited recovery or may obtain no recovery in such circumstances.

Counterparty risk with respect to certain exchange-traded and over-the-counter derivatives may be further complicated by US financial reform legislation. Clients may have to provide or may hold at various times significant amounts of collateral with respect to a single or a small number of counterparties. If the counterparties are unwilling or unable to make investments available at any time or to perform their obligations to a client account, or to perform their obligations in a way deemed reasonable by PPM, the account's performance, and ability to achieve its investment objective would be affected adversely. Certain investment exposures, such as an index to which an account may seek exposure, may be available only through a single or limited number of counterparties. That circumstance can result in an account incurring additional costs that it otherwise might not incur.

A client account also is subject to counterparty risk because it executes its securities transactions through brokers and dealers. If a broker or dealer fails to meet its contractual obligations, goes bankrupt, or otherwise experiences a business interruption, the account could miss investment opportunities or be unable to dispose of investments it would prefer to sell, resulting in losses for the account.

**Credit risk** – Credit risk is the actual or perceived risk that the issuer of a bond, borrower, guarantor, counterparty, or other entity responsible for payment will not pay interest and principal payments when due. The price of a debt security can decline in response to changes in the financial condition of the issuer, borrower, guarantor, counterparty, or other entity responsible for payment. A client account could lose money if the issuer or guarantor of a fixed-income security, or the counterparty to a derivatives contract, repurchase agreement or a loan of portfolio securities, is unable or unwilling to make timely principal and/or interest payments, or to otherwise honor its obligations. Changes in an issuer's financial strength, the market's perception of the issuer's financial strength or in a security's credit rating, which reflects a third party's assessment of the credit risk presented by a particular issuer, may affect debt securities' value. When a fixed-income security is not rated, PPM may have to assess the risk of the security itself. A client may incur substantial losses on debt securities that are inaccurately perceived to present a different amount of credit risk by the market, PPM or the rating agencies than such securities actually do. In addition, to the extent a client account invests in municipal bonds, they are subject to the risk that litigation, legislation or other political events, local business or economic conditions, or the bankruptcy of the issuer could have a significant effect on an issuer's ability to make payments of principal and/or interest.

**Currency risk** – Investments in foreign securities that trade in or receive revenues in foreign currencies or derivatives that provide exposure to foreign currencies are subject to the risk that those currencies may decline in value relative to the US dollar, or, in the case of hedging positions, that the currency may decline in value relative to the currency being hedged. Currency exchange rates can be volatile and may be affected by a number of factors, such as the general economics of a country, the actions (or inaction) of US and foreign governments or central banks, the imposition of currency controls, and speculation. A decline in the value of a foreign currency versus the US dollar reduces the value in US dollars of investments denominated in that foreign currency. As such, currency exposure could result in losses to the client account if currencies do not perform as PPM expects. Currency hedging strategies may also reduce the account's ability to benefit from favorable changes in currency exchange rates. Valuation of an account's foreign securities may be subject to greater risk because both the price of the currency (relative to the US dollar) and the price of the security may fluctuate with market and economic conditions.

**Currency transaction risk** – Non-US forward currency contracts, options, swaps, or other derivatives contracts on non-US currencies involve a risk of loss if currency exchange rates move against a client account. Forward contracts may not be guaranteed by an exchange or clearinghouse and a default by the counterparty may result in a loss to the client. Governmental authorities may impose credit controls to limit the level of forward trading to the detriment of the account. Neither the CFTC nor the US banking authorities regulate forward currency transactions through banks. In respect of such trading, the client is subject to the risk of bank failure or the inability of or refusal by a bank to perform with respect to such contracts.

**Debt securities ratings risk** – The use of credit ratings in evaluating debt securities can involve certain risks, including the risk that the credit rating may not reflect the issuer's current financial condition or events since the security was last rated by a rating agency. Credit ratings may be influenced by conflicts of interest or based on historical data that no longer apply or are no longer accurate. Governmental efforts to reform rating agencies and the use of credit ratings in the marketplace may impact an account's investments or investment process.

**Derivatives risk** – Certain of PPM's strategies may invest in derivatives, which are financial instruments whose value depends on, or is subject to the changes in the value of the underlying assets, reference rates, or indices on which such instruments are based. A client account may invest a portion of its assets in these types of instruments, which could cause the account's investment exposure to exceed the value of its portfolio securities and its investment performance could be affected by securities it does not own. Derivatives can be highly volatile and the gains or losses from derivatives can be substantially greater than those that would have occurred if the account had not used such instruments. Additionally, an account's use of derivative instruments may involve risks different from, or possibly greater than, the risks associated with investing directly in securities and other more traditional investments including leverage risk, liquidity risk, interest rate risk, market risk, counterparty risk, and credit risk. Certain derivatives may be valued subjectively introducing the risk of mispricing or improper valuation which may impact payment requirements to counterparties and collateralization. If an account has insufficient cash, it may have to sell securities to meet daily variation margin requirements and may have to sell securities at a time when it may be disadvantageous to do so. As the market for many derivatives is, or suddenly can become illiquid, derivative prices are subject to significant, rapid and unpredictable changes and may increase an account's volatility depending on the nature and extent of the derivatives held. To the extent that an account is unable to close out a position because of market illiquidity or counterparty default, an account may not be able to prevent further losses of value in its derivatives holdings and an account's liquidity may be impaired. When used for hedging, changes in the value of the derivative may not correlate as expected with the changes in the value of the underlying asset, interest rate or index and the account may not realize the intended benefits of the hedge. Recent regulations changed the requirements related to the use of certain derivatives and may increase the cost of their use. Such regulations may inhibit the ability of an account to use these instruments as a part of its investment strategy, due to the increased costs of using these instruments or may make them less effective.

**Distressed debt risk** – Certain strategies may invest in securities of issuers that are, or are about to be, involved in reorganizations, financial restructurings, or bankruptcy (also known as "distressed debt"). Such distressed debt securities involve substantial risk in addition to the risks of investing in lower-grade debt securities. To the extent that a client account invests in distressed debt, the client is subject to the risk that it may lose a portion or all of its investment in the distressed debt and may incur higher expenses trying to protect its interests in distressed debt. Distressed securities and any securities or loans received in an exchange for such securities may be subject to restrictions on resale and may be subject to liquidity risk.

**Emerging markets and less developed countries risk** – Emerging market and less developed countries generally are located in Asia, the Middle East, Eastern Europe, Central and South America and Africa. Investments in, or exposure to, securities that are tied economically to emerging market and less developed countries are subject to all of the risks of investments in, or exposure to, foreign securities, generally to a greater extent than in developed markets, among other risks. Investments in securities that are tied economically to emerging markets involve greater risk from economic and political systems that typically are less developed and are likely to be less stable than those in more advanced countries. A client account invested in emerging markets and less developed countries also will be subject to the risk of adverse foreign currency rate fluctuations. Emerging market and less developed countries may also have economies that are predominantly based on only a few industries or dependent on revenues from particular commodities. There may be government policies that restrict investment by foreigners, greater government influence over the private sector, and a higher risk of a government taking private property in emerging and less developed countries. Moreover, economies of emerging market countries may be dependent upon international trade and may be adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. As a result of these risks, investments in securities tied economically to emerging markets tend to be more volatile than investments in securities of developed countries.

Underdeveloped securities exchanges and low or nonexistent trading volume in securities of issuers may result in a lack of liquidity and in price volatility. An account may not be able to sell such securities in a timely manner and may receive less than the currently available market price when selling such emerging market securities. Emerging market countries often have less uniformity in accounting and reporting requirements and less reliable clearance and settlement, registration and custodial procedures, which could result in ownership registration being completely lost. Investor protection regimes may be more limited in emerging markets. For example, it may be more difficult for shareholders to bring derivative litigation or for US regulators to bring enforcement actions against issuers in emerging markets. Issuers in emerging markets typically are subject to greater risk of adverse changes in earnings and business prospects than are companies in developed markets. Loss may also result from the imposition of exchange controls, confiscations, and other government restrictions, including confiscatory taxes on investment proceeds and other restrictions on the ability of foreign investors to withdraw their money at will, or from problems in security registration or settlement and custody. Investments in, or exposure to, emerging market securities may be more susceptible to investor sentiment than investments in developed countries. As a result, emerging market securities may be adversely affected by negative perceptions about an emerging market country's stability and prospects for continued growth. An account will also be subject to currency risk. Investments in, or exposure to, emerging market securities tend to be more volatile than



investments in developed countries. In addition, the risks associated with investing in a narrowly defined geographic area are generally more pronounced with respect to investments in, or exposure to, emerging market countries.

**Extension risk** – When interest rates rise, certain obligations will be paid off by the obligor more slowly than anticipated, causing the value of these securities to fall. Rising interest rates tend to extend the duration of securities, making them more sensitive to changes in interest rates. As a result, in a period of rising interest rates, securities may exhibit additional volatility and may lose value.

**Foreign securities risk** – Foreign securities may be subject to risk of loss because of more or less foreign government regulation, less public information and less economic, political and social stability in the countries in which an account invests. The imposition of exchange controls, sanctions, confiscations, trade restrictions (including tariffs) and other government restrictions by the US or other governments, or from problems in share registration, settlement or custody, may also result in losses. Foreign risk also involves the risk of negative foreign currency rate fluctuations, which may cause the value of securities denominated in such foreign currency (or other instruments through which an account has exposure to foreign currencies) to decline in value. Currency exchange rates may fluctuate significantly over short periods of time. These risks may be more pronounced in connection with an account's investments in securities of issuers located in emerging countries.

**High-yield bonds, lower-rated bond, and unrated securities risk** – High yield bonds, lower-rated bonds, and certain unrated securities are broadly referred to as “junk bonds,” and are considered below “investment-grade” by a nationally recognized statistical rating organization (“NRSRO”). Certain accounts will also invest in loans that are below investment-grade. The companies that issue these instruments are not as strong financially as those with higher credit ratings and are therefore more vulnerable to economic downturn or substantial periods of rising interest rates than more creditworthy companies which could adversely affect their ability to service principal and interest payment obligations. Junk bonds typically have a higher yield to compensate for a greater risk that the issuer might not make its interest and principal payments. As a result, an investment in junk bonds is considered speculative. An unanticipated default would result in a reduction in income and a decline in the market value of the related securities. The market prices of junk bonds are generally less sensitive to interest rate changes than higher-rated investments, but more sensitive to adverse economic or political changes, or individual developments specific to the issuer. Periods of economic or political uncertainty and change can be expected to result in price volatility. High yield bonds may be subject to liquidity risk as described herein, and PPM may not be able to sell a high yield bond at the price at which it is currently valued. The credit rating of a below investment grade security does not necessarily address its market value risk and may not reflect its actual credit risk. Ratings and market value may change from time to time, positively or negatively, to reflect new developments regarding the issuer.

**Income risk** – Income generated from a client account's investments may decline in the event of falling interest rates. Income risk may be high if the account's income is predominantly based on short-term interest rates, which can fluctuate significantly over short periods.

**Interest rate risk** – When interest rates increase, fixed income securities generally will decline in value. Conversely, as interest rates decrease, the prices of fixed-income securities tend to increase. In a low interest rate environment, an increase in interest rates could have a negative impact on the price of fixed-income securities and could negatively impact a client's account of fixed-income securities. Long-term fixed-income securities normally have more price volatility than short-term fixed-income securities. A nominal interest rate can be described as the sum of a real interest rate and an expected inflation rate.

Floating rate investments have adjustable interest rates and as a result, generally fluctuate less in response to interest rate changes. However, because floating rates generally only reset periodically, changes in prevailing interest rates may cause a fluctuation in a client account's value. Finally, a decrease in interest rates could adversely affect the income earned by the account from its floating rate debt securities.

**Leverage risk** – Certain transactions, such as reverse repurchase agreements, futures, forwards, swaps, or other derivative instruments, include the use of leverage and may cause PPM to liquidate a client account's positions at disadvantageous times. Leverage, including borrowing, may cause an account to be more volatile because leverage tends to exaggerate the effect of any increase or decrease in the value of an account's portfolio securities. The effect of using leverage is to increase an account's potential gains and losses in comparison to the amount of the account's assets (that is, assets other than borrowed assets) at risk, which may cause an account to be more volatile. If an account uses leverage, the account has the risk of capital losses that exceed the net assets of the account.

The private equity funds PPM sponsors (referred to in this section “Leverage risk” as “private funds”) may borrow money, including for purposes of cash management needs of the funds and bridging capital calls from limited partners. PPM and/or the applicable general partner, on its own behalf and on behalf of a private fund, will be permitted to hypothecate, mortgage, charge, assign, transfer, make a collateral assignment or pledge or grant a comparable security interest to a lender or other credit party of any entity in the private fund's structure (or any portfolio company or intermediate vehicle) of the assets of such entity in accordance with the applicable fund's governing documents. In certain circumstances, a lender may demand an increase in the collateral that secures a private fund's obligations and if the private fund was unable to provide additional collateral, the lender could liquidate assets securing the borrowing to satisfy the obligation. Liquidation in that manner could have an adverse effect on the private fund. In addition, the amount of each private fund's borrowings and the interest rates on those borrowings, which may fluctuate, may have an adverse effect on the private fund's profitability. While PPM believes that, if successfully implemented, the use of borrowing will enhance the performance of the respective private fund, there can be no assurance of such result. Moreover, a private fund's ability to service its debt depends largely on its financial performance and is subject to prevailing economic conditions and competitive pressures. Specific terms related to borrowing are described in the governing documents for each respective private fund.

Borrowing will directly impact (positively or negatively) the returns of an investment in a private fund and increase the risks associated with an investment in a private fund. Calculations of net and gross internal rates of return (“IRR”) in respect of investment and performance

data included and/or referred to in performance materials, and with respect to private funds as reported to the private fund's limited partners from time to time, are based on the payment date of capital contributions received from the applicable limited partner or timing of investment inflows and outflows received or made. In instances where a private fund utilizes borrowings under a subscription-based credit facility or asset-backed facility (or other facility), use of such facility (or other leverage) may result in a higher reported IRR (on an investment level and/or fund level) than if the facility had not been utilized because such borrowings were used in lieu of capital contributions or in advance of related capital contributions that would only be made at a later date. Even if IRR without the use of a leverage facility is reported alongside IRR with the use of such facility, use of a subscription-based credit facility (or other long-term leverage) may present conflicts of interest as a result of certain factors including the private fund's general partner making distributions out of the private fund prior to the repayment of outstanding borrowings. As a result, use of such leverage arrangements with respect to investments may provide the private fund's general partner with an incentive to fund investments through long-term borrowings in lieu of capital contributions. Moreover, the costs and expenses of any such borrowings will generally be borne as costs and expenses of the private fund, which will increase the expenses borne by the applicable limited partners and would be expected to diminish net cash on cash returns. Subject to the limitations set forth in the applicable governing documents, PPM and/or its affiliates maintain substantial flexibility in choosing when and how subscription-based credit facilities or other lending facilities are used. PPM may adopt from time to time policies or guidelines relating to the use of such credit facilities. Such policies may include using the credit facilities to systematically defer calling capital from investors (such as seeking to call capital only once a year).

The availability of credit is dependent on market conditions, which may vary over time. A substantial reduction in credit resulting from market conditions may have a material adverse effect on a private fund's ability to achieve its investment objective with respect to any particular portfolio investment and/or the private fund's entire portfolio. Conditions that reduce the availability of credit could have a material adverse effect on a private fund's overall return objectives. In addition, breach of financing arrangements such as financial covenants could give rise to losses and a private fund could be forced to sell portfolio investments at less than market value or cost. If a private fund were to default under a credit facility, the lenders under such credit facility could foreclose on the collateral and take possession of those assets pledged by the private fund, which would have an adverse effect on the private fund.

**Mezzanine loans risk** – Certain strategies may invest in mezzanine loans. Mezzanine loans may be collateralized with tangible fixed assets such as real property or interests in real property or may be uncollateralized. As with other loans to corporate borrowers, repayment of a mezzanine loan is dependent on the successful operation of the borrower. Mezzanine loans may also be affected by the successful operation of other properties, the interests in which are not pledged to secure the loan. Although mezzanine loans rank senior to common and preferred equity in a borrower's capital structure, mezzanine loans usually rank subordinate in priority of payment to senior debt, such as senior bank debt, and are often unsecured. Mezzanine loans also may often be unsecured. Mezzanine loans therefore are subject to the additional risk that the cash flow of the related borrower and the property securing the loan may be insufficient to repay the scheduled obligation after giving effect to any senior obligations of the related borrower. Mezzanine loans are also expected to be highly illiquid investments. Mezzanine loans will be subject to certain additional risks to the extent that such loans may not be protected by financial covenants or limitations upon additional indebtedness. Investment in mezzanine securities is a highly specialized investment practice that depends more heavily on independent credit analysis than investments in other types of debt obligations.

**Mortgage-related securities risk** – In addition to the asset-backed securities risk involved in investing in mortgage-related securities, mortgage-related securities may experience increased default risk due to rising interest rates and falling property prices. This may increase the likelihood that individuals and entities will fall behind or fail to make payments on their mortgages. When there are a number of mortgage defaults, the interest paid by mortgage-backed and mortgage-related securities may decline or may not be paid. A number of mortgage defaults could lead to a decline in the value of mortgage-backed and mortgage-related securities. In addition, legal and documentation risk related to mortgage defaults may exist.

Investments in mortgage-backed securities entail the uncertainty of the timing of cash flows resulting from the rate of prepayments or defaults on the underlying mortgages serving as collateral. An increase or decrease in payment rates (resulting primarily from a decrease or increase in mortgage interest rates) will affect the yield, average life, and price. The prices of mortgage-backed securities, depending on their structure and the rate of payments, can be volatile. Some mortgage-backed securities may also not be as liquid as other securities and may introduce illiquidity risk as further described herein.

**Prepayment risk** – During periods of falling interest rates, there is the risk that a debt security with a high stated interest rate will be prepaid before its expected maturity date and that PPM may have to reinvest the proceeds in a client account's investment that may have lower yields than the yield on the prepaid debt security. In addition, prepayment rates are difficult to predict and the potential impact of prepayment on the price of a debt instrument depends on the terms of the instrument. Floating rate loans are frequently prepaid with the expected maturity being shorter than the stated term. The degree to which borrowers prepay floating rate loans, whether as a contractual requirement or at their election, may be affected by general business conditions, the borrower's financial condition, and competitive conditions among lenders. Prepayments of principal to the purchaser of a floating rate loan may result in the principal being reinvested in floating rate loans with lower yields.

**Rule 144A securities risk** – Rule 144A securities are securities offered as exempt from registration with the SEC. Rule 144A securities may have an active trading market but carry the risk that the active trading market may not continue. To the extent that institutional buyers become, for a time, uninterested in purchasing Rule 144A securities, investing in such securities could increase an account's level of illiquidity.

**Second lien loans risk** – Second lien or junior loans generally are subject to similar risks as those associated with investments in senior loans. Because second lien loans are subordinated and thus lower in priority of payment to senior loans, they are subject to the additional risk that the cash flow of the borrower and property securing the loan or debt, if any, may be insufficient to meet scheduled payments after giving effect to the senior secured obligations of the borrower.

**Senior loans risk** – The senior loans in which PPM invests are usually rated below investment grade. The amount of public information with respect to loans may be less extensive than that available for registered or exchange listed securities. An economic downturn generally leads to a higher non-payment rate, and a senior loan may lose significant value before a default occurs. A secured senior loan may not be adequately collateralized. Moreover, any specific collateral used to secure a senior loan may decline in value or become illiquid, which would adversely affect the senior loan's value.

**Short sales risk** – Certain of PPM's investment strategies may take a short position in securities or in a derivative instrument, such as a future, forward or swap. Short sales involve greater reliance on PPM's ability to accurately anticipate the future value of an instrument, potentially higher transaction and other costs (that will reduce a client account's potential gains and increase potential losses), and imperfect correlation between the actual and desired level of exposure. Because an account's potential loss on a short position arises from increases in the value of the asset sold short, the extent of such loss, like the price of the asset sold short, is theoretically unlimited. By investing the proceeds received from selling securities short, an account could be deemed to be employing a form of leverage, which creates special risks. An account's long positions could decline in value at the same time that the value of the short positions increase, thereby increasing the account's overall potential for loss to a greater extent than would occur without the use of leverage. Short positions typically involve increased liquidity risk and transaction costs, and the risk that the third party to the short sale may fail to honor its contract terms.

**TIPS and inflation-linked bonds or inflation-indexed securities risk** – The value of inflation-protected securities generally fluctuates in response to changes in real interest rates, which are tied to the relationship between nominal (stated) interest rates and the rate of inflation as the principal and/or interest is adjusted for inflation and can be unpredictable. As a result, if inflation rates were to rise at a faster rate than nominal rates, real interest rates might decline, leading to an increase in the value of inflation-protected securities and an account may not receive any income from such investments. In contrast, if nominal interest rates increased at a faster rate than inflation, real interest rates might rise, leading to a decrease in the value of inflation-protected securities. If an account purchases inflation-protected securities in the secondary market whose principal values have been adjusted upward due to inflation since issuance, the account may experience a loss if there is a subsequent period of deflation. The losses from inflation-protected securities may be greater than the losses from other fixed-income securities with similar durations. The inflation-protected securities markets are generally much smaller and less liquid than the nominal bonds from the same issuers and, as such, can suffer from losses during time of economic stress or illiquidity.

**US Government securities risk** – Obligations issued by agencies and instrumentalities of the US Government vary in the level of support they receive from the US Government. They may be: (i) supported by the full faith and credit of the US Treasury, such as those of the Government National Mortgage Association; (ii) supported by the right of the issuer to borrow from the US Treasury, such as those of the Federal National Mortgage Association ("Fannie Mae"); (iii) supported by the discretionary authority of the US Government to purchase the issuer's obligations, such as those of the former Student Loan Marketing Association; or (iv) supported only by the credit of the issuer, such as those of the Federal Farm Credit Bureau. The maximum potential liability of the issuers of some US Government Securities may greatly exceed their current resources, including their legal right to support from the US Treasury. It is possible that these issuers will not have the funds to meet their payment obligations in the future.

Although many types of US Government Securities may be purchased by PPM on behalf of its clients, such as those issued by Fannie Mae, the Federal Home Loan Mortgage Corporation ("Freddie Mac"), the Federal Home Loan Banks, and other entities chartered or sponsored by Acts of Congress, their securities are neither issued nor guaranteed by the US Treasury and, therefore, are not backed by the full faith and credit of the US. The US Government may choose not to provide financial support to US Government sponsored agencies or instrumentalities if it is not legally obligated to do so, in which case, if the issuer defaulted, the holder of the securities of such issuer might not be able to recover its investment from the US Government. In 2008, the US Treasury and the Federal Housing Finance Administration ("FHFA") announced that Fannie Mae and Freddie Mac would be placed into conservatorship under FHFA. The ongoing effect that this conservatorship will continue to have on the entities' debt and equities and on securities guaranteed by the entities is unclear. No assurance can be given that the US Treasury initiatives discussed above with respect to the debt and mortgage-backed securities issued by Fannie Mae and Freddie Mac will be successful. In addition, new accounting standards and future Congressional action may affect the value of Fannie Mae and Freddie Mac debt.

**When-issued and delayed delivery securities and forward commitments risk** – When-issued and delayed delivery securities and forward commitments transactions arise when PPM purchases securities for a client account with payment and delivery taking place in the future in order to secure what is considered to be an advantageous price or yield for the account at the time of entering into the transaction. When-issued and delayed delivery securities and forward commitments involve the risk that the security purchased will lose value prior to its delivery. There also is the risk that the security will not be issued or that the other party to the transaction will not meet its obligation. If this occurs, the account loses both the investment opportunity for the assets it set aside to pay for the security and any gain in the security's price. In addition, these investments may create a form of investment leverage, which may increase an account's volatility and may require an account to liquidate portfolio securities when it may not be advantageous.

## Equity Risk

**Equity securities risk** – Common and preferred stocks represent equity ownership in a company. Stock markets are volatile, and equity securities generally have greater price volatility than fixed-income securities. As a result of such factors as a company's business performance, investor perceptions, stock market trends and general economic conditions, the price of equity or equity-related securities will fluctuate and can decline and reduce the value of a client account investing in equity or equity-related securities. An account could lose money if a company in which it invests becomes financially distressed. Equity securities prices typically fluctuate more than the values of other types of securities, typically in response to changes in the particular company's financial condition and factors affecting the market in general. Over time, the stock market tends to move in cycles, with periods when stock prices rise, and periods when stock prices decline. A slower-growth or recessionary economic environment could have an adverse effect on the price of the various stocks

held by an account. Consequently, a broad-based market drop may also cause a stock's price to fall. Generally preferred stocks rank before common stocks in their claim on income for dividend payments and on assets should the company be liquidated. The rights of common stockholders are subordinate to all other claims on a company's assets including debt holders and preferred stockholders.

**Exchange-traded funds investing risk** – An investment in an ETF generally presents the following risks: (i) the same primary risks as an investment in a conventional fund (i.e., one that is not exchange-traded) that has the same investment objectives, strategies and policies; (ii) the risk that an ETF may fail to accurately track the market segment or index that underlies its investment objective; (iii) price fluctuation, resulting in a loss to [an account]; (iv) the risk that an ETF may trade at a discount to its net asset value; (v) the risk that an active market for an ETF's shares may not develop or be maintained; and (vi) the risk that an ETF may no longer meet the listing requirements of any applicable exchanges on which that ETF is listed.

**Preferred stock risk** – Preferred stock represents an equity interest in a company that generally entitles the holder to receive, in preference to the holders of other stocks such as common stocks, dividends and a fixed share of the proceeds resulting from a liquidation of the company. Some preferred stocks also entitle their holders to receive additional liquidation proceeds on the same basis as holders of a company's common stock, and thus also represent an ownership interest in that company. Preferred stocks may pay fixed or adjustable rates of return. Preferred stock is subject to issuer-specific and market risks applicable generally to equity securities and is sensitive to changes in the issuer's creditworthiness and to changes in interest rates and may decline in value if interest rates rise. In addition, a company's preferred stock generally pays dividends only after the company makes required payments to holders of its bonds and other debt. For this reason, the value of preferred stock will usually react more strongly than bonds and other debt to actual or perceived changes in the company's financial condition or prospects. Preferred stock of smaller companies may be more vulnerable to adverse developments than preferred stock of larger companies.

### Alternative Investments Risks

**Private equity risk** – There are inherent risks in investing in private equity funds, whose principal business is to invest in and lend capital to privately held companies. Generally, little public information exists for private and thinly traded companies and may impede the ability to make a fully informed investment decision. Private equity funds may have relatively concentrated investment portfolios of a small number of holdings, and many of the funds' investments will be highly illiquid. The aggregate returns realized may be adversely impacted by the poor performance of a small number of investments, or even a single investment, or the need to write down the value of an investment.

Additionally, PPM may make co-investments on behalf of its clients directly in equity interests of private companies, alongside the third-party sponsored private equity funds in which it invests, in which case PPM clients directly bear the risk of investment in a privately held company. Co-investments with third parties are made through joint ventures or other structures. Such investments involve risks not present in investments where a third party is not involved, including the possibility that a co-venturer or partner becomes bankrupt or has economic or business interests or goals that are inconsistent with those of PPM. Any default by a co-venturer or partner could have an adverse effect on PPM and its clients. In some investment structures, a co-investment private equity fund sponsored by PPM may be a limited partner or other passive investor in an investment vehicle managed by a third party manager, and the co-investment fund will generally be without an ability to participate in the management and control of such third party investment. An investment in a co-investment fund will be highly illiquid.

**Real estate investment risk** – Real estate is also affected by general economic conditions and legal, cultural or technological developments. When growth is slowing, demand for property decreases and prices may decline. Real estate company share prices may drop because of the failure of borrowers to pay their loans and poor management. Many real estate companies, including REITs, utilize leverage (and some may be highly leveraged), which increases investment risk and could adversely affect a real estate company's operations and market value in periods of rising interest rates. Financial covenants related to real estate company leveraging may affect the company's ability to operate effectively. A real estate company may become liable for removal or other costs related to environmental contamination. Real estate companies tend to be small to medium-sized companies and share prices can be more volatile than, and perform differently from, larger company shares. A client account could hold real estate directly if a company defaults on its debt securities. Investment in REITs may be affected by the management skill of the persons managing the REIT.

**Commercial mortgage loan (CML) risk** – CMLs include the risks that a borrower may default on the loan and the real estate collateral may decline in value. Defaults can be complicated by borrower bankruptcy and other litigation, including the costs and expenses associated with foreclosure, which can decrease an investor's return. Declines in real estate value can result from changes in rental or occupancy rates, tenant defaults, extended periods of vacancy, increases in property taxes and operational expenses, adverse general and local economic conditions, overbuilding, deterioration in the physical condition of the asset, environmental issues at the mortgaged property, casualty, condemnation, changes in zoning laws, taxation and other governmental rules. The volatility of capital markets can also impact the liquidity and valuation of both mortgages and the underlying properties through changes in interest rates, the availability and pricing of mortgage capital, and the return requirements used in the valuation of real estate by prospective purchasers. Increases in interest rates can also directly reduce the market value of a fixed rate loan. Commercial mortgage investments are also dependent on the financial health, operational expertise, and management skills of the borrower. Additionally, CMLs include the risk that borrower debt service payments that flow through bank accounts held at banks suffering financial deterioration could freeze distribution of funds held in those accounts, and potentially creating loss of funds above FDIC insurance amounts.

## Item 9 - DISCIPLINARY INFORMATION

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of PPM's business or the integrity of its management.

## **Item 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

This brochure discusses only those functions performed by PPM on behalf of its clients and does not discuss the activities of other affiliated entities or related persons on behalf of their respective clients, except to the extent such activities are conducted in connection with the investment advisory activities of PPM. Additional information relating to these related persons of PPM is included on Schedule D to Part 1 of PPM's Form ADV and, to the extent applicable, in the Form ADV for such affiliated entities or related persons.

As of December 31, 2023, seven of PPM's associated persons are registered representatives of Foreside Financial Services, LLC, a FINRA registered broker/dealer.

As of December 31, 2023, none of PPM's management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities. PPM meets the definition of a "commodity trading adviser" pursuant to Section 1a(12) of the Commodity Exchange Act, but is exempt from registration with the Commodities Futures Trading Commission ("CFTC") pursuant to CFTC Regulation 4.14(a)(8).

As discussed in response to Item 7 above, PPM is the primary US investment manager for the general insurance account of JFI's subsidiary insurance companies, including Jackson.

### **JFI/Jackson**

PPM serves as investment adviser to insurance company subsidiaries of JFI and other related entities, including Jackson, Jackson National Life Insurance Company of New York and Brooke Life Reinsurance Company. PPM also executes trades on a non-discretionary basis to facilitate certain corporate hedging activities of Jackson and its insurance subsidiaries.

### **JNAM**

PPM also serves as investment sub-adviser to three mutual funds sponsored and advised by JNAM. JNAM is a wholly owned subsidiary of Jackson and an affiliate of PPM.

### **The PPM Funds**

PPM serves as investment adviser to the PPM Funds, an open-end investment company organized as a Massachusetts business trust, consisting of two separate series. JNAM serves as the administrator of the PPM Funds.

### **CLOs**

PPM Loan Management Company 2, LLC ("PPMLM2"), a Delaware series limited liability company, is an affiliate of PPM. PPMLM2 is a registered investment adviser. PPMLM2 was formed to serve as the collateral manager for CLO transactions sponsored by PPMLM2 or PPM in compliance with EU/UK risk retention requirements. PPMLM2's Management and Originator Series is 100% owned by PPM. PPMLM2 may from time to time establish one or more Retention Series which will be 100% owned by Jackson or its affiliates.

PPM has entered into a services and employee sharing agreement with PPMLM2 to provide advisory and support services to PPMLM2, pursuant to which certain employees of PPM serve as dual employees of both PPM and PPMLM2. These employees remain subject to the same PPM policies and procedures that are designed to address conflicts and ensure that PPM acts in the best interests of its clients. PPM supports day-to-day management of the CLO strategy and advises PPMLM2 with regard to all or substantially all of their investment and other activities.

### **Selection of Other Investment Advisers**

In one limited circumstance on behalf of an affiliated client, PPM retains an unaffiliated investment adviser to sub-advise a portion of the client's private placement bond portfolio which is focused on infrastructure-related investments. PPM does not receive compensation from the sub-adviser as part of this arrangement.

PPM selects private investment funds for its private equity and commercial real estate clients in the secondary market and through primary commitments. PPM does not, however, receive compensation from the advisers of such private investment funds for such investments. Certain of PPM's employees may be invited to serve on the advisory boards of the investment funds in which PPM invests on behalf of its clients to provide advice on certain conflicts of interest and other matters pertaining to such investment funds. There may be instances where such persons are asked to vote on issues taking the needs of all investors in such investment funds into account.

## Affiliations and Conflicts of Interest

PPM is committed to providing clients with service of the highest quality and seeks to act in the best interests of its clients. Nevertheless, there are circumstances where client interests conflict with PPM's interests, the interests of its affiliates, or the interests of other unaffiliated clients. The management of multiple funds and separately managed accounts gives rise to potential and actual conflicts of interest. Some of these conflicts of interest are inherent to PPM's business and are encountered by other large financial services firms that offer similar services. PPM has policies and procedures that are designed to address conflicts and that seek to ensure that PPM acts in the best interests of its clients; however, there is no guarantee that such procedures will detect each and every situation in which a conflict arises. PPM has established a designated management led conflicts committee and a special conflicts committee of PPM's Board of Directors to consider and resolve material conflicts related matters on an as needed basis.

PPM provides advice to a number of clients, including affiliated entities. PPM may take actions for clients that differ from recommendations or actions taken for other clients. Portfolio managers must divide their time and investment ideas across multiple funds and separately managed accounts. Portfolio managers generally focus on a particular investment discipline; therefore, similarly managed funds or separately managed accounts are in most cases managed using the same or substantially similar investment strategies. However, securities selected for any fund or separately managed account may outperform securities selected for similarly managed separately managed accounts or funds.

PPM is not obligated to recommend to any or all clients any investments that it may recommend to, or purchase or sell for, other clients. Client accounts at times will invest in the same instruments in which other clients affiliated with PPM or the PPM Funds invest, which could create conflicts, particularly where investment opportunities in securities or markets are limited or where the liquidity of certain instruments is limited. The allocation of investment opportunities raises conflicts of interest, as PPM could have an incentive to provide favorable treatment to certain accounts, including those of clients affiliated with PPM. PPM seeks to manage allocation conflicts through the adoption of procedures intended to provide a fair and equitable allocation of buy and sell opportunities among all client accounts over time.

As discussed in Item 6, Performance-Based Fees and Side-By-Side Management, conflicts of interest are also inherent in PPM's use of multiple strategies. For example, conflicts may arise when different clients, including affiliated clients invest in different parts of an issuer's capital structure, such as when an affiliated client owns senior debt obligations of an issuer and other clients own junior tranches or equity securities of the same issuer. In such circumstances, PPM must consider the different interests of clients when making decisions about whether to trigger an event of default, over the terms of any workout, or how to exit an investment. If an issuer in which a client and one or more other clients directly or indirectly hold different classes of investments encounters financial problems, decisions over the terms of any workout will raise conflicts of interests (including, for example, conflicts over proposed waivers and amendments to debt covenants). Additionally, PPM and certain PPM related persons receive carried interest on certain private equity investments. Carried interest may create an incentive on the part of PPM and/or such related persons to make investments that are more speculative than would be the case in the absence of performance-based compensation.

Conflicts of interest may also arise in connection with PPM's investment decisions, including with respect to the nature or structuring of investments that may be more beneficial for one investor than for another investor, especially with respect to such investors' individual tax situations.

PPM may enter into side letter arrangements with investors in its private funds that have the effect of altering or supplementing the terms of such investors' investments, including, without limitation, different management fee structures; exclusion from certain investments or involuntary withdrawals; the right to receive favorable rights or economic arrangements including co-investment arrangements; and information rights, in each case subject to the requirements of Rule 211(h)(2)-3 of the Advisers Act (the Preferential Treatment Rule). Such arrangements will generally be based on such factors as the size of an investor's commitment, an investor's existing relationship or affiliation with PPM or any particular regulatory or legal considerations applicable to an investor; however, PPM may enter into such arrangements for any reason it deems necessary, advisable, desirable, or convenient.

In order to minimize conflicts, PPM may avoid certain investment opportunities and negotiations with issuers that would give rise to conflicts among its clients, or PPM may enact internal procedures designed to minimize conflicts, which could have the effect of limiting certain clients' investment opportunities.

To the extent permissible by law and relevant client restrictions, PPM portfolio managers may direct client investments in securities or investment vehicles issued or managed by entities related to or controlled by PPM or Jackson affiliates. These investments are subject to PPM's investment diligence and review processes in the same manner as other investment opportunities and are executed on an arm's length basis. Conversely, the nature of PPM's affiliation with certain of its affiliates, including JFI and its subsidiaries, creates conflicts of interest or legal restrictions that inhibit PPM from directing client investments in related securities, resulting in PPM clients (or sub-sets of clients) foregoing these investment opportunities.

A portfolio manager may avoid certain investment opportunities that would give rise to conflicts with affiliates or other clients or result in PPM receiving material non-public information. In certain cases, PPM has established internal procedures designed to minimize conflicts, which could also have the effect of limiting investment opportunities available to certain clients. Additionally, if PPM acquires material non-public information in connection with its business activities for a certain client or group of clients, PPM could be restricted from purchasing or selling related securities for PPM's other clients.



When making investment decisions where a conflict of interest may arise, PPM will endeavor to act in a fair and equitable manner for all of its clients; however, in certain instances the resolution of a conflict may result in PPM acting on behalf of a client or clients in a manner that may not be in the best interest, or may be opposed to the best interest, of other clients.

Seed capital investments by PPM or its affiliates may also give rise to conflicts. PPM or its affiliates may seed or invest in a CLO or a series of the PPM Funds in which clients also invest. Such ownership percentage of a CLO or a fund may be significant and could remain significant for an indeterminate period of time. Where a seed investment in a CLO or a fund could create conflicts, senior management considers the best interest of clients when making decisions to invest in or redeem from the CLO or fund.

Potential conflicts also arise from PPM's relationship with its affiliates. As sponsor of and adviser to the PPM Funds, PPM could have an incentive to recommend that JNAM continue as the administrator for PPM Funds or recommend that the PPM Funds pay JNAM service fees in excess of fees that a third-party fund administrator might charge. PPM's due diligence on PPM Funds' service providers as part of PPM's fund sponsor responsibilities, combined with PPM Funds' Board oversight and service provider program review and approval, serve as mitigating factors for such potential conflicts.

Certain conflicts may arise from industry relationships and affiliations of PPM personnel. These relationships can include sales personnel or other employees' pre-existing relationships with investment consultants or their independent professional or personal relationships with PPM or PPM Funds' existing or prospective service providers. These relationships may inhibit PPM's impartiality or create an incentive for PPM to favor one third-party over another.

Conflicts of interest, including those of the nature described above, will be reviewed on a case-by-case basis. PPM has established a designated management conflicts committee and a special conflicts committee of PPM's Board of Directors to consider and resolve material conflicts related matters on an as needed basis. Any review will take into consideration the interests of all relevant clients, the circumstances giving rise to the conflict and applicable laws. Clients should be aware that although PPM will attempt to resolve all conflicts of interest in a fair and equitable manner, conflicts will not necessarily be resolved in their favor and in certain circumstances could be resolved in favor of other clients, which may be affiliated clients or clients that pay PPM higher fees, including performance-based fees. Actual or potential conflicts of interest may result in a particular client or group of clients receiving less favorable investment terms or returns from certain investments than if such conflicts of interest did not exist.

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

### **Code of Ethics**

PPM has adopted a written Code of Ethics ("Code"), that, among other things, sets forth standards of conduct expected of PPM's employees, officers, directors and certain affiliated employees (collectively, "access persons"), addresses conflicts that arise from personal trading, and emphasizes PPM's fiduciary obligation to put client interests first. The Code is designed to detect and prevent personal conduct that might create an actual or potential conflict of interest with a client. Under the Code, certain personal securities transactions of access persons are prohibited, while others are subject to pre-approval and/or reporting requirements.

The Code's restrictions on personal trading apply to any account over which an access person and certain immediate family members have investment discretion or a beneficial interest. Employees are required to pre-clear most personal securities transactions prior to execution, except as specifically exempted under the Code. Participation in Initial Public Offerings ("IPOs") is prohibited and all private placement transactions must be pre-approved by the Chief Compliance Officer. The Code also requires that securities requiring pre-clearance must be held for a minimum of 30 calendar days after purchase and may not be repurchased for a minimum of 30 calendar days following a sale. Subject to satisfying the Code and applicable laws, PPM access persons may trade for their own accounts in securities that are held in client accounts; however, the Code imposes a "blackout" period whereby employee trading in a security may be prohibited if PPM is transacting in that security for its clients. Exceptions to the Code's personal trading restrictions are considered on a case-by-case basis and are granted only when PPM's Compliance Department determines the potential for conflict or harm does not exist or is insignificant.

All access persons are required to provide quarterly reports of their securities transactions to PPM Compliance (in the form of confirmations and statements) and to certify that all personal securities transactions have been reported. On an annual basis, access persons are required to confirm they have reported all accounts which can be used to purchase or sell securities. PPM's Compliance Department reviews each access person's transactions, confirmations, and other account documentation to look for indications of improper personal transactions.

PPM will provide a copy of its Code to any client or prospective client upon request.

### **Gifts and Business Entertainment**

PPM has adopted Gift and Business Entertainment Policies and Procedures for PPM employees that places restrictions on receiving and providing gifts and business entertainment, imposes reporting requirements, and requires pre-approval to participate in business entertainment, except as specifically exempted under the Gift and Business Entertainment Policies and Procedures.

## Participation or Interest in Client Transactions

PPM does not buy or sell securities to or from client accounts on a principal basis except as permitted by law and in accordance with its compliance procedures. Further, certain employees or PPM affiliates own interests in affiliated entities which are also owned by PPM clients, where such employees and affiliates are entitled to an allocation of such entities' gains in excess of a preferred return (see Items 6 and 7 above). To the extent permitted by applicable law, client guidelines and restrictions, and in accordance with its compliance procedures, PPM also at times will effect "cross" transactions between client accounts. In these cases, one client will purchase a security held by another client. Neither PPM nor any related party receives any compensation in connection with a "cross" transaction. PPM effects these transactions pursuant to internal procedures and only when it deems the transaction to be in the best interests of each of the buying and selling clients and at prices that PPM has determined reflect fair value.

PPM in many instances purchases and sells, pursuant to its discretionary authority, the same securities for the accounts of related and unrelated persons. In those instances, PPM has internal procedures in place to allocate those securities on a fair and equitable basis over time.

PPM may purchase on behalf of clients privately placed securities involving corporate debt, asset-backed securities, leveraged leases, high yield debt, and private equity. PPM may purchase for a client account different classes of debt of the same issuer, debt and equity of the same issuer for different accounts, and securities of issuers also held by one or more affiliates of PPM. Such investments may be deemed to create conflicts of interest. For example, in the event of a bankruptcy or workout, the terms, standing and security of investments by PPM's affiliates may be deemed to be more advantageous than those received by unaffiliated accounts. PPM generally addresses this conflict through disclosure in the offering documents or investment advisory agreement for such clients and in this brochure.

Similarly, PPM may take certain actions for some clients that may have an adverse effect on other clients. This may mean, for example, that if PPM is on a creditor's committee in the case of a distressed investment and learns of material non-public information, it may be precluded from acting for other clients holding securities of the same or another affected issuer.

PPM maintains Policies and Procedures Regarding Material Non-Public Information and Information Barriers that establish barriers around certain internal groups which might be in possession or aware of material non-public information. The policy is designed to block the flow and potential misuse of that information. In addition, PPM has adopted other policies and procedures designed to minimize potential conflicts of interest of this nature and to address such conflicts in a manner which is most equitable to all clients.

## Participation or Interest in Personal Trading – Client Recommendations and Client Trading

PPM employees regularly share information, perceptions, advice and recommendations about market trends, the valuations of individual securities, and investment strategies, except where prohibited by information barriers established by PPM or by applicable law or regulation. Persons associated with PPM and portfolio managers may themselves have investments in securities that are recommended to clients or held in client accounts. A portfolio manager's management of personal accounts may give rise to potential conflicts of interest, including conflicts of interest related to the knowledge and timing and potential market impact of trades placed on behalf of clients, as well as current or potential investment opportunities under consideration.

As noted under "Code of Ethics" above, PPM has adopted a Code, as well as other policies and procedures, which seek to address potential conflicts involving personal trading by PPM's access persons. Subject to compliance with such policies and procedures, PPM's access persons may invest in the same or related securities that are purchased for client accounts. However, the Code imposes limits on such transactions, including generally prohibiting transactions within a blackout period before and after PPM transacts in such securities on behalf of a client. Further, the Code prohibits access persons from purchasing or selling any security where the access person has access to material non-public information relating to the security or the issuer or the security.

PPM and its employees, including its portfolio managers and research analysts, may have material interests in certain accounts PPM manages, including private equity funds or registered investment companies. A PPM employee's interest may be a direct ownership interest in a fund or account or an indirect interest in a fund or account, e.g., as a participant in a deferred compensation plan that invests in a fund managed by PPM. The interests of PPM and its employees in these funds or accounts may present a conflict of interest for PPM and its employees in allocating investment opportunities among such funds or accounts and other client accounts.

## Item 12 - BROKERAGE PRACTICES

### Broker Dealer Selection

PPM primarily provides investment advice to its advisory clients on a discretionary, and to a lesser extent on a non-discretionary basis. When granted the authority to do so, PPM typically determines which securities are bought and sold, the amount of securities bought and sold, which broker or dealer (collectively, "Broker Dealer") will effect such transactions, and the commission rates at which the transactions will be effected. PPM maintains lists of Broker Dealers, futures commission merchants and derivatives and repurchase agreement counterparties that have been reviewed and approved pursuant to its Best Execution Policies and Procedures. Traders generally have discretion to effect transactions with any Broker Dealer on the approved lists. With respect to non-discretionary accounts, PPM may



recommend securities trades, but the client must instruct PPM to effect a trade and PPM will not presume a client's consent to a trade from the client's silence.

PPM seeks to obtain best execution for client transactions with Broker Dealers, that is, to obtain not necessarily the lowest commission cost or best price, but the best overall qualitative execution under the circumstances. Factors that influence the way PPM selects Broker Dealers for trade execution include but are not limited to the:

- Quality of trade execution, including the accuracy and timely execution of trades, clearance and cooperation by the Broker Dealer in resolving errors and disputes;
- Reputation, financial strength, reliability, and creditworthiness of the Broker Dealer;
- Broker Dealer's block trading and positioning capabilities;
- Willingness of the Broker Dealer to execute difficult transactions;
- Willingness of the Broker Dealer to execute a transaction in combination with another transaction or transactions which, in aggregate, provide net benefit to PPM's client
- Willingness and ability of the Broker Dealer to commit capital
- Access provided by the Broker Dealer to PPM and its clients to underwritten offerings, including new issues of fixed income securities
- Overall costs of trades placed, that is, the net price paid or proceeds received, including commissions, mark-ups, mark-downs, spreads, other transaction costs, and opportunity costs in the context of PPM's knowledge of negotiated commission rates currently available
- Nature of the security being traded
- Size of the transaction
- Desired timing of the trade
- Existing and anticipated activity in the market for the security
- Confidentiality considerations
- Research, products, and other services provided for the benefit of PPM and its clients
- PPM's knowledge of actual or apparent operational problems of any broker-dealer considered

PPM will determine the overall reasonableness of the brokerage commissions and other transaction costs on client transactions by considering various factors, including, but not limited to, the following:

- Current market conditions
- Size and timing of the order
- Depth of the market
- Per share price
- Difficulty of execution
- Time taken to conclude the transaction
- Extent of the Broker Dealer's commitment, if any, of its own capital
- Amount involved in the transaction

## Research and Other Soft Dollar Benefits

While PPM selects Broker Dealers primarily on the basis of their execution capabilities, PPM may cause a client to pay a commission to Broker Dealers for effecting a transaction for that client in excess of the amount another broker or dealer would have charged for effecting that transaction, in exchange for certain research and brokerage services. Although the use of client brokerage commissions to obtain research or other products or services inherently benefits PPM because we do not have to produce or pay for the research, products, or services, this is only done when we have determined in good faith that the commission is reasonable in relation to the value of the execution, brokerage and/or research services ("Soft Dollar Benefits") provided by the broker. Our arrangements for the receipt of research services from Broker Dealers create conflicts of interests, in that we have an incentive to choose a broker or dealer that provides research services, instead of one that charges a lower commission rate but does not provide any research. Soft Dollar Benefits provided to our firm by brokers are reviewed to ensure that they meet the standards of Section 28(e) of the Securities Exchange Act of 1934, as amended. PPM periodically reviews the general level of brokerage allocated to various firms and the services provided by such Broker Dealers.

PPM may pay more than the lowest available commission rate in accordance with the “safe harbor” provision of Section 28(e) of the Securities Exchange Act of 1934 in its selection of brokers as noted above; however, PPM typically does not enter into contractual arrangements for the receipt of research or other services to be paid with soft dollar transactions.

The use of soft dollars to receive research and services benefits PPM by allowing PPM, at no cost to it, to:

- i. Supplement and enhance its own research and analysis activities
- ii. Receive the views and information of individuals and research staff of other securities firms, and
- iii. Gain access to persons having special expertise on certain companies, industries, areas of the economy and market factors.

PPM does not allocate the relative costs or benefits of research received from brokers or dealers among particular clients because we believe that the research received, in the aggregate, assists us in fulfilling our overall responsibilities to our clients. The research may be used in connection with the management of accounts other than those whose commissions paid for the research.

Research services paid for with client commissions can include:

- Research reports
- Specialized financial and industry publications and research compilations
- Quantitative, economic, international, and market strategy services
- Compilations of securities prices
- Dividends and similar data bases
- Market data
- Professional seminars
- The services of certain economic or financial consultants

Brokerage services received may include access to electronic trading platforms, access to traders with greater familiarity with company trading and market makers, and assistance in effecting securities or performance of other functions incidental to the transaction (such as clearance or settlement). These and other types of brokerage services may be originated by the Broker Dealer performing execution services or by third parties that are paid by the Broker Dealer. For fixed income, currency, and derivative transactions, counterparties do not provide the firm with third party research services. We believe that any proprietary research provided by fixed income, currency, and derivative counterparties is incidental to their execution services.

In an effort to achieve best execution for large client cash flows, PPM and/or PPMLM2 may trade fixed income instruments in a basket of several securities for a client, commonly referred to as a “portfolio trade”. In effecting portfolio trades, PPM typically utilizes alternative trading systems that provide access to a broad range of approved brokers to bid on the basket of securities. The agreements PPM enters into with certain alternative trading system providers may include discounts or credit for other services PPM receives from those providers, including discounts on terminal fees that PPM typically pays directly. These discounts are generally based on the volume of trading PPM conducts through the provider’s alternative trading system. The receipt of such discounts or credits creates a conflict of interest for PPM when selecting alternative trading system providers for use in client trades. PPM has established best execution policies and procedures to mitigate this conflict of interest, including a post-trade review of the execution quality of portfolio trades by PPM’s Compliance team and its fixed income trading desk, under the oversight of PPM’s Trade Management Working Group.

From time to time, PPM attends certain events sponsored by brokers where it is able to arrange meetings with senior management of corporate issuers. PPM does not allocate client trading to brokers on the basis of providing such access, though may allocate client commission on the basis of other substantive research provided in relation to such an event (research reports, analyst meetings/presentations, etc.).

PPM may receive products or services pursuant to soft dollar arrangements that are used both as investment research and for administrative, marketing or other non-research purposes. In those cases, PPM makes a good faith effort to determine the relative proportions of such products or services that constitute “research.” PPM has a conflict in making this decision. The portion of the cost of such products or services attributable to research may be paid, in whole or in part, by brokerage commissions on client transactions. PPM pays the costs not attributable to research in hard dollars.

Research products or services may benefit any or all of PPM’s clients and PPM will not necessarily use such research products or services for the account(s) that paid the commissions used to purchase the research.

PPM has not entered into any arrangements to direct client transactions to a particular Broker Dealer in return for Soft Dollar Benefits it has received during the last fiscal year.

## Brokerage for Client Referrals

When selecting Broker Dealers for trade execution on behalf of client accounts, PPM does not take into consideration any client referrals from a Broker Dealer or third party, either for itself or for a related person.

Additionally, as a matter of policy, PPM does not compensate Broker Dealers for the promotion or sale of shares of PPM Funds by directing to the Broker Dealer (i) securities transactions or (ii) any other remuneration, including but not limited to, any commission, mark-up, mark-down or other fee (or portion thereof) received or to be received from transactions effected through any other Broker Dealer. PPM has adopted policies and procedures that are reasonably designed to detect and prevent the parties responsible for selecting Broker Dealers from considering a Broker Dealer's promotion or sales efforts on behalf of PPM Funds when selecting a Broker Dealer to effect a securities transaction.

## Directed Brokerage

PPM does not routinely recommend, request or require that a client direct it to execute transactions through a specified Broker Dealer.

In limited circumstances, PPM will permit a client to direct brokerage to a specified Broker Dealer. The discretionary authority of PPM may be limited by directions from a client to have a transaction effected through a specific Broker Dealer for research and services pertaining specifically to, or to defray expenses incurred by, its account. As with all directed brokerage transactions, PPM may not be able to freely negotiate commission rates or select Broker Dealers on the basis of best price and execution for such transactions. In addition, transactions directed in this manner are typically not batched for execution with transactions in the same securities for other clients. As a result, such client may have to pay higher commissions or receive less favorable net prices or execution than would be the case if PPM were authorized to choose the Broker Dealer through which to execute transactions for the client's account.

Some clients may also participate in commission recapture programs, in which a broker-dealer through which transactions for that client are executed or cleared, in return for that business, pays the client a cash rebate, provides products or services to the client, bears some of the client's expenses, or provides some other kind of benefit to the client. Should a client request that PPM support its use of commission recapture programs, and PPM agrees to do so, PPM will generally determine the extent of available opportunities to direct trades to a client's recapture program as conditions warrant and only on a reasonable-efforts basis. PPM periodically reviews its trading activities relative to client commission recapture goals. There can be no guarantee that any target or goal will be achieved.

## Aggregation of Trades

When possible and appropriate, PPM seeks to purchase or sell the same securities or instruments for a number of clients simultaneously, including affiliated clients. Accordingly, orders for the same security may be combined or batched to facilitate best execution and to reduce brokerage commissions or other costs. PPM strives to effect all batched transactions in a manner that it believes is designed to be fair and equitable to its clients over time. Transactions for each client account will also be completed independently where aggregating orders is not possible or advisable.

PPM will also increase or decrease the amount of a trade allocated to each account when necessary to avoid holding odd-lot or small positions for clients or where an allocation would not meet the minimum trade or holding sizes applicable to certain instruments. Additionally, if PPM is unable to fully execute a batched transaction and PPM determines that it would be impractical to allocate a small amount among the accounts participating in the transaction on a pro-rata basis, PPM will allocate such securities in a manner determined in good faith to be fair and equitable over time, which may result in the removal of accounts from an order or an entire order being allocated to one account. Exceptions to PPM's allocation procedures require review and approval by the Chief Compliance Officer.

## Fixed Income

For trades in fixed income instruments, including private placements and bank loans, purchase and sale orders effected in batched transactions are allocated pursuant to PPM's relevant allocation procedures, which generally call for a pro-rata allocation to the participating accounts in proportion to the size of the order placed for each account, or in certain circumstances, in proportion to the participating account's current assets under management. Initial order size for each account is determined at the sole discretion of the portfolio management team responsible for each account, based on client or asset class specific factors including cash availability and needs, investment guidelines and restrictions, minimum trade or allocation size, portfolio characteristics, deal terms or restrictions or any other factors as determined relevant by the portfolio management team at the time of the order.

## Public Equity

Public equity trades are typically client specific and not subject to aggregation. However, in the limited circumstances when it is possible and appropriate, PPM will aggregate public equity trades and will typically allocate shares among participating accounts on a pro-rata basis in proportion to the size of the order placed for each account.

## Private Equity

PPM purchases interests in limited partnerships (or similar vehicles) unaffiliated with PPM ("Unaffiliated LPs") on behalf of its advisory clients. If an Unaffiliated LP opportunity is suitable for multiple clients and there is insufficient supply to meet each client's target allocation, each client's allocation will typically be reduced on a pro-rata basis based on the participating client's original target allocation for that opportunity, or in a manner as otherwise determined fair and equitable by the private equity team in its reasonable discretion.

Factors the team considers in adjusting a pro-rata allocation include client investment parameters, minimum allocation amounts, restrictions imposed by the general partner of the third-party fund, a client's overall exposure to funds of the third-party fund sponsor or other factors determined relevant by the portfolio management team at the time of the allocation.

As an investor in Unaffiliated LPs, PPM will often be presented with opportunities to make co-investments on behalf of its clients directly in equity interests of private companies alongside fund sponsors ("Co-Investment Opportunities"). In some cases, Co-Investment Opportunities offered to PPM may be suitable for more than one private equity co-investment fund or client separate account managed by PPM. The private equity team makes allocation determinations between eligible consistent with its clients' governing documents and in accordance with PPM's allocation procedures. Except as required by relevant governing documents, PPM is not obligated to allocate any investment to any particular client, however, the private equity team attempts to allocate Co-Investment Opportunities among clients in a fair and equitable manner over time.

An initial screening process is used to determine the eligible clients for a potential Co-Investment Opportunity by applying Clients' investment criteria and portfolio construction guidelines. The private equity team first considers (i) the type of investment and (ii) the applicable investment documents to determine whether a client is eligible for the Co-Investment Opportunity. The team then considers various other factors to determine whether and to what extent the investment is appropriate and desirable for an eligible client, which may include but are not limited to the following:

- expected risk/return characteristics of the investment;
- the availability of relevant investments (whether by geography, subclass or other characteristics);
- the applicable Clients' amount of remaining capital to be invested (including available leverage);
- portfolio construction considerations (such as time diversification and deployment pace, subclass concentration / diversification, overall portfolio concentration / diversification, concentration / diversification of an underlying fund, or concentration / diversification of a manager or general partner, company concentration / diversification, sector concentration / diversification, and geographic considerations);
- tax and regulatory considerations;
- potential conflicts of interest;
- underlying fund investment minimums;
- whether a managed entity has an existing interest in the investment and right of first refusal; and
- proximity to end of / duration of investment period.

If the aggregate desired allocation to eligible clients exceeds the available amount of the opportunity, the opportunity will be allocated among participating clients on a fair and equitable basis, typically pro rata based on each client's desired target investment amount. However, an opportunity may be allocated on a basis other than pro rata if the team determines that a different allocation would be more appropriate based on the facts and circumstances of the opportunity, which may include but are not limited to consideration of the factors described above.

Add-on transactions to existing private equity positions are typically allocated in a manner pro-rata to the original investment made. If the client that made the original investment is not able to enter into an add-on transaction, then, at the discretion of the private equity team, the add-on transaction may be offered to another client, a limited partner of a PPM Private Equity Fund, the General Partner, or a third party.

After allocating a Co-Investment Opportunity to one or more clients, the private equity team may determine that the amount of the Co-Investment Opportunity exceeds the amount that would be appropriate for such client(s) and may further offer direct participation in any such excess Co-Investment Opportunity directly to third-parties that are not advisory clients, which may include prospective clients or fund investors, current fund investors, or any other third-party. Decisions regarding whether and to whom to offer direct Co-Investment Opportunities will be made by the private equity team alone or in consultation with other participants in the relevant transactions, such as the deal sponsor.

## **Commercial Mortgage Loans (CMLs)**

CML opportunities will generally be allocated among advisory clients, including affiliated clients such as Jackson, on a rotational basis per strategy. Rotations are subject to adjustments at the discretion of the commercial real estate portfolio management team to account for partial allocations, re-allocations due to minimum position size, deals that fail to close, and other factors deemed relevant by the portfolio management team at the time an allocation decision is made. Additionally, certain clients require that another client, typically an affiliate of PPM, serve as the lead lender (the "Lead Lender") for their CML investments pursuant to a loan participation agreement. In such cases, the investment opportunity will be allocated between the client and the Lead Lender based on the client's desired target investment for the opportunity. A Lead Lender's receipt of an allocation pursuant to such loan participation arrangement will not affect the Lead Lender's own position in the applicable rotation list for future investment opportunities. It is therefore expected that clients that also act as Lead Lenders in loan participation arrangements, including PPM affiliates, will receive more CML investment opportunity allocations over time as compared to clients who do not act as Lead Lenders.

## **New or Closing Accounts**

While PPM strives to provide fair and equitable allocation of investment opportunities to all clients over time, where deemed necessary and appropriate during the initial investment period for a new account, in order to ramp the portfolio in a timely manner, PPM will

preference the new account in certain primary and secondary transactions until the account is deemed fully invested. Similarly, where deemed necessary, when an account is in a wind-down period or is being terminated, PPM will preference the account on sell trades to facilitate its timely closure. Accounts subject to allocation preference during a ramp or wind-down period include accounts of PPM affiliates and accounts for which PPM receives a performance-based fee.

## Trade Errors

Errors can result from a variety of situations involving portfolio management and trading, including an inadvertent breach of investment guidelines or miscommunication of trading information (wrong number of shares, wrong price, wrong account, wrong direction, etc.). A conflict of interest exists between PPM and the interest of affected clients in the remediation of an error or in the calculation methodology used to determine any related reimbursement. In order to minimize these conflicts, PPM has adopted policies and procedures for correcting errors, which require that all errors affecting a client account be resolved promptly and fairly. Under certain circumstances, the policy provides that trades may, where appropriate, be cancelled or modified prior to settlement. The intent of the policy is to place the client back in the position it would have been had the error not occurred.

## Item 13 - REVIEW OF ACCOUNTS

### Investment and Portfolio Risk Reviews

PPM's portfolio managers regularly monitor the accounts under their supervision and review each account within their style of management as frequently as deemed appropriate for such account (which may be daily, monthly or quarterly).

For public and private fixed income strategies, portfolio managers review accounts on a daily basis for:

- Trades, positions, and cash levels;
- Compliance with client investment guidelines; and
- Portfolio risk positioning.

With respect to the PPM private equity strategies, the private equity team members analyze monthly, quarterly and annual financial reports, participate in sponsor's quarterly update meetings or periodic client conference calls, attend annual advisory board and other informal meetings, as appropriate. In connection with some investments, a member of the applicable private equity team may also serve on a board observer committee. In addition to fund and co-investment diligence material provided by sponsors, this level of activity provides PPM a breadth of information that enables it to manage existing portfolio investments and make new investment decisions on behalf of private equity clients.

With respect to PPM's commercial mortgage lending strategies, PPM's commercial real estate group (CREG) regularly monitors commercial mortgage loan performance by monthly, quarterly, and annual analysis and reporting, subject to client agreements. The timely receipt of mortgage payments is monitored monthly, and delinquencies are investigated with a final report to the CREG Head. Loans identified for credit monitoring are reviewed at a quarterly meeting. Loans with current risk concerns are discussed at the quarterly meeting, along with loans for which collateral, borrower or market information indicates there is a potential future risk to the mortgage loan. Ad hoc meetings are also held to further discuss any mortgage loans for which an impairment or specific reserve should be considered. Annually, the CREG completes a review of annual financial statements, rent rolls and property inspections to confirm collateral performance is consistent with that anticipated at origination. A collateral valuation is completed based on property operating statements and third-party market data. The foregoing activities support CREG's approach to proactive management of the mortgage loan portfolio throughout the year and ensures clients are well apprised of any mortgage loan at risk and the overall portfolio's standing.

PPM's risk management team provides oversight and analysis of portfolio risk across the organization and in each fixed income portfolio. The risk team communicates the results of its analysis to senior management and the investment teams through periodic meetings, which include:

- **Monthly strategy level review meetings** - On a monthly basis, PPM's Chief Risk Officer ("CRO") and members of the risk management team meet with PPM's Chief Investment Officer ("CIO") and Deputy Chief Investment Officer ("Deputy CIO") to review a summary of portfolio risk oversight activities, including performance dispersion, rankings against peers and benchmarks, tracking error and various investment risk metrics.
- **Quarterly portfolio risk meetings** - On a quarterly basis, the CRO and members of the risk management team meet with PPM's CIO, Deputy CIO and portfolio management teams to review various performance, risk attribution and portfolio positioning reports across fixed income and floating rate accounts for the prior quarter. Where potential portfolio risk issues are identified, portfolio managers may, with the guidance of the risk team and chief investment officer, adjust portfolio risk positioning.
- **Quarterly PPM Risk and Oversight Committee meetings** - On a quarterly basis, PPM's CRO and risk management team presents a summary of the team's portfolio risk oversight activities related to the fixed income and floating rate accounts to the

PPM Risk and Oversight Committee. The risk team reports on performance dispersion, rankings against peers and benchmarks, tracking error and various other risk metrics. Risk concerns, if any, are noted to the committee.

## Commingled Account Reviews

PPM serves as adviser and sub-adviser to commingled accounts such as mutual funds and other pooled investment vehicles. For these accounts, in addition to the investment and portfolio risk reviews described above, PPM is also subject to the oversight of the investment manager and/or the governing body of the respective vehicle (such as the board of directors, trustee or investment committee) and produces regular and periodic compliance and/or risk reports to meet their reporting requirements or in response to their requests.

## Additional Functional Reviews

Functional areas, such as our compliance team, also review and assess data and processes relating to our management and trading. They report results of these analyses independently to our senior management. Examples of these independent reviews may include:

- Periodic review of client investment guidelines and automated pre- and post-trade tests with portfolio management teams to ensure accuracy of guidelines and testing logic
- Daily pre- and post-trade compliance review of transactions for consistency with investment guideline restrictions;
- Periodic review of trading activity including trade allocations and errors; and
- Oversight of other specific investment and trading activities, including reviews by our:
  - Various Investment Approval Committees
  - Trade Management Working Group;
  - CLO Management Working Group
  - Trade Allocation Working Group;
  - Restructuring Operations Working Group;
  - New Activity Vetting Committee;
  - Valuation Committee; and
  - PPM Risk and Oversight Committee

## Reports to Clients

Generally, all clients receive, at least quarterly, a written summary outlining the activity in their accounts, including, where applicable, performance information which highlights the portfolio's return and characteristics as compared to the appropriate benchmarks (as applicable). In addition, PPM generally will hold meetings with clients to review their portfolios on a periodic basis, and upon request by the client. Further, for pooled vehicles such as the CLOs that PPMLM2 advises or manages, the Trustee provides written reports to all investors, and PPM may provide reports to investors (if known to PPM) in such vehicles. The nature and frequency of the Trustee reports are described in the applicable pool's governing agreement and other relevant instrument (such as the indenture or limited partnership agreement). PPM's reports generally summarize or supplement such reports, as deemed appropriate by PPM.

## Item 14 - CLIENT REFERRALS AND OTHER COMPENSATION

PPM does not receive an economic benefit from any third party for providing investment advice or other advisory services to any of PPM's clients.

From time to time, PPM enters into arrangements pursuant to which it compensates, directly or indirectly, a person who is not a PPM employee for client referrals. In addition, from time to time, PPM enters into agreements with a third-party placement agent to make investor referrals for a PPM-sponsored private fund. Third-party solicitors and placement agents typically receive a monthly servicing fee, an asset-based success fee or a combination of both. In some cases, PPM also pays solicitors for ongoing client servicing support. PPM pays such fees directly from its corporate assets, which may be derived from management fees paid by PPM's clients, or in some cases the compensation will be paid directly by the PPM-sponsored private fund. Solicitation or referral arrangements with third parties to obtain referrals for prospective clients are made pursuant to written agreements and in accordance with the other requirements of Rule 206(4)-1 under the Advisers Act (the "Marketing Rule"). As required by the Marketing Rule, PPM requires each solicitor or placement agent, at the time of the solicitation of a potential client or fund investor, to provide disclosure about its compensation arrangement with PPM, along with a description of any material conflicts of interest raised by the arrangement.

Many clients or prospective clients retain investment consultants, or other financial intermediaries, to advise them on selecting and reviewing investment managers. From time to time, PPM also has business relationships with organizations that are, or are affiliated with, investment consultants for purposes that include purchasing index data, paying to be listed in databases, and sponsoring events attended by investment consultants. Any fees paid to these investment consultants by PPM are paid from PPM's own resources, which may be derived from management fees paid by PPM's clients.



## Item 15 - CUSTODY

PPM does not typically maintain custody of client funds or securities and, except as described below, will seek to take the actions necessary to avoid being deemed to have inadvertent custody of client funds and securities. For example, the authority provided to PPM pursuant to its investment management agreements is typically limited to trading related activities. In addition, PPM maintains an authorized signers list granting limited authority to certain employees to provide trading and settlement-related instructions, which is provided to custodians. Notwithstanding anything in a client's agreement with a custodian or other service provider that purports to give PPM powers that may be construed as custody over such client's assets, PPM expressly disclaims any such authority.

PPM generally is not involved in the process by which a separately managed account client selects its custodian and has no involvement in a client's negotiation of its custodial arrangements. Clients are therefore responsible for independently arranging for all custodial services, including negotiating custody agreements and fees. Each client should carefully review account statements from its custodian to ensure that they reflect appropriate activity in the account.

In limited circumstances, PPM is deemed to have custody of client cash or securities under Rule 206(4)-2 of the Adviser's Act. All funds and securities of each such custody client are held by a qualified custodian (except uncertificated privately offered securities, subject to certain conditions).

- In the case of private funds where PPM is deemed to have custody as a result of its affiliation with a fund general partner or its role as administrator of a client controlled fund, each such fund is subject to an annual audit by a Public Company Accounting Oversight Board ("PCAOB") registered accountant, and the resulting report and financial statements are distributed to fund investors within the timeframe required by Rule 206(4)(b)(4) and related SEC no-action letters.
- Where a client's portfolio includes CMLs, PPM occasionally acts as the loan servicer or performs loan servicing activities. As part of servicing the loans and processing borrower payments, funds related to CMLs made on behalf of PPM's advisory clients are typically commingled in one or more clearing accounts, each covering multiple CMLs, prior to further distribution in accordance with the loan servicing arrangements. The funds primarily include principal and interest payments, and also generally include items such as borrower paid reserves (e.g. for taxes and insurance) and other fees. Such clearing account(s) are established with a qualified custodian and may include a combination of affiliated and non-affiliated advisory client funds in a single account. To the extent PPM maintains a clearing account for non-advisory client activity (such as loan origination arrangements), that account is maintained separately from advisory client clearing accounts so that advisory client funds are not commingled with non-advisory client funds. PPM has full authority and control over the clearing account(s) and is deemed to have custody over the client funds held in the clearing account(s). Borrower paid reserves received in the clearing account(s) are typically transferred to separate borrower escrow or reserve accounts held at such qualified custodian to support the CML investment of the relevant PPM client(s).
  - Clients will not receive custodial statements for the clearing accounts from PPM or from the custodian bank. However, PPM confirms with each client that, in order to receive payments related to their CML holdings, clients maintain their own bank account at a qualified custodian and receive statements directly from that custodian. Accordingly, such clients should ensure that they are receiving and reviewing statements from their own qualified custodians on at least a quarterly basis to ensure that all expected funds are received (based on the client's or its custodian's record of the client's CML holdings) and to contact us with any questions.
  - Additionally, for the clearing accounts as well as relevant borrower escrow or reserve accounts related to the servicing of CMLs, PPM engages a PCAOB registered accountant to perform a surprise verification of assets on an annual basis, consistent with the requirements of Rule 206(4)-2(a)(4).

## Item 16 - INVESTMENT DISCRETION

PPM generally accepts discretionary authority to manage the accounts of its clients pursuant to investment guidelines and restrictions established by the client or the investment adviser who is delegating sub-advisory responsibilities to PPM. Prior to assuming this authority, PPM will typically enter into an investment management or other similar agreement, which either includes or incorporates by reference the client's specific investment objectives, restrictions, guidelines, and applicable reference benchmarks.

On a limited basis, PPM provides non-discretionary investment management services to certain clients, typically related to private investment strategies. Non-discretionary mandates are typically subject to written agreements which may identify specific client restrictions or guidelines, however for non-discretionary accounts the client approves purchases and sales, and in doing so may waive written guidelines or restrictions.

PPM also provides real estate loan origination and servicing services to third parties that are not advisory clients. As part of this business, PPM sources and underwrites potential loan transactions pursuant to guidelines provided by the third party. Further



investment diligence and the decision to enter into a commercial mortgage loan with the respective borrower are the sole responsibility of the third party.

## Item 17 – VOTING CLIENT SECURITIES

As required by Rule 206(4)-6 under the Advisers Act, PPM has adopted written policies and procedures in connection with voting proxies for those clients for whom it exercises proxy voting authority. Copies of PPM's Proxy Voting Policies and Procedures are available by request. Clients may also request copies of voting records for their proxies.

PPM's primary consideration in determining how to vote a proxy or other voting right is the financial interest of its clients. For equity securities, PPM generally votes all proxies in accordance with its U.S. Proxy Voting Guidelines Summary (the "Voting Guidelines"), which is periodically reviewed and updated as necessary. The Voting Guidelines have been established with the assistance of Institutional Shareholder Services, Inc. ("ISS"), a proxy voting and consulting firm, and are designed to further the interests of clients when voting on particular proposals. PPM has generally adopted the ISS guidelines in the Voting Guidelines. Where proposals are not addressed in the Voting Guidelines, or in the event that the portfolio manager recommends a vote contrary to the Voting Guidelines, PPM will vote in the manner believed to be in the best financial interests of its clients. Where the vote conflicts with a stated guideline, it will be subject to the prior review of PPM's Legal and Compliance team. If necessary, at the recommendation of PPM's Legal and Compliance team, PPM's Conflicts Committee will be convened to address any material conflicts of interest identified. If a client desires to do so, they may contact PPM with direction regarding a vote for a holding in their account.

PPM performs oversight and assurance reviews of its proxy voting activities, including:

- periodically sampling proxy votes to ensure that they were cast in compliance with the PPM Proxy Voting Policies and Procedures;
- a review, no less frequently than annually, of the adequacy of the PPM Proxy Voting Policies and Procedures to make sure that the procedures continue to be reasonably designed to ensure that proxies are voted consistent with our fiduciary obligations to our clients;
- A due diligence review, no less frequently than annually, over ISS that is consistent with PPM's third-party supply process, including reviews of due diligence documents and questionnaires provided or completed by ISS. In conducting this diligence, PPM will consider whether there are any identified conflicts of interest or any other factors important in considering the nature and quality of the services provided by ISS.

In certain circumstances, where PPM or certain affiliates have made proprietary investments in mutual funds for which PPM serves as investment adviser, PPM will vote proxies for those mutual funds in accordance with its policies and procedures, which generally require that such proxies be voted in proportion to the votes of all other institutional fund shareholders.

Because the issues on which PPM votes client debt securities are unique to each borrower and relevant facts and circumstances, and do not lend themselves to broad characterization as do many issues associated with equity related proxies, PPM does not maintain voting policy guidelines regarding categories of issues that may come before debt security holders. All such votes related to debt securities are considered on a case-by-case basis and determined by the applicable investment team with the client's best financial interest in mind. Because of the familiarity of its staff with issues upon which it votes client debt securities, PPM typically does not retain the services of a qualified independent third party (such as ISS) to provide guidance on such matters.

PPM clients may determine not to delegate authority to PPM to vote client securities. In this event, clients will arrange to receive proxies directly from their custodian or transfer agent and may contact PPM with questions regarding any solicitation.

## Item 18 - FINANCIAL INFORMATION

PPM does not require or solicit prepayment of more than \$1,200 in fees per client six months or more in advance and therefore has not included a balance sheet for its most recent fiscal year. Also, PPM is not aware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to clients and has not been the subject of a bankruptcy petition at any time during the past ten years.

# Privacy Policy

PPM America, Inc., PPM Loan Management Company 2, LLC and PPM Funds (collectively, “PPM”, “we”, “us” or “our”, as applicable) are committed to keeping nonpublic information about clients and potential clients secure and confidential. We do not disclose your information to anyone except as required by law, described in this policy, or as you otherwise permit. Most importantly, we do not sell your information to anyone.

## PERSONAL INFORMATION COLLECTED WITHIN THE PAST 12 MONTHS

Below is a list of the categories of personal information we have collected within the past 12 months. We did not necessarily collect all the specific pieces of personal information listed for any given person or category. Please note that these personal information categories are as they are set forth under California law.

Category	Collected
Identifiers such as a real name, alias, postal address, unique personal identifier, online identifier, Internet Protocol address, email address, account name, social security number, driver's license number, passport number, or other similar identifiers.	Yes
Any category of personal information described in Cal. Civ. Code § 1798.80(e):  “Personal information” means any information that identifies, relates to, describes, or is capable of being associated with, a particular individual, including, but not limited to, his or her name, signature, social security number, physical characteristics or description, address, telephone number, passport number, driver's license or state identification card number, insurance policy number, education, employment, employment history, bank account number, or any other financial information, medical information, or health insurance information. “Personal information” does not include publicly available information that is lawfully made available to the general public from federal, state, or local government records.	Yes
Characteristics of protected classifications under California or federal law: sexual orientation; race; national origin; medical conditions; disability (physical or mental); genetic information; military or veteran status; status as a victim of domestic violence assault, or stalking; gender identity and gender expression; color; religion; sex (including pregnancy, childbirth, and related medical conditions); age (40 or older); marital status; political affiliates or activities.	Yes
Commercial information, including records of personal property, products or services purchased, obtained, or considered, or other purchasing or consuming histories or tendencies.	Yes
Biometric information.	Yes
Internet or other electronic network activity information, including, but not limited to, browsing history, search history, and information regarding a consumer's interaction with an Internet Web site, application, or advertisement.	Yes
Any category of sensitive personal information described in Cal. Civ. Code § 1798.140(ae)(1) to (2):  “Sensitive personal information” means (1) “personal information” that reveals: a consumer's social security, driver's license, state identification card, or passport number; a consumer's account log-in, financial account, debit card, or credit card number in combination with any required security or access code, password, or credentials allowing access to an account; a consumer's precise geolocation; a consumer's racial or ethnic origin, religious or philosophical beliefs, or union membership; the contents of a consumer's mail, email, and text messages unless the business is the intended recipient of the communication; a consumer's genetic data; or (2) the processing of biometric information for the purpose of uniquely identifying a consumer; personal information collected and analyzed concerning a consumer's health; or personal information collected and analyzed concerning a consumer's sex life or sexual orientation.	Yes
Geolocation data.	No
Audio, electronic, visual, thermal, olfactory, or similar information.	No
Professional or employment-related information.	No
Education information, defined as information that is not publicly available personally identifiable information as defined in the Family Educational Rights and Privacy Act (20 U.S.C. section 1232g, 34 C.F.R. Part 99).	No
Inferences drawn from any of the information identified in this chart to create a profile about a consumer reflecting the consumer's preferences, characteristics, psychological trends, predispositions, behavior, attitudes, intelligence, abilities, and aptitudes.	No

## CATEGORIES OF SOURCES FROM WHICH PERSONAL INFORMATION IS COLLECTED

We receive personal information through two primary means: information you provide us and information we collect automatically.

**Information you provide.** In the course of serving you as someone associated with a corporate or institutional client, PPM obtains personal information about you principally through requests by email or telephone. Obtaining this information is important to our ability to fulfill your requests and deliver the highest level of service. PPM also works with LinkedIn to collect personal information that you provide on its website to access online and mobile advertisements for PPM products and services that we think may be of interest to you. We do not control and are not responsible for the actions or privacy practices of other websites (whether accessed through an advertisement, service or content link) and urge you to review such practices prior to submitting any information to such websites.

**Digital Analytics Information.** While we do not collect personal information from anyone who is merely visiting or browsing our website, to enhance our visitors' usability of the PPM website, we use digital analytics tools (e.g. Google Analytics) to understand and optimize performance. This may include, but is not limited to, the collection of IP addresses and information about what pages visited, and average time on pages. To learn more about how Google uses the information, visit [Google's Privacy & Terms](http://policies.google.com/technologies/partner-sites) at <http://policies.google.com/technologies/partner-sites>.

When interacting with our PPM email marketing materials, our systems automatically log information about your interaction with that email as well as information about your computer or mobile device. For example, our system logs when you open an email from us, what links in our emails you select, your IP address, your computer or mobile device operating system name and version, browser and email client type, how long you spent on a page, and information about your use of and actions on the email newsletter. If you currently receive PPM email marketing materials but wish to stop receiving these communications, please follow the opt-out instructions contained within the email message from PPM.

## BUSINESS PURPOSES FOR WHICH WE COLLECT PERSONAL INFORMATION

Use of your personal information depends on your relationship to PPM. We did not necessarily collect all the specific pieces of personal information listed above for any one specific business purpose, but rather, we used personal information, generally, in the below circumstances. Except as indicated below, PPM retains personal information pursuant to its document retention policy which is in accordance with our governing laws and regulations.

- **To perform services on behalf of PPM and our clients that are reasonably necessary and proportionate for those services.** For example, personal information may be needed to maintain or service accounts as would be expected by an average consumer, process or fulfill orders and transactions, process payments and transactions, verify personal information, providing financing, or similar services on behalf of PPM or its service providers.
- **Performing due diligence.** For example, we may need to conduct research or evaluate individuals in connection with an investment or sale on behalf of our clients or with respect to a corporate restructuring, merger or acquisition or similar proceeding.
- **Pursuant to law or regulation.** For example, we might use the information you provide us to verify your identity or identify individuals within your organization to help fulfill certain legal or regulatory requirements.
- **Interacting with our service providers.** For example, PPM may receive personal information during the course of our business relationship for onboarding, background checks, or, depending on your relationship to PPM, as required to attest to PPM's compliance policies and code of conduct.
- **As part of a corporate transaction.** For example, a transaction with a successor or affiliate or in connection with any acquisition, merger or sale of assets.
- **To detect security incidents.** For example, to protect against malicious, deceptive, fraudulent, or illegal activity, and to prosecute those responsible for that activity.
- **Verify, maintain or enhance quality of a product, service or device.** For example, we provide our employees with the ability to opt-in to providing their unique biometric data as a method of authenticating their identity to unlock devices owned by PPM (i.e., fingerprint ID on iPads), pursuant to our Biometric Information Policy. However PPM does not use or have access to Biometric Identifiers stored on those devices, nor does PPM sell, lease, trade, share, disclose or disseminate, or profit from any Biometric Identifiers.
- **Respond to your requests or questions, or for other purposes that do not infer characteristics.** For example, we might use the information you provided us to respond to your questions or feedback.

For those who interact with our PPM email marketing materials or our website, we collect and use your information to as indicated below.

- **Provide relevant news and information, including for short-term, transient use.** For example, we might use your information to customize your experience with us and help us better understand your interests and needs so that we can improve your experience with our online content or provide contextual advertising for other services.
- **Improve our website, products or services.** For example, we might use anonymized information to enhance your experience with us or improve content on our websites.

## SHARING OR SELLING PERSONAL INFORMATION

PPM does not sell or share consumer personal information with "third parties", as defined by California law.

## DISCLOSING PERSONAL INFORMATION

In order to run our business and provide our services and products, there are occasions where we may disclose your personal information with affiliates and non-affiliated vendors that perform support services for PPM. These parties are subject to agreements that require them to maintain the confidentiality of your information and to use it only in the course of providing such services. We will also share information if you so direct or with your consent, if we are compelled by law or regulation, as part of a corporate transaction with a successor or affiliate or in connected with any acquisition, merger or sale of assets, or in other circumstances as permitted by law (for example, to protect your account from fraud). PPM has not disclosed personal information for a business purpose to “third parties”, as defined by California law, within the last 12 months.

## CALIFORNIA-SPECIFIC PRIVACY RIGHTS

**California-specific privacy rights.** California consumers have certain privacy rights granted under the California Consumer Privacy Act (“CCPA”) This section sets out those rights and provides individuals a form to submit privacy data requests. Below is a list of privacy rights regarding your personal information under California law:

- Right to know what personal information a business has collected, including the categories of personal information, the categories of sources from which personal information is collected, the business or commercial purpose for collecting, selling, or sharing personal information, the categories of third parties to whom a business discloses personal information, and the specific pieces of personal information the business has collected.
- Right to request PPM delete your personal information that the business has collected, subject to certain exceptions.
- Right to correct inaccurate personal information that the business maintains.
- Right to opt-out of the sale or sharing of personal information, if sold or shared by a business.
- Right to limit the use or disclosure of sensitive personal information by the business if the business uses or discloses sensitive personal information for reasons other than those set forth in section 7027(m) of the CCPA.
- Right not to receive discriminatory treatment by the business for the exercise of privacy rights conferred by the CCPA, including an employee’s, applicant’s, or independent contractor’s right not to be retaliated against for the exercise of their CCPA rights.

We do not discriminate against you, for example, by offering a different level of service for exercising any of these rights. While the CCPA also provides California residents with the right to opt-out of sales or sharing of personal information to third parties, it is important to know we do not sell or share your personal information and within the last 12 months PPM has not sold or shared consumer personal information with “third parties”, as defined by California law. We have no actual knowledge that we sell or share the personal information of consumers under 16 years of age. Additionally, we do not use or disclose sensitive personal information for purposes other than as specified in section 7027(m) of the CCPA, and we do not collect or process sensitive personal information to infer characteristics.

**Instructions for submitting a California consumer request.** Should you or your authorized representative wish to exercise any of the above rights, please use this link to [submit a request](#), or if you received this notice in a printed format or are otherwise unable to complete the form, please email [PPMPrivacyOperations@ppmamerica.com](mailto:PPMPrivacyOperations@ppmamerica.com). Upon submission of your request we will take commercially reasonable steps to verify your identity and, if applicable, your authorized agent’s identity before granting access or making any changes to your personal information. You will be required to verify your identity by providing general information such as your first name, last name, and email address. In some instances we may reach out to you directly to provide other information, such as your mailing address. Only you, or an agent authorized to act on your behalf, may make a verifiable consumer request related to your personal information.

We will make good faith efforts to provide you with access to your data when you request it, but there may be circumstances in which we need not provide access as allowed by law, including but not limited to instances where the information contains legal privilege, where your identity could not be verified, or where the information may compromise yours or others’ privacy or other legitimate rights. If we determine that access should be restricted in any particular instance, we will provide you with an explanation of why that determination has been made and a contact point for any further inquiries.

Additionally, under California Civil law, Californians are entitled to request information relating to whether a business has disclosed personal data to any third parties for the third parties’ direct marketing purposes. Californians who wish to request further information about our compliance with this statute should contact us at [privacy@ppmamerica.com](mailto:privacy@ppmamerica.com) or at PPM America, 225 West Wacker Dr., Suite 1200, Chicago, Illinois 60606. This section on California-Specific Privacy Rights was last updated on December 30, 2022.

## USE OF COOKIES

A cookie is a piece of data stored within the web browser on your computer by the websites you visit. Cookies are widely used to improve browsing experience and help websites function more efficiently. The cookies we use enable certain functionality of the website and facilitate website usage analysis. This will enable us to continually improve the website and our systems. The cookies do not hold any personal information about you. We do not associate any data gathered from cookies with any of your personal information. From our website, PPM may place cookies on your computer. There are two types of cookies that we use:

- Session cookies - these cookies are temporarily created when you visit our website. When you leave the website all session cookies are deleted.
- Persistent cookies - these cookies remain on your computer for the period of time specified in the cookie. They are activated each

time you visit our website which created that particular cookie.

Many Internet browsers allow you to adjust your cookie preferences or delete existing cookies. If you set your browser to reject cookies, you should be aware that certain website features may not be available to you or may not function correctly. Certain Internet browsers may provide you the choice to set "Do Not Track" preferences, to limit the collection of information about your online activities over time and across third party websites or online services. PPM's systems do not respond to Internet browser "do not track" signals or similar mechanisms.

## LINKS TO THIRD PARTY SITES

The PPM website may contain links to other websites. We are not responsible for the privacy practices of any such other website (whether accessed through an advertisement, service or content link) and urge you to review such practices prior to submitting any information to such websites.

## SAFEGUARDING INFORMATION

We recognize that information security is a crucial topic. To protect information, we've utilized an information security program to protect the integrity of our systems and applications. We implemented precautions throughout our organization, as well as our affiliates, including, where appropriate, the following: password protection, multi-factor authentication, encryption, TLS, firewalls, and internal restrictions on who may access data to protect the information we collect from loss, misuse, and unauthorized access, disclosure, alteration, and destruction.

We restrict access to personal information to authorized employees and in some cases to third parties as permitted by law. In addition to the requirements in this policy, we maintain physical, electronic and procedural safeguards to guard sensitive information. We adhere to these standards even after a business relationship ends.

## CHANGES TO POLICY

This policy provides a general statement of the ways in which PPM protects your personal information. You may, however, in connection with specific products or services offered by PPM, be provided with privacy policies or statements that supplement this policy. PPM reserves the right to change its privacy policy or any supporting or related policies or procedures at any time. If there are any changes to the terms of this privacy policy, documents containing the revised policy will be updated, including our website at the [PPM Privacy Policy](#) or at <http://ppmamerica.com/privacy-policy>, and will be effective immediately. Contact us at [privacy@ppmamerica.com](mailto:privacy@ppmamerica.com) should you have any questions about this privacy policy, our privacy commitments or our website.

Employees should review the Jackson Financial, Inc. Associate Privacy Notice available at <https://www.jackson.com> for information on the categories of personal information that may be collected from and for employees and why PPM or its affiliates collect such information.

This policy was last updated on July 11, 2023.