



ALCENTRA NY, LLC

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Form ADV Part 2A (As of March 27, 2024)

This Brochure (“Brochure”) provides information about the qualifications and business practices of Alcentra NY, LLC (“Alcentra”, “Adviser”, “Firm”, “we” or “us”) a registered investment adviser. Registration with the U.S. Securities and Exchange Commission (“SEC”) does not imply a certain level of skill or training. If you have any questions about the contents of this Brochure, please contact us at (212) 588-6770-or visit us at www.alcentra.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about Alcentra NY, LLC also is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2. Summary of Material Changes

This Brochure dated March 27, 2024, serves as an update to Alcentra's Brochure dated March 31, 2023. Alcentra has not made material changes to this Brochure since such update. Alcentra has made certain non-material changes to the brochure to reflect updated regulatory assets under management in Item 4, updated and additional risk factors in Item 8, and updated investment allocation procedures in Item 11.

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Item 4. Advisory Business

Alcentra is a limited liability company organized under the laws of the State of Delaware. We are a subsidiary of Alcentra US, Inc. which, in turn, is an indirect, wholly owned subsidiary of Franklin Resources Inc.

We have been providing advisory services since March 2002.

On November 1, 2022, Alcentra was acquired by Franklin Resources, Inc. and became the sole owner of the Adviser. As a result of the acquisition, Alcentra and its affiliate, Benefit Street Partners L.L.C. (“BSP”, a registered investment adviser and advisory affiliate under common control with the Adviser), have integrated certain of their advisory activities, and expect to integrate all of their advisory activities, which includes overlapping trading and investment strategies, and have combined and are operating under a single compliance program. The acquisition and various integrated activities between the Adviser and BSP, as well as certain other advisory affiliates of the Adviser, raises conflicts of interest. *Please see Item 11. and Item 12. below for information regarding how such conflicts of interest are generally addressed by the Adviser through implementation of related policies and procedures.*

We provide discretionary and non-discretionary investment advisory services to institutional clients, including U.S. registered investment companies (“40 Act Funds”) under the Investment Company Act of 1940, as amended (the “Investment Company Act”), private funds that are not registered under the Investment Company Act and whose securities are not registered under the Securities Act of 1933, as amended (the “Securities Act”), collateralized loan obligation vehicles (“CLOs”), other pooled investment vehicles and certain other institutional separate managed account clients (collectively, “Clients”).

Clients typically obtain our investment advisory services pursuant to an investment management or sub-advisory agreement. Investors may also access our investment advisory services by investing in pooled investment vehicles, which are sponsored or established by us, our affiliates or unaffiliated third parties.

We also provide non-discretionary investment advice to our affiliate, Alcentra Limited. Alcentra Limited is headquartered in the United Kingdom and is authorized and regulated by the Financial Conduct Authority (“FCA”). Alcentra Limited is also a registered investment adviser with the SEC with respect to its US clients. Alcentra Limited has expertise in the European credit market and manages a number of investment vehicles utilizing investment strategies similar to those utilized by Alcentra, but generally focusing on investments in Europe rather than the U.S.

Investment Strategies

We focus primarily on the sub-investment grade capital markets. Our investment strategies are primarily organized into four areas:

- US Liquid Credit, consisting of U.S. Liquid Loan (i.e. broadly syndicated leverage loans), and Alcentra High Yield (i.e. high yield bonds);
- Global Special Situations; and
- Structured Credit (i.e. investments in securities issued by CLOs).

See Item 8. for more information about our investment strategies.

Assets Under Management

As of December 31, 2023, we manage approximately \$16.4 billion on a discretionary basis and \$206 million on a non-discretionary basis. As of December 31, 2023, BSP managed approximately \$28.3 billion of client assets on a discretionary basis.

Item 5. Fees and Compensation

We are compensated for our advisory services by earning management fees and, in certain instances, some form of performance-based fees from our clients. We generally describe our management fees below. *Please see Item 6. for a discussion of our performance-based fees.* Investors in our private funds should refer to the applicable private fund's offering and organizational documents for a complete description of our fees.

Generally, our fees are dependent on the strategy that the Client account follows. *Please see Item 6. and Item 11. for a more detailed description of conflicts of interest related to our different strategies.*

A majority of our fees are based on the valuations provided by a Clients' custodian or administrator, as applicable. Generally, we do not price securities or other assets for purposes of determining fees. However, to the extent permitted by applicable law, including ERISA, from time to time, we or one of our affiliates will be tasked with, or participate in, determining in good faith the asset values of securities held in pooled investment vehicles we advise, or Client accounts, if the market price for a security is not readily available, or where we or our affiliate, has reason to believe that the market price is unreliable. A conflict of interest may arise in situations where we are involved in the determination of the valuation of an investment because we would benefit by receiving a fee based on the impact, if any, of the increased value of assets in the account. Alcentra has adopted a policy regarding the valuation of Client assets in order to provide a basis for establishing valuations reported by Clients. *Please see Item 11. for more information on the valuation of Client assets.*

Private Fund Fees**Private Fund Fees – U.S. Liquid Loan Strategy**

We serve as collateral manager for certain cash flow CLOs and earn management fees which are determined mainly by the assets under management of each CLO and are based on the collateral principal balance of the CLOs. The management fees consist of senior management fees and subordinated management fees. The senior management fee has a higher priority in a CLO payment waterfall whereas the subordinated management fee generally ranks below principal and interest payments to senior note holders in the payment waterfall. Also, for us to earn our subordinated management fee, over-collateralization and interest coverage tests must be passed on the relevant determination date for all senior CLO note holders.

U.S. and Global High Yield Strategy (“Alcentra High Yield Strategy”)

The standard fees for private funds that employ the Alcentra High Yield Strategy depends on account type and size. The minimum Client account size is \$50 million and the minimum annual fee is \$125,000.

Multi-Strategy Credit and Other Single-Credit Strategies

Alcentra provides discretionary and non-discretionary investment services to private funds and other pooled investment vehicles that employ multi-strategy credit and other single-credit strategies. Portfolio management may be delegated to our affiliate, Alcentra Limited, under a sub-advisory agreement. To the extent Alcentra Limited provides sub-advisory services to these Clients, we pay Alcentra Limited for sub-advisory services it provides. A management fee is typically not charged on investments made in other private funds managed by Alcentra or its affiliates in order to prevent a layering of fees. The respective private funds' offering and organizational documents describe the respective private fund fee structures in more detail. Please consult these documents for further details.

With respect to multi-strategy credit, we provide discretionary investment services to private funds, and other pooled investment vehicles such as 40 Act Funds for which we serve as sub-adviser for an affiliate. A management fee is typically not charged on investments made in other private funds or pooled investment vehicles managed by Alcentra or its affiliates to prevent a layering of fees. The management fees of the private funds or pooled investment vehicles are payable either monthly or quarterly in arrears. To the extent Alcentra Limited provides sub-advisory services to these Clients, we pay Alcentra Limited for sub-advisory services it provides. For the multi-strategy credit Clients for which we act as sub-adviser for our affiliate, Alcentra Limited, we earn a sub-advisory fee as outlined in the respective sub-advisory agreements.

With respect to single-credit strategies, we provide discretionary investment services to private funds, and other pooled investment vehicles, and serve as sub-adviser to some pooled investment vehicles under an agreement with an unaffiliated third-party. We also provide non-discretionary investment services to a private fund. The management fees of the private funds and pooled investment vehicles are payable either monthly or quarterly in arrears. To the extent Alcentra Limited provides sub-advisory services to these Clients, we pay Alcentra Limited for sub-advisory services it provides. For the single-credit strategy Clients for which we act as sub-adviser for our affiliate, Alcentra Limited, we earn a sub-advisory fee as outlined in the respective sub-advisory agreements.

Private Fund Fee Information

In addition to the fees outlined above, each of the private funds we manage may also be subject to additional charges such as custody, brokerage and other transaction costs, administrative and other expenses. Fees are not generally negotiable, though they may be waived or deferred at the discretion of Alcentra or an affiliate in accordance with the private fund's offering and organizational documents. Such waivers and deferrals will cause some Clients to pay fees that are different from the basic fee schedules disclosed in the private fund's offering and organizational documents. Please consult these documents for further details. We may enter into side letter agreements with certain investors in the private funds providing such investors with different or

preferential rights or terms, including but not limited to different fee structures and co-investment rights.

Separate Account Fees

We provide separate managed account investment advisory services for a fee. This fee is typically charged as a percentage of a separate managed account's assets under our management. While this fee is typically expressed as an annual percentage, it is calculated based on average daily, month end, or quarter end net assets, typically includes accrued income and typically charged on a monthly or quarterly basis, in arrears. We also offer separate managed accounts with performance-based fees. Clients may select whether fees should be deducted automatically by the custodian from the Client's assets or billed separately. The investment advisory agreement for separate managed account Clients may also provide that such Client accounts will incur fees and expenses in addition to advisory fees such as custody, brokerage and other transaction costs, administrative and other expenses. Examples of other costs and expenses may include markups, mark-downs and other amounts included in the price of a security, odd-lot differentials, transfer taxes, wire transfer fees and electronic fund fees. Please review your investment advisory agreement for further information on how we charge and collect fees. *Please see Item 12. for more information.*

Negotiated Fees

We reserve the right, in our sole discretion, to negotiate or modify (either up or down) the basic fee schedule set forth for any Client due to a variety of factors, including but not limited to: the level of reporting and administrative operations required to service a Client, the investment strategy or style, the number of portfolios or accounts involved, and/or the number and types of services provided to Clients. Because our fees are negotiable, the actual fee paid by any Client may be different from the fees reflected herein. We may require the inclusion of a performance-based fee in the investment advisory agreement in addition to the asset-based management fee for our separate managed account Clients. *Please see Item 6. for more information.*

Other Fees

If allowed under a Client's investment guidelines, we may invest Client assets in pooled investment vehicles (including those advised or sub-advised by Alcentra or an affiliate) that themselves bear advisory fees and operational expenses such as transfer agent, distribution, shareholding servicing, networking, and recordkeeping fees. Clients will indirectly bear these fees and expenses as an investor in such pooled investment vehicles and, as a result, will bear higher expenses than if invested directly in the securities held by the pooled investment vehicle. The respective private funds' offering and organizational documents describe the private funds' fee structure and use of such fees. Please consult these documents for further details.

Should our management services be terminated prior to the actual provision of services for the upcoming period, we will return management fees pro-rata from the date of our termination to the

end of the period to which the advance fee covered. Other non-management fees may be assessed, either at the fund or portfolio company level, which include without limitation monitoring fees, transaction fees, break-up fees and directors' fees. The respective private funds' offering and organizational documents describe the private funds' fee structure and use of such fees. Please consult these documents for further details.

Related Service Fees and Related Other Fees

For certain Clients, Alcentra or its employees receive other fees in addition to the management fee, including commitment fees, break-up fees, directors' fees, consulting fees, incentive fees or discounts from service providers and similar fees relating to the investments made by a Client and/or to monitoring, management, advisory, transaction-related, financial advisory and other services ("Related Services") provided by Alcentra or its affiliates to an actual or prospective portfolio company, other investment vehicles of Clients or the Clients themselves, including fees in connection with structuring investments in such portfolio companies, as well as mergers, acquisitions, add-on acquisitions, refinancings, public offerings, sales or other dispositions and similar transactions with respect to such portfolio companies ("Other Fees"). Such Other Fees will generally, for purposes of calculating any management fee offset, be net of any expenses reasonably incurred by Alcentra or its affiliates in connection with such fees. Although these fees may be substantial and are in addition to management fees paid by Clients, Alcentra may, in certain circumstances, reduce management fees in connection with the receipt of certain of these Other Fees. The amount and manner of such reduction is set forth in the advisory agreement and/or organizational and offering documents of the applicable Client. Alcentra and its affiliates may provide loan servicing, administrative and other services with respect to debt issued by portfolio companies of a Client and receive servicing fees, special servicing fees and other similar fees and payments for such services which are not subject to the management fee reduction arrangement described above.

The payment of Other Fees by portfolio companies creates a conflict of interest between Alcentra and its affiliates and the Clients and, in the case of pooled investment vehicle Clients, their investors, because the amounts of these Other Fees and reimbursements are often substantial and the Clients and their investors, as applicable, generally do not have a direct interest in these fees and reimbursements. Alcentra determines the amount of these fees for the services provided and reimbursements in its own discretion, subject to agreements with sellers, buyers, and management teams, the board of directors of or lenders to portfolio companies, and/or third party co-investors in its transactions, and the amount of such fees and reimbursements often will not (except in connection with the reductions described herein) be disclosed to investors in pooled investment vehicle Clients.

Alcentra and its affiliates may also engage and retain senior advisors, advisers, consultants, and other similar professionals who are not employees or affiliates of Alcentra and who, from time to time, receive payments from, or allocations with respect to, portfolio companies and/or other entities. In such circumstances, such amounts will not be deemed paid to or received by Alcentra

and its affiliates and such amounts will not be subject to the sharing arrangements described above. *Please see Item 11. for a discussion of material conflicts of interest created by the receipt of such fees.*

General Fee Information

We do not charge or receive compensation in connection with the sale of investment products. Currently we have no plans for our employees or supervised persons to accept compensation for the sale of private funds and other pooled investment vehicles that we manage. Accepting commissions for the sale of such investment products gives rise to a conflict of interest in that it may give our employees an incentive to recommend investment products based on the compensation they will receive, rather than solely on a client's needs.

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

We may, from time to time, enter into performance-based fee arrangements in accordance with the conditions and requirements of Section 205(3) of the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Such arrangements are negotiated with each Client and, thus, the terms may vary.

We have entered into performance-based fee arrangements with some of our Clients in addition to the fees described in *Item 5*. In general, our performance-based fees are determined based on the Client’s gross return in excess of a high water mark, specified benchmark hurdle rate or preferred return during a designated period of time. However, variations exist depending on, among other things, the strategy followed. For more detailed information on how performance fees are calculated for our private funds, *please refer to the offering and organizational documents of such private funds*.

Typically, the CLOs we manage pay a performance-based fee if specified internal rates of return are achieved. These amounts, if earned, are paid quarterly in arrears.

Investors in the private funds managed under the Private Credit strategy pay a share of the profits of the private funds’ investments, called “carried interest”. The remaining private funds’ profits are paid to the private funds’ investors. Under this strategy a hurdle rate or preferred return must be achieved before we can receive any carried interest payments. For more detailed information on how performance fees are calculated for our private funds under this strategy, *please refer to the offering and organizational documents of such private funds*.

Investors in the private funds managed under the Structured Credit strategy, in addition to an annual management fee, pay a carried interest over a high water mark or preferred return during a designated period of time. The high water mark keeps track of the highest level of performance on which carried interest has been paid and which must be exceeded in order for an additional carried interest to be assessed. When a preferred return is applicable for private funds under this strategy, a hurdle rate or preferred return must be achieved before we can receive any carried interest payments. For more detailed information on how carried interest is calculated for our private funds under this strategy, *please refer to the offering and organizational documents of such private funds*.

For some of our multi-strategy credit and other Client accounts, we typically charge a performance-based fee if a specified return is earned and which may be subject to a high water mark. The respective private funds’ offering and organizational documents describe the respective performance-based fee structures in more detail.

Conflicts of Interest Relating to Performance Based Fees When Engaging in Side-by-Side Management

“Side-by-side management” refers to our simultaneous management of multiple types of Client accounts. For example, we manage different types of Client accounts, including pooled investment

vehicles and separate managed accounts at the same time. Our Clients have a variety of fees, investment objectives, strategies, limitations and restrictions. Our affiliates likewise manage a variety of Clients, including pooled investment vehicles and separate managed accounts.

Side-by-side management gives rise to potential and actual conflicts of interest. For example, the payment by some, but not all, Clients of performance-based fees, and the payment of performance-based fees at varying rates by Clients that pay performance-based fees, creates an incentive for Alcentra to disproportionately allocate time, services or functions to Clients paying the performance-based fees or Clients paying the performance-based fees at a higher rate. Further, with respect to Clients that only pay a management fee and Clients that pay both a management fee and a performance-based fee, Alcentra has a financial incentive to favor Clients with performance-based fees since we may have an opportunity to earn greater fees from such Clients as compared to Clients without performance-based fees. Further, we have an incentive to direct our best investment ideas to Clients that pay performance-based fees, to allocate, aggregate or sequence trades in favor of such Clients accounts, and to give such Clients better execution and brokerage commissions.

Generally, these conflicts are mitigated for the Clients by Alcentra's allocation of investment opportunities policy. Subject to applicable Client investment objectives, guidelines and other factors, Alcentra and its affiliates generally allocate investment opportunities on a pro-rata basis among eligible Clients and based upon the current available capital of such Client, or in some other manner that Alcentra determines is fair and equitable. *Please see Item 11. for information regarding the allocation of investment opportunities and how conflicts of interest are generally addressed by Alcentra. Please also see Item 12. regarding trade aggregation.*

Item 7. Types of Clients

We provide advisory services to 40 Act Funds, private funds, other pooled investment vehicles, CLOs, pension and profit sharing plans as well as corporations and other businesses.

Account Requirements for Private Funds

Each private fund is required to execute a written agreement with Alcentra, granting Alcentra authority to manage its assets and setting out minimum and ongoing investment requirements. All such terms are subject to negotiation. Investors in private funds we manage are also subject to minimum and ongoing investment requirements as determined by such private funds, though commitments of lesser amounts are accepted at the sole discretion of the private funds' general partners (or other governing party). *Please refer to the offering and organizational documents of such private funds for more specific information.*

Account Requirements for Separate Managed Accounts

We require separate managed account Clients to execute a written investment management agreement with us, granting us authority to manage their assets. Generally, separate managed account Clients are subject to minimum account sizes in the region of \$50 – \$100 million which vary depending upon the strategy of the Client account and qualified institutional buyer status of such Clients. Separate managed account Clients may also be subject to minimum annual fees. *Please refer to Item 5. for more information.*

Account Strategy	Minimum Account Size
U.S. Liquid Loan Strategy	\$50 million (or equivalent in other currency)
Structured Credit Strategy	\$100 million (or equivalent in other currency)
Global High Yield Strategy	\$50 million (or equivalent in other currency)
European Private Credit Strategy	€100 million (or equivalent in other currency)
Multi-Credit Strategy	\$100 million (or equivalent in other currency)
Global Special Situations Strategy	\$100 million (or equivalent in other currency)

Alcentra reserves the right to waive the minimum account size requirements.

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

We are credit investors and we invest primarily, on behalf of our Clients, in the sub-investment grade credit markets. Alcentra seeks to deliver favorable, risk-adjusted returns. Generally, we seek to meet this objective through intensive fundamental research and credit analysis, combined with active portfolio management to minimize principal losses and capture capital upside. However, our methods of analysis vary depending on the type of Client and the investment strategy selected.

Each Client account typically follows one of and/or combination of the following strategies:

- U.S. Liquid Loan Strategy
- European Private Credit Strategy
- Global Special Situations Strategy
- U.S. and Global High Yield Strategy
- Structured Credit Strategy
- Multi-Strategy Credit
- European Liquid Loan Strategy

Strategies**U.S. Liquid Loan Strategy**

This strategy primarily invests in liquid loans originated mainly in the United States. Liquid loans are corporate bank loans of below investment grade issuers bearing floating interest rates, typically referenced against the Secured Overnight Financing Rate (“SOFR”). These loans are generally senior secured obligations, which are at or near the top of an issuer’s capital structure. Given the secured nature and floating rate structure of liquid loans, price volatility and correlation with other asset categories have generally remained low. The liquid loan market provides opportunities consistent with our overall objective of earning favorable risk-adjusted returns while focusing on capital preservation. Because loans to creditworthy issuers provide limited opportunity for capital gains (these loans generally are purchased at or near par), success in the liquid loan market requires an avoidance of credit problems and defaults. Accordingly, in order to manage these assets effectively, we employ investment professionals with credit analysis and asset selection experience.

Alcentra’s Liquid Credit team (“LCT”) seeks to generate attractive risk adjusted returns by investing in senior secured loans in below investment-grade corporate debt issuers. LCT may look to enhance returns through selective investments in senior secured and unsecured bonds that offer appealing relative value opportunities. LCT focuses on investment opportunities in larger capitalization companies typically with annual earnings before interest, taxes, depreciation, and amortization (“EBITDA”) of \$100 million and greater.

Investments are made primarily through securitized asset funds (e.g. cash flow CLOs), other private loan funds, a Cayman Islands open-ended unit trust, and an open-end mutual fund where Alcentra provides sub-advisory services, each of which investment vehicles are unlevered. CLOs are private funds structured as securitizations where payments from a large and diversified group of investments, such as corporate loans, are aggregated and paid out to the various tranches of investors that have provided the debt and equity capital to pay for the purchase of the pool of assets.

LCT's methods of analysis can be divided into credit analysis and portfolio management:

Credit analysis is performed on the individual investments that comprise a portfolio. Investment evaluation is approached from both a top-down industry analysis that includes a review of the current economic outlook, observed default trends in the industry and performance drivers specific to that business and a bottom-up review of the operating performance, and risk metrics of each company. Our analysts also conduct one-on-one meetings with key senior management when possible and attend conferences and teleconferences where we can meet with and get to know management from a large range of issuers within a given industry. The credit analysis process incorporates an analyst's review and screen of the financial fundamentals followed by a quantitative analysis of corporate earnings, cash flow, leverage, and more. To assess the future direction of credit quality, we build our own pro-forma financials based on input/data received from the company, rating agency contacts and other sources. A qualitative evaluation of product lines, competitive position and company USP, market trends and dynamics, management quality, and customer base and more will lead to a presentation to and review by a committee tasked with LCT's credit analysis oversight. For each credit, the analysts will include a positioning rating to reflect their view on the potential risk adjusted returns, as well as an Environmental, Social and Governance criteria ("ESG") score, considering our view on key ESG risks. Generally, the committee will assess the relative risks and returns and either reject the investment, ask for additional evaluative analysis and information or approve the credit. Typically following an investment, the credit analyst responsible for the transaction will monitor company and investment performance via discussions and conference calls with management, industry specialists, and buy and sell side traders and analysts. As well as ongoing ad-hoc performance analysis and reviews across investments between analysts, portfolio managers and the Head of Credit Research, the LCT conducts quarterly performance reviews ("QPRs") covering sector trends, recent performance, changes in outlook and projections, price movements and relative values and changes in risk metrics.

Portfolio management is undertaken by the portfolio management team in concert with the investment analysts. Initially, portfolio management entails the creation of a portfolio of individual investments in loans or other assets that aggregate into a total that seeks to match the return objectives and risk characteristic of a particular fund. Our management objective

is to create a portfolio of solid, performing loans that generate attractive risk adjusted returns factoring in our credit analysis to mitigate downside risk and capture upside potential. Here, the portfolio management team will focus on diversification by industry (including the avoidance of certain perceived at-risk industries), size, location and absolute number to help to reduce the impact of any single event. Our portfolio construction process unites our top-down and bottom-up credit views, and is a dynamic, iterative process through which positioning may change over time to reflect our views and outlook. In CLOs, additional constraints related to spread, industry diversification, price, average ratings, maturity limits, geographic location and a multitude of other tests and limits requires precision in investment buys and sells. Portfolio managers, along with the analyst team and the operations team, work to monitor the tests and constraints in advance of trade allocations with a view to optimizing the risk-adjusted returns for the vehicles.

European Private Credit Strategy

We have entered into a sub-advisory agreement with our affiliate, Alcentra Limited, pursuant to which Alcentra Limited provides discretionary investment services on the European Private Credit Strategy.

European Private Credit invests in middle market companies through first lien, second lien, unitranche, and, to a lesser extent given the current credit environment, mezzanine debt and primary equity investments, with a typical term of up to seven years and an expected investment horizon of three to four years. Additional returns may be pursued from transactions in equity co-investments alongside a debt investment. The strategy is focused on senior secured investments but is able to allocate up to 30% to more junior tranches.

Global Special Situations Strategy

The Global Situations Strategy strategy has a mandate to invest on both the long and short side, across the capital structure in a variety of instruments including secured or unsecured loans, bonds and other types of credit instruments and claims, common equity (both publicly listed and OTC) as well as derivatives such as options, warrants and credit default swaps. The latter provide the strategy with the ability to express a negative view of an obligor's creditworthiness, or alternatively, hedge its exposure to risk that it may have on the long side.

The strategy typically invests in credit instruments which trade at a discount to their nominal value as a result of stress or distress of the obligor. It may later sell such instruments in the secondary market as the obligor's situation improves, or hold them through a restructuring of the obligor, whereby the instruments typically are converted into equity. Thus, the strategy generates returns both through interest income and principal appreciation. The strategy invests across a variety of industries and is geographically focused on western and northern Europe. The strategy investment team actively monitors positions and employs disciplined trading to manage its risk.

Each member of the Alcentra Global Special Situations team is responsible for the identification and analysis of potentially attractive investment opportunities. If, following preliminary analysis, it is believed the investment fits the fund risk/reward criteria the team will undertake a more thorough review, incorporating a combination of in-depth fundamental and technical analysis. This analysis will include but will not be limited to: business and industry analysis; contact with the company and discussions with management; financial modelling of the company's earnings and cash flow; valuation analysis; and legal due diligence associated with the company's finance documentation.

All investment proposals are submitted to the 40 Act Fund's Investment Committee tasked with reviewing investment decisions for consideration. The Investment Committee is responsible for the approval of any proposal and as part of this process sets limits according to the maximum exposure the 40 Act Fund can acquire, whether it be on the long or short side, to any particular security. The investment team actively monitors positions and employs disciplined trading to manage its risk.

U.S. and Global High Yield Strategy ("Alcentra High Yield Strategy")

The Alcentra High Yield Strategy investment process combines top-down, macroeconomic analysis with bottom-up research to identify attractive securities based on proprietary, fundamental research. Our top-down approach includes macroeconomic research to assess the overall risk environment, and determine broad portfolio themes, industry emphasis, and overall portfolio quality. Industry analysis includes identifying the key players within each industry, understanding the evolution and history of the industry, determining what business models are likely to be successful, and participating in key industry events when possible.

In conjunction with the macroeconomic view, the analysts scour their respective industry universes to identify issuer- and security-level sources of potential alpha and populate a portfolio of stable-to-improving credits. In analyzing a specific company and its fixed income securities, we carefully assess the credit characteristics of each issuer. We thoroughly analyze key variables as they relate to Alcentra High Yield Strategy and conduct a comprehensive historical analysis of company operations and financials, including applying financial and scenario analysis of individual issuers. We focus on important leading indicators and measures of profitability, including management quality, free cash flow, financial flexibility, market share, revenue growth, margin trends, access to capital as well as ESG considerations. To assess the future direction of credit quality, we build our own pro-forma financials based on input/data received from the company, rating agency contacts and other sources. Our strategy analysts also conduct one-on-one meetings with key senior management when possible and attend conferences and teleconferences where we can meet with and get to know management from a large range of issuers within a given industry.

Objective: Generally maximized return relative to benchmark index over a 3 to 5 year market cycle with appropriate amount of risk.

Benchmarks: Includes BofA Merrill Lynch High Yield Master II Index, BofA Merrill Lynch Global High Yield Constrained Index, and Barclays Capital U.S. Corporate High Yield Index.

Investment Universe: Generally, includes U.S. and non-U.S. high yield and investment grade corporate bonds. The portfolio employs various fixed income derivatives including futures, exchange traded funds, options, swaps, and forward contracts.

Alpha Sources: Strategy seeks to add alpha through active management, which includes decisions with respect to yield curve management, security selection and sector allocation.

Risk: Annualized tracking error is typically between 50-300 basis points.

Use of Derivatives in Alcentra High Yield Strategy: Except to the extent prohibited or limited by Client agreements or guidelines, Alcentra High Yield Strategy, from time to time, includes derivatives in Client portfolios. Derivatives typically include, swaps, and in particular credit default swap indexes (CDX), options, FX forwards and futures. Derivatives are used for interest rate and other hedging purposes relating to particular investments or for overall portfolio management. In the absence of a contrary direction in a client account agreement or guideline, Alcentra High Yield Strategy does not generally use derivatives for speculative purposes or to create leverage. In using derivatives, Alcentra High Yield Strategy considers, among other things, structural, operational and counterparty risks, as well as the characteristics of the underlying investment or index.

Cash Management – Alcentra High Yield Strategy: Most of our strategies will be fully invested most of the time but will use cash for tactical or strategic purposes. We hold some cash balances due to cash flows or limited availability of securities due to market conditions rather than tactical judgments. We will also from time to time hold cash balances as a means of reducing risk in portfolios. We manage cash conservatively and excess cash is typically invested in short-dated U.S. Treasury bills or remains in the appropriate client selected cash sweep vehicle.

Structured Credit Strategy

Under this strategy, Alcentra provides discretionary investment services to private funds, Cayman Islands open-ended unit trusts, and separate managed accounts with structured credit strategies. We also have agreements under which we serve as sub-adviser for 40 Act Funds. In addition, we provide non-discretionary investment services to a private fund under this strategy. Portfolio management services for Clients in this strategy are also provided by our affiliate, Alcentra Limited, under sub-advisory agreements. The Structured Credit Strategy invests primarily in securities that are secured or collateralized by non-investment grade U.S. and European liquid loans (CLOs). Structured credit investments can include CLO tranches (both rated and unrated), subordinate notes/shares of CLO warehouses and tranches of other securitized products. CLO securities are issued in tranches with different seniorities of security and cash flow, and consequently different credit risks. Cash flows from collateral are used to pay the manager, trustee

and other service providers of the transaction and make principal and interest payments to the note holders in the order of seniority (senior notes first, followed by the junior notes). Equity shares are entitled to the residual interest proceeds generated by the collateral; however, this cash flow may be deferred or eliminated since the interests of equity shareholders are subordinated to the interests of holders of other tranches. The rates of interest payments (or “coupons”) on the senior notes are set to be lower than the coupons on the more junior notes, reflecting the lower risk assumed by the senior note holders. We and Alcentra Limited use a disciplined approach to investment selection and portfolio management and investment decisions are predicated upon a complete credit analysis. Specific asset default and recovery assumptions are applied as well as additional default stresses to form an expected return on an investment. The team uses internal systems to model transaction cashflows and will review the transaction documentation and structure in detail.

There is no assurance that we and Alcentra Limited will adopt this strategy in all circumstances and/or at all times. We and Alcentra Limited will generally employ a portfolio management strategy that will seek diversification and liquidity.

Multi-Strategy Credit

We provide discretionary investment services to private funds with multi-strategy credit strategies. These private funds seek to invest in multiple credit strategies and will generally be divided into liquid and alternative strategies. Portfolio management for specific sleeves may be delegated to our affiliate, Alcentra Limited, under a sub-advisory agreement. We allocate to sleeves based on its analysis of the relative attractiveness of the underlying strategies and the investment program of the fund. Sleeve allocation determinations are led by a committee tasked with overseeing allocations which is comprised of portfolio managers from Liquid Credit, Structured Credit and Special Situations. Depending on the investment program of the Client, investments are typically made directly into specific assets within the respective strategies, but can be made into other private funds and pooled investment vehicles managed by us or our affiliate, Alcentra Limited. Direct investments into specific assets are made using the method of analysis that has been established for the relevant strategy. Alcentra typically re-evaluates its sleeve allocations at least monthly or more frequently if conditions warrant.

Alcentra provides discretionary sub-advisory services to traded and non-traded closed-end mutual funds managed by an affiliate and a separately managed account with multi-strategy credit strategies. Each sleeve of a multi-strategy credit account managed under a sub-advisory agreement utilizes the investment process of the underlying strategy described above.

Alcentra serves as investment manager to a securitization vehicle of a portfolio series of a Delaware statutory trust with a multi-strategy credit strategy under a sub-advisory agreement.

European Liquid Loan Strategy

We provide discretionary investment services to private feeder funds within the European Liquid Loan Strategy. The investment team's trading strategies are executed by Alcentra Limited.

Risks

The section that follows sets forth information concerning the material risks involved with each strategy. However, there are also different risks depending on the type of client account we manage. (for example, our CLOs have different risks than our private funds).

CLOs have third parties invested from the senior-most tranche funding the CLO capital structure (typically rated AAA at its launch) through to the equity, and these make up the liability side of a CLO balance sheet (whereas the loans in which a CLO is invested make up the asset side of the balance sheet). The senior tranches have priority in payouts but the returns by design are lower than the average aggregate returns on the loans that CLOs hold as assets. This provides the leverage and therefore the return arbitrage needed to generate more attractive and higher returns to the subordinated debt and equity tranches of the capital structure. In CLOs, the leverage adds a measure of risk to returns as both gains and losses are magnified. Diversification reduces the risk and impact of any individual credit default or any specific industry facing problems.

Unleveraged funds do not rely on leverage to generate additional return. As in all funds invested in assets with lower absolute returns, loss avoidance is important, but because there is a lack of leverage, losses and gains on individual investments do not have a magnified impact on the fund. Risk and return are more balanced in an unleveraged fund and will therefore tend towards fewer, more selective investments, but diversification remains important.

The risks set forth below represent a general summary of the material risks involved in the investment strategies we offer. If applicable, please refer to the "Risk Factors" section in the offering and organizational documents of the private funds and other Clients for a more detailed discussion of the risks involved in an investment.

In the case of a conflict between these risks and those in the offering and organizational documents, the offering and organizational documents will control.

- *General Economic and Market Conditions.* The success of a Client's activities is affected by general economic and market conditions, including, among others, interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, currency exchange controls, natural disasters, disease outbreaks or pandemics (such as the outbreak of COVID-19), or changes in laws (including laws relating to taxation of a Client's investments) and trade barriers, and national and international political, environmental and socio-economic circumstances (including wars, terrorist acts or security operations). In addition, the current U.S. political environment and the resulting uncertainties regarding actual and potential shifts in U.S. foreign investment, trade, taxation, economic, environmental and other policies under the current Administration, as well as the impact

of geopolitical tension, such as a deterioration in the bilateral relationship between the U.S. and China, the conflict between Russia and Ukraine, or the continuation of wars in the Middle-East could lead to disruption, instability and volatility in the global markets. Unfavorable economic conditions also would be expected to increase funding costs, limit access to the capital markets or result in a decision by lenders not to extend credit.

These factors may affect the level and volatility of prices and the liquidity of a Client's investments. In addition, a general economic slowdown, or business disruptions, such as due to pandemics or natural disasters, could lead to a delay or slowing of economic activity generally or in specific areas, and could adversely impact a Client's ability to find attractive opportunities, lead to an increase in refinancings or borrower defaults, or an increase in borrowers seek to negotiate more advantageous terms. In addition, particular borrowers or collateral may be more likely to be adversely impacted by certain types of events. For example, when governments have sought to limit travel or large gatherings, borrowers in the travel, hotel or similar industries have been particularly adversely impacted. Certain other industries, such as certain retailers may also be adversely impacted. Certain events, such as natural disasters may have regional impacts on borrowers located in such areas. Furthermore, while borrower revenue may be adversely impacted, such events could adversely impact borrowers and their ability to repay loans to the Client in other ways, such as impacting their workforce availability, cause closures, impact supply chains, or increase health care costs or other costs and expenses. Prolonged uncertainty may decrease demand in the longer terms and economic uncertainty or slowing can adversely impact a Client's returns. Volatility or illiquidity could impair a Client's profitability or result in losses. These factors also may affect the availability or cost of obtaining leverage, which may result in lower returns. To the extent any of these events occur, a Client's performance results could be adversely affected.

Additionally, the ongoing market volatility and uncertainty could also adversely affect a Client's operations. A counterparty to a Client or to a company in which a Client has invested may be relieved of its obligations under certain contracts to which it is a party, or, if it is determined not to have occurred, a Client and its investments may be required to meet their contractual obligations, despite potential constraints on their operations, liquidity and/or financial stability. Market volatility and uncertainty could also increase the risk of investors defaulting on their commitments or increase the number of investors requesting to transfer their interests to third parties. Since COVID-19 continues to be present in jurisdictions in which the Adviser has offices or other operations or investments, it could affect the ability of the Adviser to operate effectively, including the ability of personnel to function, communicate and travel to the extent necessary to carry out the Clients' investment strategy and objectives including, for example, conducting in-person due diligence on potential investments. Further, it remains to be seen the extent to which certain market or societal adjustments associated with COVID-19 (for example, "work-from-home" trends and shifts to online consumer platforms) will continue. Any future

public health emergency of international concern or other public health emergency, including any new or variant outbreaks of COVID-19, SARS, H1N1/09 flu, avian flu, respiratory syncytial virus or RSV, other coronaviruses, Ebola or other existing or new epidemic diseases, or the threat thereof, could negatively impact the Clients, their portfolio companies, and could meaningfully affect the Clients' abilities to fulfill their investment objectives.

- *General Risks.* Each investment strategy we offer invests in a variety of securities and employs a number of investment techniques that involve certain risks. Investments involve risk of loss that Clients and investors in our Clients, as applicable, should be prepared to bear. We do not guarantee or represent that our investment program will be successful. Our past results are not necessarily indicative of our future performance and our investment results may vary over time. We cannot assure you that our investments of your money will be profitable, and in fact, you could incur substantial losses. Your investments with us are not a bank deposit and are not insured or guaranteed by the FDIC or any other government agency.
- *Allocation Risk.* The asset classes in which the strategy seeks investment exposure can perform differently from each other at any given time (as well as over the long term), so the strategy will be affected by its allocation among the various asset classes. If the strategy favors exposure to an asset class during a period when that class underperforms, performance may be hurt.
- *Asian Emerging Market Risk.* Many Asian economies are characterized by over-extension of credit, frequent currency fluctuations, devaluations and restrictions, rising unemployment, rapid fluctuations in inflation, reliance on exports, and less efficient markets. Currency devaluation in one Asian country can have a significant effect on the entire region. The legal systems in many Asian countries are still developing, making it more difficult to obtain and/or enforce judgments. Furthermore, increased political and social unrest in some Asian countries could cause economic and market uncertainty throughout the region. The auditing and reporting standards in some Asian emerging market countries may not provide the same degree of shareholder/investor protection or information to investors as those in developed countries. In particular, valuation of assets, depreciation, exchange differences, deferred taxation, contingent liability and consolidation may be treated differently than under the auditing and reporting standards of developed countries.

The imposition of sanctions, confiscations, trade restrictions (including tariffs) and other government restrictions by the United States and other governments, or problems in share registration, settlement or custody, may also result in losses.

- *Bank Loans and Participations Risk.* Bank loans and derivatives of bank loans and participations are subject to unique risks, including: (i) the possible invalidation of an

investment transaction as a fraudulent conveyance under relevant creditors' rights laws; (ii) so-called lender liability claims by the issuer of the obligations; (iii) environmental liabilities that may arise with respect to collateral securing the obligations; and, (iv) limitations on the ability of the strategy to directly enforce its rights with respect to participations. In analyzing each bank loan assignment or swap, we must compare the relative significance of the risks against the expected benefits of the investment. Successful claims by third parties arising from these and other risks will be borne by the investors.

- *Banking Industry Risk.* The risks generally associated with concentrating investments in the banking industry, such as interest rate risk, credit risk, and regulatory developments relating to the banking industry.
- *Business and Regulatory Risks of Private Investment Funds.* Legal, tax and regulatory changes could occur during the term of a Client that may adversely affect such Client. The regulatory environment for private investment funds and their investment advisers is evolving, and changes in the regulation of private investment funds or their investment advisers may adversely affect the value of investments held by a Client and the ability of a Client to obtain the leverage it might otherwise obtain or to pursue its trading strategies. Additionally, changes in regulation may make it prudent to restructure one or more Clients and the Clients will bear the cost of any such restructuring. In addition, the securities and futures markets are subject to comprehensive statutes, regulations and margin requirements. The SEC, other regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. The regulation of derivatives transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by government and judicial action. In addition, regulators are increasingly considering the role of non-bank lenders. There is no guarantee that laws and regulations applicable to non-bank lenders will not change in a manner that adversely affects a Client, including the ability of a Client to originate loans or otherwise restrict a Client's activities in this regard, or otherwise restrict or materially increase the cost of business to a Client of pursuing all potential investment strategies and options.
- *Call Risk.* Some bonds / middle market debt instruments (collectively "bonds") give the issuer the option to call, or redeem, the bonds before their maturity date. If an issuer "calls" its bond during a time of declining interest rates, the strategy might have to reinvest the proceeds in an investment offering a lower yield, and therefore might not benefit from any increase in value as a result of declining interest rates. During periods of market illiquidity or rising interest rates, prices of "callable" issues are subject to increased price fluctuation.
- *CLOs, Other Related Investments and Risk Retention.* Certain Clients invest in interests in collateralized loan obligations ("CLOs"). A Client may invest in a significant portion of the subordinated debt or preferred equity tranche, commonly known as the "equity," of a CLO whose investment portfolio is managed by the Adviser or its affiliates. A Client may

also invest in various tranches of more senior debt securities issued by CLOs managed by the Adviser or its affiliates, as well as in various tranches of securities issued by CLOs managed by third parties. Investing in CLOs or financing vehicles sponsored by the Adviser or its affiliates would result in certain conflicts of interest. The subordination of the more junior tranches of CLO securities makes such CLO securities a leveraged investment in the assets of the relevant CLO. Use of leverage is a speculative investment technique and involves certain risks to investors. Although the use of leverage generally magnifies CLO equity's (and, indirectly, a Client's) opportunities for gain, it also magnifies risk of loss as well as financing expenses. Returns to a Client on any holding of a CLO security will depend on the amount of such leverage and on changes in interest rates, delinquencies and losses on the underlying assets. As a result, a Client may receive payments in respect of any investment in a CLO security that are, in the aggregate, less than the original amount of its investment in such CLO security. A Client will depend on payments and distributions from CLOs out of cash flows to enable a Client to make distributions to investors. The ability of such CLOs to make payments and distributions will depend on the extent to which payments are made on their portfolio assets and, among other things, on the terms and conditions of the indentures governing the relevant CLO securities. For example, tests (based on overcollateralization, interest coverage or other financial ratios) may restrict a Client's ability, as holder of such a CLO's securities, to receive cash flow from these investments. There is no assurance any such performance tests will be satisfied. Also, such vehicles may take actions that delay distributions in order to preserve ratings. Consequently, there may be a lag, which could be significant, between the repayment or other realization on a loan or other assets in such a vehicle and the distribution of cash out of a CLO, or cash flow may be completely restricted for the life of the CLO. Holders of the more senior debt tranches of such a vehicle will often receive current payments of principal and interest at times when the factors enumerated above preclude payments and distributions to a Client to the extent that it holds some or all of the more junior debt and equity tranches of such CLO. In addition, a decline in the credit quality of a portfolio investment due to poor operating results of the relevant borrower or issuer, declines in the value of the collateral supporting such portfolio investment and increases in defaults, among other things, may force such vehicles to sell certain assets at a loss, reducing their earnings and, in turn, cash potentially available for payment or distribution to a Client for distribution to the investors.

The CLO securities held by certain Clients may be subordinate to other CLO securities issued by such CLO and to other creditors of such CLO. To the extent that any losses are incurred by the CLO in respect of any collateral, such losses will be borne first by the holders of the CLO equity, and next by the most junior tranches of CLO debt. The CLO equity interests that a Client may hold would not be secured by the CLO's assets and no person or entity other than the CLO is required to make any distributions on the equity interests. To the extent that the CLO incurs any losses in respect of any collateral, such

losses will be borne first by a Client as a holder of common or preferred shares or other equity interests. The assets held by private CLOs are often less liquid than the assets held by other types of CLOs. This characteristic may increase the risk that the proceeds of a private CLO's assets will be insufficient to fund a return of a Client's investment when the private CLO is liquidated.

In some cases, a vehicle may use a relatively short-term credit facility or a derivative transaction (often known as a "warehouse") to finance the acquisition of loans and other assets until a sufficient quantity of assets is accumulated to permit the issuance of securities by a CLO. Certain Clients may provide debt or equity financing in connection with such warehouses. Warehouse investments may decline in value prior to the closing of the applicable CLO, and, in the event that a CLO for which a Client provides warehouse financing is unsuccessful at raising permanent capital, there can be no assurance that the value of the warehouse investments upon liquidation will meet or exceed the amount that such Client and any senior lenders are providing in warehouse financing. The short term focus of warehouse investments increases the risk to a Client that an adverse change in prevailing interest rates or interest rate spreads could prevent a CLO from raising capital and could adversely affect the value of the warehouse assets at the time that they are liquidated. Investing in CLOs or financing vehicles sponsored by the Adviser or its affiliates would result in certain conflicts of interest.

In addition to investing in CLO securities, a Client may invest in entities that qualify as eligible risk retainers ("Risk Retention Vehicles") with respect to third-party CLO issuers. Risk retention requirements are relatively new regulatory developments and still uncertain in certain cases but will likely require a Risk Retention Vehicle to hold certain credit risk for all or most of the life of the CLO issuer, such that a Client's investments may be highly illiquid, redemption and re-sale rights are expected to be very limited and there is no guarantee a Client will receive a return of its capital or the net asset value of its investment. A Client's investment is expected to be a minority investment with little or no ability to influence the activities of such Risk Retention Vehicle. There is no guarantee that any Risk Retention Vehicles in which a Client will invest will satisfy the applicable risk retention requirements or that such requirements or regulatory interpretations thereof may not change over time or would not require actions on the part of the Risk Retention Vehicle that are ultimately adverse to the value of such Client's investment. By investing in any entity that provides management services and serves as a risk retainer to CLO issuers, a Client would be indirectly exposed to the contractual and other expenses, liabilities and obligations, including with respect to regulatory actions, that such entity has assumed in providing such services to the applicable CLO issuers.

European investors should be aware that a Client's investments will not necessarily be in compliance with EU risk retention rules and requirements. Furthermore, the general partners may determine that a Client should not invest in transactions that are not EU risk

retention compliant or determine to exclude an investor from such transactions as it determines to be appropriate. EU risk retention rules and requirements or views of such rules or requirements may change in the future, which could adversely impact a Client or its investments. Investors should make their own determination as to whether EU risk retention requirements apply to their investment in a Client and the general partners, Adviser, and their affiliates have no liability for such determination.

- *Closed-End Investment Companies – Valuation Risk.* The interests of a closed-end investment company at times trade above (*a premium*) or below (*a discount*) the net asset value of such entity's portfolio. At times, discounts could widen, or premiums could shrink either diluting positive performance or compounding negative performance. There is no assurance that discounted entities will appreciate to their net asset value.
- *Convertible Securities Risk.* Convertible securities may be converted at either a stated price or stated rate into underlying shares of common stock. Convertible securities generally are subordinated to other similar but non-convertible securities of the same issuer. Although to a lesser extent than with fixed-income securities, the market values of convertible securities tend to decline as interest rates increase. In addition, because of the conversion feature, the market values of convertible securities tend to vary with fluctuations in the market value of the underlying common stock. Although convertible securities are designed to provide for a stable stream of income, they are subject to the risk that their issuers may default on their obligations. Convertible securities also offer the potential for capital appreciation through the conversion feature, although there can be no assurance of capital appreciation because securities prices fluctuate. Convertible securities generally offer lower interest or dividend yields than non-convertible securities of similar quality because of the potential for capital appreciation.
- *Corporate and Other Debt Obligations Risk.* Corporate and other debt obligations, including commercial paper, are subject to the risk of an issuer's inability to meet principal and interest payments on the obligations.
- *Counterparty Creditworthiness Risk.* Under certain conditions, a counterparty to a transaction could default and the market for certain securities or financial instruments in which the counterparty deals may become illiquid.
- *Counterparty Risk.* The risk that a counterparty in a repurchase agreement or other derivative investment could fail to honor the terms of its agreement.
- *Country Industry and Sector Allocation Risk.* While the portfolio managers use the country and sector weightings of the strategy's benchmark index as a guide in structuring the strategy's portfolio, they may overweight or underweight certain countries or sectors relative to the index. This may cause the strategy's performance to be more or less sensitive to developments affecting those countries or sectors. Legal, tax and regulatory changes, such as certain sanctions imposed by governments, may occur, which may restrict the

strategy's ability to purchase, hold or sell certain constituents of the relevant index in their appropriate proportions or otherwise adversely affect the ability of the strategy to pursue its indexing strategy.

- *Country, Industry and Market Sector Risk.* The strategy may be overweighted or underweighted, relative to the selected benchmark in companies in certain countries, industries or market sectors, which may cause the strategy's performance to be more or less sensitive to positive or negative developments affecting these countries, industries or sectors. In addition, the strategy can, from time to time, invest a significant portion (more than 25%) of its total assets in securities of companies located in particular countries, such as the United Kingdom and Japan, depending on such country's representation within the client's selected benchmark.
- *Credit Default Swaps ("CDS").* The "buyer" in a credit default contract is obligated to pay the "seller" a periodic stream of payments over the term of the contract provided that no event of default on an underlying obligation has occurred. If a "credit event" occurs, the seller must pay the buyer the full notional value, or "par value," of the obligation. CDS transactions are either "physical settled" or "cash settled." Physical settlement entails the actual delivery by the buyer of the reference asset to the seller in exchange for the payment of the full par value of the reference asset. Cash settled entails a net cash payment from the seller to the buyer based on the difference of the par value of the reference asset and the current market value of the reference asset. The portfolio may be either the buyer or seller in a CDS transaction. CDS can be used to address the perception of the client that a particular credit, or group of credits, may experience credit improvement or deterioration. In the case of expected credit improvement, the portfolio may sell credit default protection in which it receives a premium to take on the risk. In such an instance, the obligation of the portfolio to make payments upon the occurrence of a credit event creates leveraged exposure to the credit risk of the referenced entity. The portfolio may also buy credit default protection with respect to a reference entity if there is a high likelihood of perceived credit deterioration or for risk management purposes. In such instance, the portfolio will pay a premium regardless of whether there is a credit event. If the portfolio is a buyer and no credit event occurs, the portfolio will have made a series of periodic payments and recover nothing of monetary value. However, if a credit event occurs, the portfolio (if the buyer) will receive the full notional value of the reference obligation either through a cash or physical settlement. As a seller, the portfolio receives a fixed rate of income throughout the term of the contract, which typically is between six months and five years (but may be longer), provided that there is no credit event. CDS transactions involve greater risks than if the portfolio had invested in the reference obligation directly. The CDS market in high yield securities is comparatively new and rapidly evolving compared to the CDS market for more seasoned and liquid investment-grade securities, creating the risk that the newer markets will be less liquid and be difficult to exit or enter into a particular transaction.

- *Credit Risk.* Failure of an issuer to make timely interest or principal payments when due, or a decline or perception of a decline in the credit quality of a security, can cause a security's price to fall, lowering the value of the portfolio's investment in such security. The lower a security's credit rating, the greater the chance the issuer of the security will default or fail to meet its payment obligations. *See also "High Yield Securities Risk."*
- *Cybersecurity Risk.* In addition to the risks described above that primarily relate to the value of investments, there are various operational, systems, information security and related risks involved in investing, including but not limited to "cybersecurity" risk. Cybersecurity attacks include electronic and non-electronic attacks that include but are not limited to gaining unauthorized access to digital systems (e.g., through "hacking" or malicious software coding) for purposes of misappropriating assets or sensitive information, corrupting data or causing operational disruption. Cybersecurity attacks also may be carried out in a manner that does not require gaining unauthorized access, such as causing denial of service attacks on websites (i.e., efforts to make services unavailable to intended users). As the use of technology has become more prevalent, we and the client accounts we manage have become potentially more susceptible to operational risks through cybersecurity attacks. These attacks in turn could cause us and client accounts (including funds) we manage to incur regulatory penalties, reputational damage, additional compliance costs associated with corrective measures, and/or financial loss. Similar adverse consequences could result from cybersecurity incidents affecting issuers of securities in which we invest, counterparties with which we engage in transactions, third-party service providers (e.g., a client account's custodian), governmental and other regulatory authorities, exchange and other financial market operators, banks, brokers, dealers and other financial institutions and other parties. While cybersecurity risk management systems and business continuity plans have been developed and are designed to reduce the risks associated with these attacks, there are inherent limitations in any cybersecurity risk management system or business continuity plan, including the possibility that certain risks have not been identified. Accordingly, there is no guarantee that such efforts will succeed, especially since we do not directly control the cybersecurity systems of issuers or third-party service providers.
- *Data Protection.* Laws and regulations related to privacy, data protection and information security could increase costs, and a failure to comply with applicable laws and regulations could result in fines, sanctions or other penalties. The Clients and their portfolio companies are subject to regulations related to privacy, data protection and information security in jurisdictions in which they conduct business. As these regulations are implemented, interpreted and applied, compliance costs may increase. Complying with various existing, proposed, or yet to be proposed laws, regulations, amendments to or re-interpretations of existing laws and regulations, and contractual or other obligations relating to privacy, data protection, data transfers, data localization, or information security may require the Clients and their portfolio companies to make changes to their services to enable them to meet new

legal requirements, incur substantial operational costs, modify their data practices and policies, and restrict their business operations. Any actual or perceived failure to comply with these laws, regulations, or other obligations may lead to significant fines, penalties, regulatory investigations, lawsuits, costs for remediation, and other liabilities. The costs of the Clients' compliance with, and other burdens imposed by, applicable data protection laws will be borne (whether directly or indirectly) by investors in the Clients, and may, therefore, affect any returns that would otherwise be available to investors in the Clients.

- *Derivatives Risk.* A small investment in derivatives could have a potentially large impact on the strategy's performance. The use of derivatives involves risks different from, or possibly greater than, the risks associated with investing directly in the underlying assets, and the use of derivatives may result in losses. Derivatives in which we may invest can be highly volatile, illiquid and difficult to value, and there is the risk that changes in the value of a derivative held by the strategy will not correlate with the underlying instruments or the strategy's other investments in the manner intended. Certain types of derivatives, including swap agreements, forward contracts and other over-the-counter transactions, involve greater risks than the underlying obligations because, in addition to general market risks, they are subject to illiquidity risk, counterparty risk and pricing risk. Derivative instruments also involve the risk that a loss is sustained as a result of the failure of the counterparty to the derivative instruments to make required payments or otherwise comply with the derivative instruments' terms. Because many derivatives have a leverage component, adverse changes in the value or level of the underlying asset, reference rate or index can result in a loss substantially greater than the amount invested in the derivative itself. Certain derivatives have the potential for unlimited loss, regardless of the size of the initial investment. Certain types of derivatives, including swap agreements, forward contracts and other over-the-counter transactions, involve greater risks than the underlying obligations because, in addition to general market risks, they are subject to illiquidity risk, counterparty risk, credit risk and pricing risk. Additionally, some derivatives involve economic leverage, which could increase the volatility of these investments as they fluctuate in value more than the underlying instrument. *See also "Leverage Risk."*
- *Emerging Market Risk – Fixed Income.* The securities of issuers located in emerging markets tend to be more volatile and less liquid than securities of issuers located in the markets of more mature economies, and generally have less diverse and less mature economic structures and less stable political systems than those of developed countries. The fixed income securities of issuers located in emerging markets can be more volatile and less liquid than those of issuers in more mature economies. In addition, such securities often are considered to be below investment grade credit quality and predominantly speculative. The imposition of sanctions, confiscations, trade restrictions (including tariffs) and other government restrictions by the United States and other governments, or problems in share registration, settlement or custody, may also result in losses.

- *Environmental, Social and Governance Factors.* The Adviser generally considers ESG factors when making investments and managing Client investments, consistent with and subject to any applicable legal, regulatory, fiduciary or contractual duties. ESG factors, issues and considerations vary greatly based on numerous criteria, including, but not limited to, country, industry, investment strategy, and issuer-specific/investment-specific characteristics. Consideration of ESG factors may cause a Client not to make an investment that they would have made or to make a management decision with respect to an investment differently than they would have made in the absence of such ESG factors. Additionally, ESG factors are only some of the many factors the Adviser may consider in making an investment, and there is no guarantee that the Adviser will make investments that directly or indirectly create positive ESG impact or that consideration of ESG factors will enhance long-term value and financial returns for Clients. Similarly, in evaluating an investment, the Adviser often depends upon information and data provided by the issuer or company or obtained via third-party reporting or advisors, which may be incomplete or inaccurate and could cause the Adviser to incorrectly assess the company's ESG practices and/or related risks and opportunities.

ESG considerations and responsible investing practices as a whole are evolving rapidly and there are different frameworks, methodologies, and tracking tools being implemented by other asset managers. Therefore, the Adviser's approach to ESG considerations may not align with the approach used by other asset managers or preferred by prospective investors or with future market trends. The Adviser does not intend to independently verify certain of the ESG information reported by the portfolio companies. Further, the Adviser may determine in their discretion that it is not feasible or practical to implement or complete certain of its ESG initiatives based on cost, timing or other considerations. To the extent the Adviser engages with portfolio companies on ESG-related practices and potential enhancements thereto, there is no guarantee that such engagements will improve the financial or ESG performance of the investment.

There is also growing regulatory interest, particularly in the United States, United Kingdom ("UK") and European Economic Area ("EEA"), in improving transparency around how asset managers, among others, define, measure and disclose impact of ESG factors on the performance of any Client, account or client. The Adviser's ESG considerations could become subject to additional regulation in the future, and the Adviser cannot guarantee that its current approach will meet future regulatory requirements. Lastly, the Adviser's ESG programs, policies and procedures may change over time.

On the other hand, anti-ESG sentiment has also gained momentum across the United States, with several states having enacted or proposed "anti-ESG" policies, legislation or issued related legal opinions. For example, (i) boycott bills in certain states target financial institutions that are perceived as "boycotting" or "discriminating against" companies in certain industries (e.g., energy and mining) and prohibit state entities from doing business

with such institutions and/or investing the state's assets (including pension plan assets) through such institutions, and (ii) ESG investment prohibitions in certain states require that relevant state entities or managers/administrators of state investments make investments based solely on "pecuniary factors" without considering ESG factors. If investors subject to such legislation viewed the Clients' or the Adviser's ESG considerations as being in contradiction of such "anti-ESG" policies, legislation or legal opinions, such investors may not invest in the Clients and the Adviser's ability to maintain the size of the Clients could be impaired. Alternatively, such investors may seek confirmation that the Adviser's ESG practices are consistent with such state requirements as a condition to their investment in the Clients. The Adviser expects to consider ESG as applicable and appropriate in furtherance of maximizing financial returns and the investment objectives of the Clients, and may rely on the diligence and other information prepared by the Adviser internally as well as by potential counterparties and other third parties generally and without regard to whether particular ESG factors may have been considered in such material's preparation.

Accordingly, the Adviser and its affiliates are expected to be subject to competing demands from different investors and other stakeholder groups with divergent views on ESG matters, including the role of ESG in the investment process. This divergence increases the risk that any action or lack thereof with respect to ESG matters will be perceived negatively by at least some potential stakeholders and could adversely impact the Adviser's reputation. If the Adviser and its affiliates do not successfully manage ESG-related expectations across the varied interests of its stakeholders, including existing or potential investors, the Client's ability to access and deploy capital may be adversely impacted. In addition, a failure to successfully manage ESG-related expectations may negatively impact the Adviser's business, erode stakeholder trust and constrain investment opportunities.

- *Exchange-Traded Fund ("ETF") Risk.* Exchange Traded Funds ("ETFs") are shares of publicly traded unit investment trusts, open-end funds or depository receipts that seek to track the performance and dividend yield of specific indexes or companies in related industries. These indexes may be either broad-based, sector or international. However, ETF shareholders are generally subject to the same risk as holders of the underlying financial instruments they are designed to track. ETFs are also subject to certain additional risks, including, without limitation, the risk that their prices may not correlate perfectly with changes in the prices of the underlying financial instruments they are designed to track and the risk of trading in an ETF halting due to market conditions or other reasons, based on the policies of the exchange upon which the ETF trades.
- *Floating Rate Loan Risk.* Unlike publicly traded common stocks which trade on national exchanges, there is no central place or exchange for loans to trade. Loans trade in an over-the-counter market, and confirmation and settlement, which are effected through standardized procedures and documentation, may take significantly longer than seven days to complete. Loans trade in an over-the-counter market and are confirmed and settled

through standardized procedures and documentation. Extended trade settlement periods may, in unusual market conditions with a high volume of shareholder redemptions, present a risk to shareholders regarding the fund's ability to pay redemption proceeds within the allowable time periods stated in the applicable prospectus. The secondary market for floating rate loans also may be subject to irregular trading activity and wide bid/ask spreads. The lack of an active trading market for certain floating rate loans may impair the ability of the portfolio to realize full value in the event of the need to sell a floating rate loan and may make it difficult to value such loans. There may be less readily available, reliable information about certain floating rate loans than is the case for many other types of securities, and the strategy's portfolio managers may be required to rely primarily on their own evaluation of a borrower's credit quality rather than on any available independent sources. The value of collateral, if any, securing a floating rate loan can decline, and may be insufficient to meet the issuer's obligations in the event of non-payment of scheduled interest or principal or may be difficult to readily liquidate. In the event of the bankruptcy of a borrower, the portfolio could experience delays or limitations imposed by bankruptcy or other insolvency laws with respect to its ability to realize the benefits of the collateral securing a loan. The floating rate loans in which the portfolio invests typically will be below investment grade quality and, like other below investment grade securities, are inherently speculative. As a result, the risks associated with such floating rate loans are similar to the risks of below investment grade securities, although senior loans are typically senior and secured in contrast to other below investment grade securities, which are often subordinated and unsecured. Floating rate loans may not be considered to be "securities" for purposes of the anti-fraud protections of the federal securities laws, including those with respect to the use of material non-public information, so that purchasers, such as the fund, may not have the benefit of these protections.

- *Fixed-Income Market Risk.* The market value of a fixed-income security may decline due to general market conditions that are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. The fixed-income securities market can be susceptible to increases in volatility and decreases in liquidity. Liquidity can decline unpredictably in response to overall economic conditions or credit tightening. Increases in volatility and decreases in liquidity may be caused by a rise in interest rates (or the expectation of a rise in interest rates), which are at or near historic lows in the United States and in other countries. During periods of reduced market liquidity, the fund may not be able to readily sell fixed-income securities at prices at or near their perceived value. If the portfolio needed to sell large blocks of fixed-income securities to meet redemption requests or to raise cash, those sales could further reduce the prices of such securities. An unexpected increase in portfolio redemption requests, including requests from investors who may own a significant percentage of the portfolio, which may be triggered by market turmoil or an increase in interest rates, could cause the

portfolio to sell its holdings at a loss or at undesirable prices and adversely affect the portfolio's price and increase the portfolio's liquidity risk, portfolio expenses and/or taxable distributions. Economic and other market developments can adversely affect fixed-income securities markets. Regulations and business practices, for example, have led some financial intermediaries to curtail their capacity to engage in trading (i.e., "market making") activities for certain fixed-income securities, which could have the potential to decrease liquidity and increase volatility in the fixed-income securities markets. Policy and legislative changes worldwide are affecting many aspects of financial regulation. The impact of these changes on the markets, and the practical implications for market participants, may not be fully known for some time.

- *Forward Foreign Currency Exchange Transactions.* We engage in spot transactions and use forward contracts for investment purposes and to protect against uncertainty in the level of future exchange rates. For example, portfolios use forward contracts in connection with existing portfolio positions to lock in the U.S. dollar value of those positions, to increase a portfolio's exposure to foreign currencies that rise in value relative to the U.S. dollar or to shift the portfolio's exposure to foreign currency fluctuations from one country to another. The precise matching of the forward contract amounts and the value of the securities involved will not generally be possible because the future value of such securities in foreign currencies will change as a consequence of market movements in the value of those securities between the date the forward contract is entered into and the date it matures. Accordingly, it may be necessary for a portfolio to purchase additional foreign currency on the spot (that is, cash) market and bear the expense of such purchase if the market value of the security is less than the amount of foreign currency the portfolio is obligated to deliver and if a decision is made to sell the security and make delivery of the foreign currency. Conversely, it may be necessary to sell on the spot market some of the foreign currency received upon the sale of the portfolio security if its market value exceeds the amount of foreign currency the portfolio is obligated to deliver. In order to minimize risk, Alcentra generally rolls forward foreign currency contracts on a monthly basis.
- *Foreign Currency Risk.* Investments in foreign currencies are subject to the risk that those currencies will decline in value relative to the U.S. dollar, or in the case of hedged positions, that the U.S. dollar will decline relative to the currency being hedged. Currency exchange rates can fluctuate significantly over short periods of time. A decline in the value of foreign currencies relative to the U.S. dollar will reduce the value of securities held by the strategy and denominated in those currencies. Foreign currencies are also subject to risks caused by inflation, interest rates, budget deficits and low savings rates, political factors, and government controls.
- *Foreign Government Obligations and Securities of Supranational Entities Risk.* Investing in the sovereign debt of emerging market countries creates exposure to the direct or indirect consequences of political, social or economic changes in the countries that issue the

securities or in which the issuers are located. The ability and willingness of sovereign obligors in emerging market countries or the governmental authorities that control repayment of their debt to pay principal and interest on such debt when due depends on general economic and political conditions within the relevant country. Certain countries in which the strategy may invest have historically experienced, and may continue to experience, high rates of inflation, high interest rates and extreme poverty and unemployment. Some of these countries are also characterized by political uncertainty or instability. Additional factors which influence the ability or willingness to service debt include a country's cash flow situation, the availability of sufficient foreign exchange on the date a payment is due, the relative size of its debt service burden to the economy as a whole and its government's policy towards the International Monetary Fund ("IMF"), the International Bank for Reconstruction and Development ("IBRD") and other international agencies. The ability of a foreign sovereign obligor to make timely payments on its external debt obligations also will be strongly influenced by the obligor's balance of payments, including export performance, its access to international credits and investments, fluctuations in interest rates and the extent of its foreign reserves. A governmental obligor may default on its obligations. Some sovereign obligors in emerging market countries have been among the world's largest debtors to commercial banks, other governments, international financial organizations, and other financial institutions. These obligors, in the past, have experienced substantial difficulties in servicing their external debt obligations, which led to defaults on certain obligations and the restructuring of certain indebtedness.

- *Foreign Investment Risk.* To the extent we invest in foreign securities, Alcentra's performance will be influenced by political, social and economic factors affecting investments in foreign issuers. Special risks associated with investments in foreign issuers include exposure to currency fluctuations, less liquidity, less developed or less efficient trading markets, lack of comprehensive company information, political and economic instability and differing auditing and legal standards. Investments denominated in foreign currencies are subject to the risk that such currencies will decline in value relative to the U.S. dollar and affect the value of these investments held in the strategy. The imposition of sanctions, confiscations, trade restrictions (including tariffs) and other government restrictions by the United States and other governments, or problems in share registration, settlement, or custody, may also result in losses, particularly in light of the: (1) recent sanctions levied against Russian interests due to the conflict in Ukraine and, (ii) the December 2020 Presidential Executive Order prohibiting U.S. persons from transacting in certain securities and derivatives of publicly traded securities of any company designated as a "Communist Chinese military company".
- *Futures Contracts.* Futures contracts generally provide a high degree of liquidity and a low level of counterparty performance and settlement risk. While the use of futures contracts by a portfolio can amplify a gain, it can also amplify a loss. This loss can be

substantially more money than the initial margin posted by the portfolio pursuant to the contracts. There is no assurance of market liquidity for futures contracts, whether traded on an exchange or in the over-the-counter market and, as a result, there may be times where a portfolio would not be able to close a future investment position when it wanted to do so. Upon entering into a futures transaction, a portfolio will generally be required to deposit an initial margin payment with the futures commission merchant (the “futures broker”). The initial margin payment will be deposited with a portfolio’s custodian in an account registered in the futures broker’s name; however, the futures broker can gain access to that account only under specified conditions. As the future is marked-to-market to reflect changes in its market value, subsequent margin payments, called variation margin, will be paid to or by the futures broker on a daily basis. Prior to expiration of the future, if a portfolio elects to close out its position by taking an opposite position, a final determination of variation margin is made, additional cash is required to be paid by or released to the portfolio, and any loss or gain is realized for tax purposes. Position limits also apply to futures traded on an exchange. An exchange can order the liquidation of positions found to be in violation of those limits and may impose certain other sanctions. Initial margin is posted to a collateral pool which may be used to cover third-party liabilities in an event of default by a clearing broker or a major clearing broker’s client.

- *Government Securities Risk.* Not all obligations of the U.S. government’s agencies and instrumentalities are backed by the full faith and credit of the U.S. Treasury. Some obligations are backed only by the credit of the issuing agency or instrumentality, and in some cases, there is some risk of default by the issuer. Any guarantee by the U.S. government or its agencies or instrumentalities of a security held by the strategy does not apply to the market value of such security. A security backed by the U.S. Treasury or the full faith and credit of the United States is guaranteed only as to the timely payment of interest and principal when held to maturity. In addition, because many types of U.S. government securities trade actively outside the United States, their prices rise and fall as changes in global economic conditions affect the demand for these securities.
- *Health Care Sector Risk.* For investments focused in the health care and related sectors, the value of your investment will be affected by factors particular to those sectors and may fluctuate more widely than that of a strategy which invests in a broad range of industries. Health care companies are subject to government regulation and approval of their products and services, which can have a significant effect on their market price. The types of products or services produced or provided by these companies may quickly become obsolete. Moreover, liability for products that are later alleged to be harmful or unsafe can be substantial and have a significant impact on the health care company’s market value and/or share price. Biotechnology and related companies are affected by patent considerations, intense competition, rapid technology change and obsolescence, and regulatory requirements of various federal and state agencies. In addition, some of these companies are relatively small and have thinly traded securities, not yet offer products or

offer a single product, and have persistent losses during a product's transition from development to production, or erratic revenue patterns. The stock prices of these companies are very volatile, particularly when their products are up for regulatory approval and/or under regulatory scrutiny.

- *High-Yield Bond Risk.* High yield ("junk") bonds involve greater credit risk, including the risk of default, than investment grade securities, and are considered predominantly speculative with respect to the issuer's ability to make principal and interest payments. The prices of high-yield bonds can fall dramatically in response to bad news about the issuer, its industry, or the economy in general. Such securities are generally not exchange traded and, as a result, these instruments trade in the over-the-counter marketplace, which is less transparent than the exchange-traded marketplace. In addition, certain Clients will invest in bonds of issuers that do not have publicly traded securities, making it more difficult to hedge the risks associated with such investments. High-yield securities face ongoing uncertainties and exposure to adverse business, financial or economic conditions which could lead to the issuer's inability to meet timely interest and principal payments. The market values of certain of these lower-rated and unrated debt securities tend to reflect individual corporate developments to a greater extent than do higher-rated securities which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than are higher-rated securities. Companies that issue such securities are often highly leveraged and may not have available to them more traditional methods of financing. It is possible that a major economic recession could disrupt severely the market for such securities and may have an adverse impact on the value of such securities. In addition, it is possible that any such economic downturn could adversely affect the ability of the issuers of such securities and increase the incidence of default of such securities.
- *Interest Rate Risk.* Prices of bonds and other fixed-income securities tend to move inversely with changes in interest rates. Typically, a rise in rates will adversely affect fixed rate fixed-income securities and, accordingly, will cause the value of the fund's investments in these securities to decline. During periods of very low interest rates, which occur from time to time due to market forces or actions of governments and/or their central banks, including the Board of Governors of the Federal Reserve System in the U.S., the fund may be subject to a greater risk of principal decline from rising interest rates. Risks associated with rising interest rates are heightened given that interest rates in the United States and other countries are at or near historic lows. When interest rates fall, the values of already-issued fixed-income securities generally rise. However, when interest rates fall, the fund's investments in new securities may be at lower yields and may reduce the fund's income. The magnitude of these fluctuations in the market price of fixed-income securities is generally greater for securities with longer effective maturities and durations because such instruments do not mature, reset interest rates or become callable for longer periods of time. Unlike investment grade bonds, however, the prices of high yield bonds may

fluctuate unpredictably and not necessarily inversely with changes in interest rates. In addition, the rates on floating rate instruments adjust periodically with changes in market interest rates. Although these instruments are generally less sensitive to interest rate changes than fixed rate instruments, the value of floating rate loans and other floating rate securities may decline if their interest rates do not rise as quickly, or as much, as general interest rates.

- *Investment Strategy Risk.* The strategy's sustainability investment criteria may limit the number of investment opportunities available to the strategy, and, as a result, at times the strategy's returns may be lower than those of strategies that are not subject to such special investment considerations.
- *Initial Public Offering ("IPO") Risk.* The prices of securities purchased in IPOs can be very volatile. The effect of IPOs on a strategy's performance depends on a variety of factors, including the number of IPOs the strategy invests in relative to the size of the strategy and whether and to what extent a security purchased in an IPO appreciates or depreciates in value. Therefore, IPO investments may magnify the returns of the strategy.
- *Investment Grade Debt Securities.* Investment grade debt securities are investment grade rated obligations that have credit ratings that are intended to reflect (but will not necessarily reflect) relatively less credit and liquidity risk than high-yield debt securities or mezzanine debt securities. Risks of investment grade debt securities may include (among others): (i) market place volatility resulting from changes in prevailing interest rates, (ii) the absence, in many instances, of collateral security, (iii) the operation of mandatory sinking fund or call/ withdrawal provisions during periods of declining interest rates that could cause the Client to reinvest premature withdrawal proceeds in lower-yielding debt obligations and (iv) the declining creditworthiness and the greater potential for insolvency of the issuer of such investment debt securities during periods of rising credit spreads and/or interest rates and/or economic downturn.
- *Issuer Risk.* A security's market value may decline for a number of reasons which directly relate to the issuer, such as management performance, financial leverage and reduced demand for the issuer's products or services, or factors that affect the issuer's industry, such as labor shortages or increased production costs and competitive conditions within an industry.
- *Lender Liability Considerations/Equitable Subordination.* In recent years, a number of judicial decisions in the United States have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories, including equitable subordination (collectively termed "lender liability"). Generally, lender liability is founded upon the premise that the institutional lender has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in the creation of a fiduciary duty owed to the

borrower. Clients that we manage, as a creditor, may be subject to allegations of lender liability. Furthermore, funds may be unable to control the conduct of the other lenders under a loan syndication agreement requiring less than a unanimous vote, yet funds may be subject to lender liability for such conduct.

- *Leverage Risk.* The companies in which client accounts will invest expect to employ considerable leverage, a significant portion of which may be at floating interest rates. The leveraged capital structure of the companies will increase the sensitivity of client accounts' investments to any deterioration in a company's revenues, condition or industry, competitive pressures, an adverse economic environment or rising interest rates. In the event any such company cannot generate adequate cash flow to meet debt service, client accounts may suffer a partial or total loss of capital invested in the company, which could adversely affect client account returns.
- *Libor Discontinuance Risk.* Banks ceased providing submissions for the calculation of the London Inter-bank Offered Rate ("LIBOR"). Clients that undertook transactions in or otherwise held instruments that were valued using or otherwise linked to LIBOR rates or other interbank offered rates ("IBORs") or entered into or otherwise maintained contracts which determined payment obligations by reference to LIBOR or other IBOR rates could have been adversely affected as a result of the transition. These changes could have impacted the availability and cost of investments (as well as related hedging instruments), as well as the availability of capital and the cost of borrowing capital, which could have resulted in increased interest expense and cost of capital for accounts. Any such increased costs or reduced profits as a result of the foregoing could have adversely affected the liquidity and performance of accounts.
- *Liquidity Risk.* When there is little or no active trading market for specific types of securities or other instruments, it can become more difficult to sell the securities or other instruments at or near their perceived value. In such a market, the value of such securities or other instruments and the value of your investment may fall dramatically, even during periods of declining interest rates. Investments that are illiquid or that trade in lower volumes may be more difficult to value. The market for below investment grade securities may be less liquid and therefore these securities may be harder to value or sell at an acceptable price, especially during times of market volatility or decline. Liquidity risk also exists when a particular derivative instrument is difficult to purchase or sell. If a derivative transaction is particularly large or if the relevant market is illiquid (as is the case with many privately negotiated derivatives), it may not be possible to initiate a transaction or liquidate a position at an advantageous time or price. Investments in foreign securities tend to have greater exposure to liquidity risk than domestic securities. No active trading market may exist for some of the floating rate loans in which we invest, and certain loans may be subject to restrictions on resale. Because some floating rate loans that we invest in may have a more limited secondary market, liquidity risk is more pronounced for the fund than for

mutual funds that invest primarily in other types of fixed-income instruments or equity securities. Liquidity risk also may refer to the risk that we will not be able to pay redemption proceeds within the allowable time period stated in the client agreements because of unusual market conditions, an unusually high volume of redemption requests, or other reasons. To meet redemption requests, the fund may be forced to sell securities at an unfavorable time and/or under unfavorable conditions, which may adversely affect the account.

- *Loan Valuation Risk.* Because there may be a lack of centralized information and trading for certain loans in which we may invest, reliable market value quotations may not be readily available for such loans and their valuation may require more research than for securities with a more developed secondary market. Moreover, the valuation of such loans may be affected by uncertainties in the conditions of the financial market, unreliable reference data, lack of transparency and inconsistency of valuation models and processes.
- *Management Conflicts Risk.* The adviser and its affiliates may participate in the primary and secondary market for loan obligations. Because of limitations imposed by applicable law, the presence of the adviser and its affiliates in the loan obligations market may restrict Alcentra's ability to acquire some loan obligations or affect the timing or price of such acquisitions. Alcentra and its affiliates engage in a broad spectrum of financial services and asset management activities in which their interests or the interests of their clients may conflict with those of the fund. In addition, because of the financial services and asset management activities of Alcentra and its affiliates, Alcentra may not have access to material non-public information regarding the borrower to which other lenders have access.
- *Market Risk.* The market value of a security may decline due to general market conditions that are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates, outbreaks of an infectious disease, or adverse investor sentiment generally. A security's market value also may decline because of factors that affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. Global economies and financial markets are becoming increasingly interconnected, and conditions and events in one country, region or financial market may adversely impact issuers in a different country, region or financial market. These risks may be magnified if certain events or developments adversely interrupt the global supply chain; in these and other circumstances, such risks might affect companies world-wide.
- *Market Sector Risk.* A given strategy may significantly overweight or underweight certain companies, industries or market sectors, which may cause the strategy's performance to be more or less sensitive to developments affecting those companies, industries or sectors.

- *Micro-Cap Company Risk.* Micro-Cap stocks may offer greater opportunity for capital appreciation than the stocks of larger and more established companies; however, they also involve substantially greater risks of loss and price fluctuations. Micro-Cap companies carry additional risks because their earnings and revenues tend to be less predictable (and some companies may be experiencing significant losses), and their share prices tend to be more volatile and their markets less liquid than companies with larger market capitalizations. Micro-Cap companies may be newly formed or in the early stages of development, with limited product lines, markets or financial resources, and may lack management depth. In addition, there may be less public information available about these companies. The shares of micro-cap companies tend to trade less frequently than those of larger, more established companies, which can adversely affect the pricing of these securities and Alcentra's ability to sell these securities. Also, it may take a long time before the value of the investment realizes a gain, if any, on an investment in a micro-cap company.
- *Midsized Company Risk.* Midsized companies carry additional risks because the operating histories of these companies tend to be more limited, their earnings and revenues less predictable (and some companies may be experiencing significant losses), and their share prices more volatile than those of larger, more established companies.
- *Non-Diversification Risk.* If a strategy is non-diversified, this means that the strategy may invest a relatively high percentage of its assets in a limited number of issuers. Therefore, the strategy's performance may be more vulnerable to changes in the market value of a single issuer or group of issuers and more susceptible to risks associated with a single economic, political or regulatory occurrence than a diversified strategy.
- *Non-Investment Grade Debt Securities.* Mezzanine and other non-investment grade debt securities are generally unrated and/or ranked below investment grade rated investments that have greater credit and liquidity risk than more highly rated debt obligations. Such securities are typically issued in traditional private placements or in connection with acquisitions and other business combinations and have no trading market. Moreover, mezzanine and lower ranked debt securities are generally unsecured and subordinate to other obligations of the obligor and are subject to many of the same risks as those associated with high-yield debt securities. Adverse changes in the financial condition of the obligor of mezzanine and lower ranked debt securities or in general economic conditions (including, for example, a substantial period of rising interest rates or declining earnings) or both may impair the ability of the obligor to make payment of principal and interest. Issuers of non-investment grade debt securities may be highly leveraged, and their relatively high debt-to-equity ratios create increased risks that their operations might not generate sufficient cash flow to service their debt obligations.
- *Participation Interests and Assignments Risk.* A participation interest gives the portfolio an undivided interest in a loan in the proportion that the portfolio's participation interest

bears to the total principal amount of the loan but does not establish any direct relationship between the portfolio and the borrower. If a floating rate loan is acquired through a participation, the portfolio generally will have no right to enforce compliance by the borrower with the terms of the loan agreement against the borrower, and the portfolio may not directly benefit from the collateral supporting the debt obligation in which it has purchased the participation. As a result, the portfolio will be exposed to the credit risk of both the borrower and the institution selling the participation. The portfolio also may invest in a loan through an assignment of all or a portion of such loan from a third party. If a floating rate loan is acquired through an assignment, the portfolio may not be able to unilaterally enforce all rights and remedies under the loan and with regard to any associated collateral.

- *Preferred Stock Risk.* Preferred stock is a class of capital stock that typically pays dividends at a specified rate. Preferred stock is generally senior to common stock, but subordinate to debt securities, with respect to the payment of dividends and on liquidation of the issuer.
- *Pre-payment Risk.* Some securities give the issuer the option to prepay or call the securities before their maturity date, which may reduce the market value of the security and the anticipated yield-to-maturity. Issuers often exercise this right when interest rates fall. If an issuer “calls” its securities during a time of declining interest rates, we may have to reinvest the proceeds in an investment offering a lower yield, and therefore might not benefit from any increase in value as a result of declining interest rates. During periods of market illiquidity or rising interest rates, prices of “callable” issues are subject to increased price fluctuation.
- *Private Funds Rules and Other Recent SEC Rulemaking.* In August 2023, the SEC adopted new rules and amendments to existing rules under the Advisers Act (collectively, the “Private Funds Rules”) specifically related to investment advisers and their activities with respect to private funds they advise. The Private Funds Rules will, among other changes, impose required quarterly reporting by private funds to investors concerning detailed information on performance, investments, adviser-compensation, fees and expenses, capital inflows and capital outflows; require registered investment advisers to obtain an annual audit for all private funds that meets the requirements of the existing Advisers Act custody rule; require registered investment advisers to obtain a fairness or valuation opinion and make certain disclosures, in connection with adviser-led secondary transactions (also known as GP-led secondaries); restrict advisers from engaging in certain practices unless they satisfy certain disclosure requirements and, in some cases, consent requirements, which practices include, without limitation, charging regulatory or compliance fees or expenses, or fees or expenses associated with an examination, of Alcentra or its related persons to private fund clients, seeking reimbursement for certain investigation-related expenses, reducing the amount of a general partner’s clawback by

actual, potential or hypothetical taxes applicable to a general partner, borrowing from a private fund, making a non-pro rata fee or expense allocations; restrict advisers from engaging in certain forms of preferential treatment to private fund investors related to liquidity and information rights if they would be reasonably expected to have a material negative effect on other investors and otherwise require advisers to make certain disclosures regarding preferential treatment of investors; and prohibit an adviser from having a private fund bear the costs of any fees or expenses related to an investigation resulting in a court or governmental authority imposing a sanction for violating the Advisers Act.

In May 2022, the SEC proposed amendments to rules and reporting forms to promote consistent, comparable, and reliable information for investors concerning investment advisers' incorporation of ESG factors (the "ESG Proposed Rule"). The ESG Proposed Rule seeks to categorize certain types of ESG strategies broadly and requires advisers to both provide census data in Form ADV Part 1A and provide more specific disclosures in adviser brochures based on the ESG strategies they pursue. In addition, the SEC has also recently proposed other new rules and rule amendments under the Advisers Act in respect of ESG categorization, reporting and transparency for private investment funds, the safeguarding of client assets, cybersecurity risk governance, the outsourcing of certain functions to service providers, changes to Regulation S-P and the use of predictive data and associated conflicts of interest. The SEC has also proposed numerous, and adopted certain, new and amended rules that would apply to market participants that Alcentra and its affiliates regularly interact with, including broker dealers.

The Private Funds Rules, and the ESG Proposed Rule and other proposed rules, to the extent adopted, are expected to result in material alterations to how Alcentra operates its business and/or the clients, as well as the Adviser's implementation of the clients' investment strategies, to significantly increase compliance burdens and associated costs (which, to the extent permitted under governing fund documents and consistent with applicable law, including the Private Funds Rules (once they become effective), will be treated as fund expenses) and complexity and to possibly restrict the ability to receive certain expense reimbursements in certain circumstances. This, in turn, may increase the need for broader insurance coverage by fund managers and increase such costs and expenses charged to the clients and their investors, if permitted. In addition, these amendments could increase the risk of exposure of the clients, their general partners, and the Adviser to additional regulatory scrutiny, litigation, censure and penalties for noncompliance or perceived noncompliance, which in turn would be expected to adversely (potentially materially) affect the Adviser and the clients' reputations and to negatively impact the clients in conducting their businesses. There can be no assurance that the Private Funds Rules and any other new SEC rules and amendments will not have a material adverse effect on the Adviser, the general partners, the clients, the clients' investments and/or their

investors, or that such rules or amendments will not materially reduce returns to the Clients' investors.

- *Recent Developments in the Banking Sector.* Actual events involving limited liquidity, defaults, non-performance or other adverse developments that affect financial institutions, transactional counterparties or other companies in the financial services industry or the financial services industry generally, or concerns or rumors about any events of these kinds or other similar risks, have in the past and may in the future lead to market-wide liquidity problems. For example, on March 10, 2023, Silicon Valley Bank ("SVB") was closed by the California Department of Financial Protection and Innovation and the Federal Deposit Insurance Corporation ("FDIC") was appointed as receiver. On March 12, 2023, Signature Bank ("Signature") was closed by the New York State Department of Financial Services and the FDIC was appointed as receiver. On May 1, 2023, First Republic Bank ("First Republic") was closed and the FDIC was appointed as receiver by California regulators. Concurrently, the FDIC announced that JPMorgan Chase Bank, N.A. would assume all of First Republic's deposits and substantially all of its assets subject to a loss-share agreement with the FDIC. Depositors and other customers of smaller and/or regional banks have experienced, and may continue to experience, significant challenges and uncertainty regarding access to banking products and services, including with respect to the availability of such customers' deposits, lines of credit and other accounts and banking relationships. In addition, certain financial institutions, in particular smaller and/or regional banks or other financial institutions, have experienced volatile stock prices and significant losses in their equity value, and there is concern that depositors at these institutions have withdrawn, or will withdraw in the future, significant sums from their deposit accounts. Simultaneously with the recent events in the U.S. banking sector, as a result of depositary outflows and other existential issues, the Swiss Financial Market Supervisory Authority intervened in the collapse of Credit Suisse Group AG, one of the global systemically important banks, brokering its partial sale to UBS Group AG on March 19, 2023. There is a risk that other financial institutions could undergo significant depositary outflows as a result of contagion disconnected from market fundamentals or for other reasons, and it is unclear what steps regulators would take, if any, in the event of further bank closures or continuing (or increasing) market distress.

Should similar extraordinary events continue to occur, there is risk that more of these smaller and/or regional banks, or other financial institutions, may become in danger of default and/or face a risk of closure, receivership or other government intervention. Should additional banks be closed by governmental authorities, placed into receivership or conservatorship, or otherwise require government intervention, there is no assurance that the FDIC will guarantee uninsured depositors at any other financial institution. Even without additional bank closures, uncertainty caused by recent bank failures – and general concern regarding the financial health and outlook for other financial institutions – could have an overall negative effect on banking systems and financial markets generally. The

recent developments may also have other implications for broader economic and monetary policy, including interest rate policy, and may impact the financial condition of banks and other financial institutions outside of the United States. For the foregoing reasons, there can be no assurances that conditions in the global financial markets will not worsen and/or adversely affect the Clients or one or more of their investments or their overall performance.

- *Reliance on Certain Third Parties.* The Clients are dependent upon their service providers, such as the trustees, directors, custodians and administrators of the Clients. Errors are inherent in the operations of any business (including the business of the Clients), and although the Adviser has adopted measures to prevent and detect errors by, and misconduct of, service providers, and to transact with service providers it believes to be reliable, such measures may not be effective in all cases. Errors or misconduct by such service providers could have a material adverse effect on the Clients.
- *Securities Lending.* Certain Clients may borrow and lend securities in the ordinary course of its business with third parties. Third parties that borrow securities from a Client may not be able to return these securities on demand (possibly causing the Client to default on its obligations to other counterparties) and may also default on the payments due to the Client in connection with such loans, potentially resulting in substantial losses to the Client. The Client may lose the entire value of the securities it lends to defaulting borrowers.
- *Social Investment Risk.* Socially responsible and sustainability investment criteria may limit the number of investment opportunities available to a strategy and, as a result, at times the strategy's returns may be lower than those strategies that are not subject to such special investment considerations.
- *Structured Finance Securities.* Certain Clients may invest in trust certificates or similar securities of the type generally considered to be "repackaged securities" ("Structured Finance Securities"). Structured Finance Securities may present risks similar to those of the other types of CLOs in which a Client may invest and, in fact, such risks may be of greater significance in the case of Structured Finance Securities. In a repackaging transaction, the terms of an existing securitization vehicle are structured, with changes in seniority, notional amount, coupon, maturity and waterfall priority. The cash flows of the existing debt are used to support restructured debt securities to achieve the desired ratings. Repackaged securities may present risks similar to those of the other types of assets in which a Client may invest and, in fact, such risks may be of greater significance in the case of repackaged securities. Moreover, investing in Structured Finance Securities may entail a variety of unique risks. Among other risks, Structured Finance Securities may be subject to prepayment risks, credit risk, liquidity risk, market risk, structural risk, legal risk and interest rate risk (which may depend upon any associated interest rate hedging agreement providing for the exchange of interest accruing on the security being repackaged into interest stated to be payable on the trust certificate or similar securities). In addition, the

performance of a Structured Finance Security will be affected by a variety of factors, including the level and timing of payments and recoveries on, the characteristics of, the underlying collateral, the remoteness of those assets from the originator or transferor and the adequacy of, and the ability to realize upon, any related collateral.

- *Subordinated Securities Risk.* Holders of securities that are subordinated or “junior” to more senior securities of an issuer are entitled to payment after holders of more senior securities of the issuer. Subordinated securities are more likely to suffer a credit loss than non-subordinated securities of the same issuer, any loss incurred by the subordinated securities is likely to be proportionately greater, and any recovery of interest or principal may take more time. As a result, even a perceived decline in creditworthiness of the issuer is likely to have a greater impact on the market value of these securities. Subordinated loans generally are subject to similar risks as those associated with investments in senior loans, except that such loans are subordinated in payment and/or lower in lien priority to first lien holders. Consequently, subordinated loans generally have greater price volatility than senior loans and may be less liquid. The risks associated with subordinated unsecured loans, which are not backed by a security interest in any specific collateral, are higher than those for comparable loans that are secured by specific collateral.
- *Systemic Risk.* World events and/or the activities of one or more large participants in the financial markets and/or other events or activities of others could result in a temporary systemic breakdown in the normal operation of financial markets. Such events could result in a portfolio losing substantial value caused predominantly by liquidity and counterparty issues which could result in a portfolio incurring substantial losses.
- *Trading Limitations.* For all securities, including options, listed on a public exchange, the exchange generally has the right to suspend or limit trading under certain circumstances. These suspensions or limits could render certain strategies difficult to execute or continue and subject a portfolio to loss.
- *Unlisted Financial Instruments Risk.* Unlisted securities may involve higher risks than listed securities. Because of the absence of any trading market for unlisted securities, it may take longer to liquidate, or it may not be possible to liquidate, positions in unlisted securities than would be the case for publicly traded securities. Companies whose securities are not publicly traded may not be subject to public disclosure and other investor protection requirements applicable to publicly traded securities.
- *U.S. Government Securities.* The strategy may invest in U.S. government securities, including bills, notes, bonds and other debt securities issued by the U.S. Treasury. These instruments are direct obligations of the U.S. government and, as such, are backed by the “full faith and credit” of the United States government. They differ primarily in their interest rates, the lengths of their maturities and the dates of their issuance. Each portfolio may also invest in securities issued by agencies or instrumentalities of the U.S.

government. These obligations, including those guaranteed by federal agencies or instrumentalities, may or may not be backed by the “full faith and credit” of the United States government. All of the foregoing are referred to collectively as “U.S. government securities.” Securities issued or guaranteed by agencies or instrumentalities are supported by: (i) the full faith and credit of the United States; (ii) the limited authority of the issuer to borrow from the U.S. Treasury; or (iii) the authority of the U.S. government to purchase certain obligations of the issuer. No assurance can be given that the U.S. government will provide financial support to its agencies and instrumentalities as described in (ii) and (iii) above, other than as set forth, since it is not obligated to do so by law. In the case of securities not backed by the full faith and credit of the United States, a portfolio must look principally to the agency issuing or guaranteeing the obligation for ultimate repayment and may not be able to assert a claim against the United States if the agency or instrumentality does not meet its commitments.

- *Warrants and Rights Risk.* Warrants and rights may become worthless if the price of the stock does not rise above the exercise price by the expiration date. This increases the market risks of warrants as compared to the underlying security.
- *When-Issued and Delayed-Delivery Securities.* “When-issued” or “delayed delivery” refers to securities whose terms and indenture are available and for which a market exists, but which are not available for immediate delivery. While the portfolio will purchase securities on a when-issued or delayed-delivery basis only with the intention of acquiring the securities, the portfolio may sell the securities before the settlement date if it is deemed advisable. At the time the portfolio makes the commitment to purchase securities on a when-issued or delayed delivery basis, the portfolio will record the transaction and thereafter reflect the value, each day, of the security in determining the net asset value of the portfolio. When these transactions are negotiated, the price (which is generally expressed in yield terms) is fixed at the time the commitment is made, but delivery and payment for the securities take place at a later date. During the period between commitment by a portfolio and settlement (generally within two months but not to exceed 120 days), no payment is made for the securities purchased by the purchaser, and no interest accrues to the purchaser from the transaction. These securities are subject to market fluctuation, and the value at delivery may be less than the purchase price. A portfolio will engage in when-issued transactions in order to secure what is considered to be an advantageous price and yield at the time of entering into the obligation. When a portfolio engages in when-issued or delayed-delivery transactions, it relies on the buyer or seller, as the case may be, to consummate the transaction. Failure to do so may result in a portfolio losing the opportunity to obtain a price and yield considered to be advantageous. If a portfolio chooses: (i) to dispose of the right to acquire a when-issued security prior to its acquisition; or (ii) to dispose of its right to deliver or receive against a forward commitment, it may incur a gain or loss. To the extent a portfolio engages in when-issued and delayed-delivery transactions, it will do so for the purpose of acquiring or selling securities consistent with

its investment objectives and policies and not for the purposes of investment leverage. A portfolio enters into such transactions only with the intention of actually receiving or delivering the securities, although (as noted above) when-issued securities and forward commitments may be sold prior to the settlement date.

The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment with a Client. Prospective Clients, and investors in certain Clients are recommended to review the applicable offering documents and/or investment management agreement of each Client for a more complete discussion of the risk factors associated with an investment, and consult with their own advisors before deciding whether to invest. In addition, as a Client's investment program develops and changes over time, an investment in a Client may be subject to additional and different risk factors.

Item 9. Disciplinary Information

There are no legal or disciplinary events that are material to a Client's (or investor's, in the case of a pooled investment vehicle Client) or a prospective Client's (or investor's, in the case of a pooled investment vehicle Client) evaluation of the Adviser's advisory business or the integrity of the Adviser's management.

Item 10. Other Financial Industry Activities and Affiliations**Alcentra Limited**

Alcentra Limited is an affiliate of the Adviser, and an indirect, wholly-owned subsidiary of Franklin Resources, Inc. The Adviser and Alcentra Limited provide discretionary and non-discretionary investment advisory services to each other under sub-advisory agreements. In addition to the sub-advisory relationship described in *Item 8.*, Alcentra Limited and one or more of its employees also, from time to time, provides Alcentra with various services, including research, portfolio management and non-discretionary investment recommendations, trading and execution services, and back/middle office services pursuant to a participating affiliate agreement as further described under “Associated Persons” below.

Affiliated Advisers

Alcentra is affiliated with the investment advisers listed below.

- Alcentra Limited: a non-U.S registered investment adviser with the SEC, incorporated in England and Wales.
- Benefit Street Partners, L.L.C (“BSP”): a U.S. registered investment adviser with the SEC.
- Franklin BSP Lending Adviser, L.L.C. (“FBSP L Adviser”): a U.S. registered investment adviser with the SEC.
- BSP CLO Management LLC (“BSP CLO”): a U.S. registered investment adviser with the SEC.
- Franklin BSP Capital Adviser LLC (“Franklin BSP”): a U.S. registered investment adviser with the SEC.
- K2/D&S Management Co., L.L.C. (“K2/D&S”): a U.S. registered investment adviser with the SEC.

Clients of the Adviser from time to time participate in transactions alongside other clients of the Adviser or clients of an affiliated adviser.

The Adviser is a subsidiary of Franklin Resources, Inc., a global investment management organization (together with its affiliated advisers (but excluding the Adviser), referred to in this section as “Franklin Templeton”). Franklin Templeton is operated and managed separately from the Adviser, and Franklin Templeton does not have any involvement in the day-to-day investment operations of the Adviser. The Adviser does not direct or coordinate with Franklin Templeton. All recommendations and allocations of investment opportunities are made by the Adviser independent of Franklin Templeton.

For a description of material conflicts of interest created by the relationship among the Adviser and the affiliated advisers, as well as a description of how such conflicts are addressed, *please see Item 11.*

Associated Persons

Pursuant to a participating affiliate agreement, we, from time to time, use services provided by Alcentra Limited, an asset management affiliate of ours, and one of more of its employees, including research, portfolio management services (discretionary portfolio management and non-discretionary investment recommendations), trading and execution services and back/middle office services. In such cases, Alcentra Limited and certain of its employees are deemed to be associated persons of ours and (subject to our supervision, including Alcentra's compliance policies and procedures) provide these services in connection with our management of one or more client accounts. Under the aforementioned agreement, we pay compensation to Alcentra Limited for the services of the associated persons.

Affiliated Private Funds and Sponsors

As discussed in Items 4-8 above, we act as investment adviser to various private funds. Affiliates of Alcentra may sponsor and/or act as the general partner of such private funds. *Please see Form ADV, Part 1 - Schedule D, Section 7.A and Section 7.B for a list of our private funds and affiliated general partners.* Our management persons' relationship to these private funds, the affiliated general partners and other affiliates as well as the related conflicts of interest is disclosed to underlying investors before they invest. For example, the general partner may receive performance-based compensation (i.e. carried interest) from certain of the private funds, which creates an incentive for our management persons to recommend investments that are riskier than might otherwise be the case. Also, such management persons have conflicts of interest in allocating their time and service among such private funds, Alcentra and certain other Franklin Templeton entities. *Please see the applicable fund's offering and organizational documents for further information regarding such conflicts.*

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

The Adviser's code of ethics ("Code of Ethics") requires each of the Adviser's employees to deal honestly and fairly with all persons with whom he or she has contact. The Code of Ethics is designed to comply with Rule 17j-1 of the Investment Company Act and Rule 204A-1 of the Advisers Act. Employees at all times must place the interests of the Clients and their investors, as applicable, first. Employees are required to conduct their personal trading so as to avoid any actual or potential conflicts of interest or any abuse of a position of trust or responsibility. Moreover, employees may not take inappropriate advantage of their positions. The Code of Ethics includes policies regarding personal trading by the Adviser's employees and members of their immediate families. These policies limit personal trading by employees in a wide range of securities, including common and preferred stock, debt instruments, securities that are convertible or exchangeable for equity or debt securities, derivative instruments, and shares of closed-end investment companies registered under the Investment Company Act and business development companies. Employees must report every account in which they have a direct or indirect beneficial interest, other than personal savings or checking accounts that are not able to hold securities of any type and have copies of periodic account statements sent by their broker(s) to the Adviser's compliance department. In addition, if they directly or indirectly influence or control trading in the account, they must pre-clear covered securities transactions with the Adviser's compliance department.

A copy of the Code of Ethics is available to any client or prospective client upon request by calling Alexander H. McMillan at 212-588-6712 or by writing to Mr. McMillan, Chief Compliance Officer, Benefit Street Partners L.L.C., 9 West 57th Street, Suite 4920, New York, New York 10019 or by contacting Mr. McMillan via email at a.mcmillan@benefitstreetpartners.com.

Material Non-Public Information and Limitations in Securities Transactions

When providing advisory services focused on sub-investment grade debt, including senior secured, middle market and second lien loans, we, Alcentra Limited and BSP regularly receive information about issuers, borrowers, securities and instruments, that is not made available to the general public. Certain of this private information may be considered material non-public information ("MNPI"). We have implemented policies to prevent the misuse of MNPI. Under no circumstances can our employees trade public securities based on MNPI for their own reportable accounts or those of a fund.

Generally, disclosure of such information is subject to internal limitations to prevent the flow of confidential information between ourselves and our affiliates, except as noted below.

We have put in place policies to address the manner in which we, Alcentra Limited and BSP handle private information, including MNPI that it may receive from issuers.

Restricted List

Whenever the Adviser comes into possession of MNPI, or otherwise has any type of relationship or other basis upon which the Adviser could come into possession of MNPI or otherwise have access to MNPI, the Adviser will make a determination as to whether to place the issuer, borrower, security or instrument on the Adviser's Restricted Trading/Securities List (the "Restricted List"). The Restricted List may include, but is not necessarily limited to: companies with publicly registered, publicly traded or otherwise outstanding securities or instruments in which the Adviser, or certain advisory affiliates have a strategic or ownership interest or other similar relationship; where an employee of the Adviser or certain advisory affiliates sits on the board of directors; where the Adviser or certain advisory affiliates have access to material non-public information concerning the company or its affiliates; or, where the Adviser has private-side information on certain outstanding loans.

The Adviser has implemented a single Restricted List covering the advisory and trading activities of the Adviser, Alcentra Limited and BSP. As such, an issuer, borrower, security or instrument may be placed on the Restricted List when any of the Adviser, Alcentra Limited or BSP comes into possession of MNPI. When an issuer, borrower, security or instrument is placed on the Restricted List, the Adviser, Alcentra Limited and BSP and their respective employees are prohibited from trading in any such issuer, borrower, security or instrument without prior approval (i) on behalf of a client; (ii) on behalf of a client of Alcentra Limited or BSP, or (iii) for personal trading by employees. Once an issuer, borrower, security or instrument has been placed on the Restricted List, any trading of an existing position for a client or a client of Alcentra Limited or BSP is prohibited without prior approval or until the issuer, borrower, security or instrument is removed from the Restricted List.

If an issuer's securities are in a client and subsequently that issuer's securities are placed on the Restricted List, absent an exception, the Adviser will not be permitted to trade that issuer's securities until those securities are removed from the Restricted List. Clients may therefore be restricted from trading because the Adviser, Alcentra Limited or BSP possesses MNPI and may bear the risk of loss during the period any such securities are on the Restricted List. Accordingly, the placement of securities on the Restricted List has the potential to affect the Adviser's ability to exercise investment discretion for a client and the performance of such impacted clients.

In particular, Alcentra High Yield Strategy may be restricted from purchasing or selling high yield bonds on behalf of client accounts if Alcentra, Alcentra Limited or BSP has MNPI about that bond issuer. In addition, Alcentra may be prevented from gathering non-public information about a debt issuer because the Alcentra High Yield team has a bond position in that same issuer. Because Alcentra High Yield holds a number of positions, the impact to the U.S. and European loan teams may be significant.

Structured Credit invests in CLO tranches which are collateralized by pools of corporate loans. We, Alcentra Limited or BSP may be in possession of private information with respect to some of the underlying corporate loans. To prevent the potential misuse of material non-public

information, we, Alcentra Limited and BSP have implemented processes to identify instances of MNPI and restrict trading in such CLOs and underlying corporate loans until such time the information is made public.

Private Credit invests in middle market companies through first lien, second lien, unitranche, and, to a lesser extent, mezzanine debt and primary equity investments. A borrower who has also borrowed money via a syndicated bank loan or a high yield bond may provide Private Credit with material, non-public information that is not available to that borrower's syndicated bank loan investors or its high yield bond investors.

Alternatively, to prevent the potential misuse of MNPI, we, Alcentra Limited and BSP have the ability to implement, and may in the future implement, information barriers separating their respective investment and portfolio management teams from the rest of the business. Alcentra, Alcentra Limited and BSP have, and may in the future, on a limited basis, establish information barriers around individuals, investment teams and portfolio managers, or a select group or division. In this case, those persons falling within the information barrier would be subject to the securities trading prohibition and except for need-to-know communications to others within the information barrier (or, based on the information transmission, will now be within the information barrier), the communication prohibition as discussed above. The breadth of the information barriers and the persons included within it are determined on a case-by-case basis.

Valuation of Client Assets

The Adviser has a duty to value Client assets as provided in and consistent with the organizational documents and policies and procedures of those Clients, as applicable. The Adviser has adopted a policy regarding the valuation of Client assets in order to provide a basis for establishing valuations reported by Clients, including CLOs and other pooled investment vehicles. Certain Clients have portfolio investments that include restricted securities in publicly held companies and privately held investments, which are carried at an estimate of fair value as determined in good faith and in accordance with the organizational documents of the applicable Client or pursuant to procedures determined by a valuation committee of the Client, when applicable. In the absence of special circumstances, all portfolio investments, other than restricted and privately held portfolio investments, are valued at market value. Market value for unrestricted, publicly traded portfolio investments is determined based on the closing price on the exchange on which the security is principally traded. Restricted and privately held portfolio investments, which may not have readily ascertainable market values, are valued at fair value, which is the estimated amount that would be received upon the sale of the portfolio investment in an orderly transaction between market participants on the measurement date. In establishing the fair value of portfolio securities, the Adviser or applicable affiliate takes into consideration, for each portfolio company, some or all of the following: (i) the prices of securities of comparable quality and type; (ii) the liquidity of the position; (iii) any correlation with general market indicators, such as indices; (iv) transactions in similar securities; (e) a significant event occurs after either a security's last trade or the close of regular trading on the market where that security trades and before the portfolio's valuation time;

(vi) the nature and duration of restrictions on the disposition of securities (if applicable); (vii) an evaluation of the forces which influence the market in which these securities may be purchased or sold; (viii) input from third-party valuation consultants; and (ix) any other specific factors which may affect pricing. The Adviser also considers the application of control premiums in various situations. However, because of the inherent uncertainty of valuation, the recommended values may differ significantly from values that would have been used had a ready market for the restricted and privately held portfolio investments existed, and may differ significantly from the amounts realized upon disposition, and the differences could be material. Furthermore, the Adviser's, or applicable affiliate's, use of discretion in the valuation of a Client's assets may give rise to conflicts of interest if such valuations are utilized in the calculation of the performance-based fees and management fees attributable to the Adviser.

The Adviser will, when applicable, value investments in accordance with FASB Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures (formerly FASB Statement 157, Fair Value Measurements) ("ASC 820"). Additionally, the Adviser may use independent third-party valuation services to assist with any or all valuations of a client's portfolio investments. Notwithstanding the foregoing, valuations for a particular client will comply with the requirements of the relevant Client's organizational documents.

The Adviser may modify the valuation methods described above if it determines that such modifications are appropriate and reasonable to reflect the value of any securities or other assets or liabilities, and will document the basis for any modifications.

Participation or Interest in Client Transactions and Potential Conflicts

The potential material conflicts of interest encountered by a Client include those discussed below, although the discussion below does not necessarily describe all of the conflicts that may be faced by a Client. Other conflicts may be disclosed throughout this Brochure and the Brochure should be read in its entirety for other conflicts.

Note that while each of the following types of transactions present conflicts of interest for us, as described below, we manage our Client accounts consistent with applicable law, and we have implemented policies and procedures that are reasonably designed to treat our Clients fairly and to prevent any Client or group of Clients from being systematically favored or disadvantaged.

Resolution of Conflicts

In the case of conflicts of interest, the Adviser's determination as to which factors are relevant, and the resolution of such conflicts, will be made using the Adviser's best judgment, in its sole discretion. In resolving conflicts, the Adviser considers various factors, including the interests of the applicable Clients with respect to the immediate issue and/or with respect to their longer term courses of dealing. Certain procedures for resolving specific conflicts of interest are set forth below. When conflicts arise, the following factors may mitigate, but will not eliminate, conflicts of interest:

- A Client will not make an investment unless the Adviser believes that such investment is an appropriate investment considered solely from the viewpoint of the applicable Client.
- Conflicts of interest will generally be resolved by set policies and procedures of the Adviser and procedures contained in the relevant offering and organizational documents of a Client, if applicable.
- The Adviser and certain of its affiliates have adopted written policies establishing information “walls” designed to limit communication between business units investing in equity securities and debt securities of companies. These policies restrict the transfer of confidential information between these business units, subject to certain exceptions provided in the policies. These policies establish procedures for communications among employees of different business units to guard against unlawful and inappropriate disclosure of material, nonpublic information.
- On any issue involving actual conflicts of interest, the Adviser will be guided by its good faith judgment.

In addition, certain provisions of a Client’s organizational documents, with respect to pooled investment vehicles, are designed to protect the interests of investors in situations where conflicts may exist, although these provisions do not eliminate such conflicts. In certain instances, some conflicts of interest may be resolved in a manner adverse to a Client and its ability to achieve its investment objectives.

Principal Transactions

Section 206 of the Advisers Act regulates principal transactions among an investment adviser and its affiliates, on the one hand, and its clients, on the other hand. Very generally, if an adviser (or an affiliate) purchases a security from or sells a security to a client, the adviser must disclose the terms of the transaction to the client and obtain the informed consent of the client prior to engaging in the principal transaction. We generally do not engage in principal transactions. However, in connection with the Adviser’s management of certain of its client accounts, and to the extent permitted by law and the Adviser’s or an applicable client’s compliance policies and procedures, the Adviser and its affiliates may engage in principal transactions, but will not directly or indirectly receive any commission or other transaction based compensation for effecting such transaction. The Adviser has established certain policies and procedures to comply with the requirements of the Advisers Act and the Investment Company Act as they relate to principal transactions, including, among other things, that disclosures required by Section 206 be made to the applicable client regarding any proposed principal transactions and that any required prior consent is received before executing a principal transaction. The Adviser may provide written disclosure to and obtain consent from an independent representative, advisory committee or independent directors of a Client, or directly from the investors of such Client, depending on, among other things, any procedures for obtaining such consent set forth in the governing documents of the relevant Client.

Cross Transactions

A cross transaction generally refers to a transaction where one client account managed by an adviser or its affiliates seeks to acquire an investment that another client account of the adviser seeks to sell. Cross transactions may create conflicts of interest because a client is on both sides of the transaction. The Adviser on occasion, and to the extent permitted by applicable law, including the Investment Company Act, and the Adviser's or an applicable Client's compliance policies and procedures, purchases a security or asset for one Client account at the same time as a sale of the same security or asset for another Client account or effects cross transactions between Client accounts. Such transactions may, for example, be effected to rebalance the positions held by the Client accounts with a view towards achieving uniform results among certain Clients in light of differing cash flows due to subscriptions and redemptions. The valuation of investments transferred between Client accounts may involve conflicts of interest.

Conflicts Related to Purchases and Sales

The Adviser, its affiliates, and officers, principals or employees of the Adviser and its affiliates may buy or sell securities or other instruments that the Adviser has recommended to Clients. In addition, such officers, principals or employees may buy securities in transactions offered to but rejected by Clients. Such transactions are subject to the policies and procedures adopted by the Adviser from time to time. The investment policies, fee arrangements, and other circumstances of these investments may vary from those of the Adviser's other Clients or clients of its affiliates. The Adviser, its affiliates, certain of its principals and employees, and their relatives may invest in and alongside the Advisers' Clients either through a general partner of a Client, as direct investors in a Client (in the case of pooled investment vehicle Clients) or otherwise, and therefore may have additional conflicting interests in connection with these investments.

The Adviser, its affiliates, and their employees are prohibited from "front running" (i.e., purchasing a security for a personal account while knowing that a Client is about to purchase the same security, and then selling the security at a profit upon the rise in the market price following the purchase by the Client). They are similarly prohibited from engaging in short selling when they have access to confidential information that a Client is about to sell a particular security. In addition, they are prohibited from "intermarket front running" (e.g., trading in an option for a personal account when a Client is trading in the underlying security and vice versa). Nevertheless, if the Adviser, its affiliates, and their employees have made large capital investments in or alongside the Clients, such persons may have conflicting interests from such Clients with respect to these investments (for example, with respect to the availability and timing of liquidity).

A particular investment may be bought or sold for only one Client or in different amounts and at different times for one (or more than one) Client, even though it could have been bought or sold for other Clients at the same time. Likewise, a particular investment may be bought for one or more Clients when one or more other Clients are selling the investment. Conflicts also may arise when a Client makes investments in conjunction with an investment being made by other Clients

or a Client of the Adviser's affiliates, or in a transaction where another Client or Client of such an affiliate has already made an investment. Investment opportunities may be appropriate for Clients and/or clients of the Adviser's affiliates at the same time, at different or overlapping levels of a portfolio company's capital structure. Conflicts may arise in determining the terms of investments, particularly where these Clients may invest in different types of securities in a single portfolio company. Questions may arise as to whether payment obligations and covenants should be enforced, modified or waived, or whether debt should be refinanced. Decisions about what action should be taken in a troubled situation, including whether or not to enforce claims, whether or not to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, whether or not or in what manner to exercise a voting or consent right, and the terms of any work out or restructuring may raise conflicts of interest, particularly in Clients and clients of the Adviser's affiliates that have invested in different securities within the same portfolio company.

Certain Clients of the Adviser and its affiliates invest in bank debt, loans and securities of or other investments in companies in which other Clients of the Adviser or its affiliates hold securities, loans or other investments, including equity securities, which may include a controlling position. In the event that such investments are made by a Client, the interests of such Client may be in conflict with the interest of such other Client or client of the Adviser's affiliates, particularly in circumstances where the underlying company is facing financial distress. The involvement of such persons at both the equity and debt levels, or in different levels of the debt structure of an issuer, could cause conflicts of interest. In certain circumstances, decisions made with respect to investments held by one Client or client of the Adviser's affiliates could adversely affect the investments of another Client or another client of the Adviser's affiliates. The involvement of such persons at multiple levels of the capital structure could also inhibit strategic information exchanges among fellow creditors. In certain circumstances, Clients or the clients of the Adviser's affiliates may be prohibited from exercising voting or other rights, and may be subject to claims by other creditors with respect to the subordination of their interest. If additional capital is necessary as a result of financial or other difficulties, or to finance growth or other opportunities, the Clients may or may not provide such additional capital, and if provided each Client will supply such additional capital in such amounts, if any, as determined by the Adviser. The Adviser and its affiliates seek to address these conflicts by adopting policies and procedures, which may include limiting investments by a Client which produce such conflicts, limiting voting or roles on creditors' committees, procedures designed to ensure that the teams managing the investments make independent decisions through the enforcement of information barriers and similar procedures, or other procedures in the judgment of the Adviser.

Investments by more than one client of the Adviser or its affiliates in a portfolio company may also raise the risk of using assets of a client of the Adviser or its affiliates to support positions taken by other clients of the Adviser or its affiliates.

The Adviser and its affiliates will attempt to resolve any such conflicts in good faith, but there can be no assurance that such conflicts of interest or actions taken by the Adviser or its affiliates in

respect of other Clients will not have an adverse effect on the investments made by a Client. There can be no assurance that the return of a Client participating in a transaction would be equal to and not less than another Client participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed. Conflicts of interest related to investments by other Clients or clients managed by the Adviser's affiliates may result in a client limiting its participation in certain attractive investment opportunities.

Investments by Affiliates and Employees

We and our existing and future employees, our board members, and our affiliates and their employees may from time to time invest in products managed by us. We have developed policies and procedures to address conflicts of interest created by such investments. We are part of a large diversified financial organization. As a result, it is possible that an affiliate may, as principal, purchase securities or sell securities for itself that we also recommend to Clients. We do permit our employees to invest for their own account within the guidelines and restrictions of the Code of Ethics, as described above.

Agency Transactions Involving Affiliated Brokers

Neither we nor any of our officers or directors, acting as broker or agent, effect securities transactions for compensation for any Client. We are part of a large diversified financial organization. As a result, it is possible that an affiliate, other than our officers and directors, may, as agent, effect securities transactions for our Clients for compensation.

Allocations of Investment Opportunities

Each Client may pursue investment opportunities similar to those pursued by another Client or by clients of the Adviser's affiliates. The Adviser and its affiliates currently advise and manage, and expect that they will in the future advise and manage, other Clients which are additional investment accounts and pooled investment funds, including hedge funds, private equity funds, single investor funds, sector specific, asset class specific or geographic specific private investment funds, including 40 Act Funds or business development companies, for which an investment to be made by the Client is also appropriate.

To the extent a particular investment opportunity is suitable for more than one Client, such investment will be allocated among the applicable Clients as determined by the Adviser in its good faith judgment and in accordance with the organizational documents of the relevant Clients, the investment allocation policies and procedures of the Adviser, and subject to applicable legal, tax, regulatory and other considerations. Allocation decisions can raise conflicts, for example, if certain Clients or a client of the Adviser's affiliates have different fee structures, or because certain legal and regulatory restrictions under the Advisers Act and/or Investment Company Act may prevent a Client from receiving allocations of investment opportunities also held by or allocable to 40 Act Funds or business development companies advised or managed by the Adviser or its affiliates. Furthermore, the Adviser, its affiliates, certain of its principals and employees, and their

relatives may invest in and alongside the Clients, either through a general partner of a Client, as direct investors in a Client or otherwise, and may therefore participate indirectly in investments made by the Clients in which they invest. Such interests will vary Client by Client and may create an incentive to allocate particularly attractive investment opportunities to the Client in which such personnel hold a greater interest.

Subject to applicable investment objectives and guidelines and the Clients' governing documents and the investment portfolio construction objectives for each of the Clients, respectively, as determined by the Adviser in its good faith discretion, the Adviser and its affiliates generally expect to allocate investment opportunities pro rata based on the available capital of each Client, or in some other manner that the Adviser determines is fair and equitable. With respect to the Clients, current available capital may include, in the Adviser's discretion, anticipated target or available leverage, unsettled trades, unfunded commitments and uncalled capital, the anticipated ultimate investment size or investment mandate of each Client, and the structure, terms and life cycle of each Client. Where consistent with the governing documents applicable to any affected Client and with proper disclosure of all material risks and conflicts of interest as determined by the Adviser, the Adviser may also utilize participation interests to effect desired allocations of economic interests in investments where title to any such investment may not be held by one or more Client.

In addition, certain investment opportunities may be allocated on a non-pro-rata basis using certain factors such as risk factors or risk tolerances and/or diversification, Client investment restrictions, currency or other exposures, current portfolio composition and investment portfolio construction objectives, whether a Client has an existing investment in the portfolio company, as well as the Client's structure, terms, and phase in its life cycle (for example, certain opportunities may be over-allocated or under-allocated to a Client during the beginning or the end of its investment period, as described below), tax or regulatory restrictions applicable to the Client, the supply or demand of an investment opportunity at a given price level, the level of transaction costs involved in making the investment relative to the amount of capital the Client has available for the investment, issuer, sector and geographic diversification, and certain other factors. Further, limited opportunities eligible for more than one strategy are generally allocated proportionately as between strategies based on relative desired allocation for the applicable strategy, or in some other fair and equitable manner as determined by the Adviser. In particular, the Adviser has in the past and currently intends in the future in certain circumstances to over-allocate certain instruments to certain Client accounts (in particular, CLOs) during an initial period at the beginning of such Clients' investment cycle. In addition, the Adviser has in the past and currently intends in the future to over-allocate to certain Clients whose investment mandate includes short-term holdings designed to be purchased and then shortly thereafter sold to third parties pursuant to agreements between such third parties and the Firm and then promptly replaced by such Client by purchasing similar or other securities or instruments (again subject to such third party sale) and funds that have facility agreements or other similar agreements with the Firm regarding the purchase of securities and/or instruments from such Client. Such allocations may reduce the supply of such

instruments available to other Client accounts. Allocations based on the relative desired allocation for the applicable strategy may create an incentive for portfolio managers to seek excess allocations for certain limited opportunities.

As noted above, for each Client that is at or near the beginning of its respective investment period or that otherwise has not had its available capital invested proportionately to the percentage of available capital invested of other Clients (as determined by the Adviser from time to time in its sole discretion including after giving effect to any agreements, such as facility agreements or other similar agreements between the Adviser and such Clients), which generally may be as a result of such Client (i) having been formed or organized during the most recent full calendar year or such longer period as determined in good faith by the Adviser, (ii) becoming a Client during such period, (iii) first becoming eligible with respect to a particular investment strategy or investment opportunity during such period and/or (iv) making an additional capital commitment or additional capital available to the Adviser for investment during such period (the "Ramp-Up Period"), the Adviser, in lieu of making an allocation to such a Client pro rata based on the available capital of such a Client as described herein (subject to the other considerations as described herein), generally will make an allocation of investment opportunities to such a Client in an amount necessary to enable such Client in its Ramp-Up Period to be allocated an incremental amount of investment opportunities until such time that the Adviser has invested the available capital of all Clients in an approximately proportionate percentage (which may include, at the discretion of the Adviser, the anticipated ultimate investment size or investment mandate of each Client). As a result, allocations of investment opportunities that include allocations to Clients in their Ramp-Up Period likely will be made in a manner that allocate a greater percentage of such investment opportunities to such Clients until such time that such Clients are no longer in their Ramp-Up Period or, even if still in their Ramp-Up Period, have received a sufficient number of incremental greater allocations so that the percentage of their available capital that is invested is consistent with that of the other Clients. The amount of such incremental allocations to Clients that are in their Ramp Up Period will vary from time to time, based upon a wide variety of factors as described elsewhere herein, and the basis upon which such incremental allocations to Clients that are in their Ramp Up Period will be applied and implemented by the Adviser consistently and fairly.

To the extent that a Client has multiple classes, series, tranches, or other divisions within its structure that have different investment mandates, investment return profiles, investment terms, investment periods, lifecycles or other different or disparate terms or provisions regarding investment opportunities (such as, by way of illustration, a Client that has both a class of series with a fixed term and a class of series that is evergreen), each such class, series, tranche, or other division of such Client shall be treated as a separate Client for purposes of the allocation of investment opportunities.

To the extent that any Client does not have sufficient capital available to fund its allocation of any particular investment opportunity, whether as a result of such Client's existing investments, commitments for future investments, reserves for anticipated future cash needs or any other reason,

such Client shall participate in its allocation of such investment only to the extent of its capital available to do so, and any excess amount that otherwise would have been allocated to such Client for such investment shall instead be allocated to all other eligible Clients through the serial re-application of the provisions as set forth in the investment allocation policy and described herein. In addition, in the event that the application of this provision would result in the allocation of an investment opportunity to an eligible Client that exceeds an investment restriction applicable to such a Client (such as, for example, a regulatory restriction or investment concentration limit), any amounts in excess of such restriction that would otherwise have been allocated to such a Client shall instead be allocated to all other eligible Clients through the serial re-application of the provisions described in the investment allocation policy.

In addition to the foregoing, certain investment opportunities may not be readily or practicably divisible by the Adviser to allocate such investments among eligible Clients based upon available capital (the “Non-Divisible Investments”). Non-Divisible Investments may include, for example, certain real estate related assets, including owned real estate, rental properties, mortgages, loans (including loans related to real estate) and other similar assets. The Adviser may determine that it is necessary or beneficial to create one or more groups of eligible Clients that will participate in Non-Divisible Investments (the “NDI Groups”). For example, the Adviser may manage one or more groups of eligible Clients with different investment periods, different asset holding timelines, different risk profiles or risk metrics, different target investment performance, and/or different exit strategies with respect to their investments in Non-Divisible Investments. If the Adviser determines that it is advisable and/or appropriate that separate NDI Groups or separate Clients not invest in the same Non-Divisible Investments, whether due to differing expected investment hold periods, differing investment strategies, differing financing and collateral requirements, regulatory requirements, structuring requirements and/or any other factors, and such Non-Divisible Investment is not readily severable or divisible, or it is determined by the Adviser that it is in each eligible Client’s best interests that such Non-Divisible Investment be allocated only to one NDI Group or only to one eligible Client, the Adviser may allocate individual Non-Divisible Investments to only one NDI Group (as opposed to allocating such Non-Divisible Investments to all eligible Clients) or to only one eligible Client, in each case on a rotational alternating basis. Generally, such allocations of Non-Divisible Investments shall be made based upon each NDI Group’s or eligible Client’s net asset value (from highest to lowest, such that the first investment opportunity that is a Non-Divisible Investment would be allocated to the NDI Group or eligible Client with the highest net asset value, the second investment opportunity that is a Non-Divisible Investment would be allocated to the NDI Group or eligible Client with the second highest net asset value, the third investment opportunity that is a Non-Divisible Investment would be allocated to the NDI Group or eligible Client with the third highest net asset value, and continuing as such until all NDI Groups or eligible Clients receive a Non-Divisible Investment and then starting back at the NDI Group or eligible Client with the highest net asset value) or such other consistently applied non-performance based methodology as determined by the Adviser. When allocating Non-Divisible Investments between and among Clients within a NDI Group, the Adviser may allocate

such Non-Divisible Investments based upon net asset value or available capital (either pro rata, if practicable, or from highest to lowest as described above) within such NDI Group, or such other consistently applied non-performance based methodology as determined by the Adviser.

In the event that the result of the application of the foregoing rotational allocation is that a Client would be allocated a Non-Divisible Investment in excess of what it is permitted or able to purchase under its governing documents, under applicable law, based upon its available capital or otherwise pursuant to the Adviser's investment allocation policy, then the Client that would next receive a rotational allocation hereunder shall receive the balance of such allocation (or the maximum amount of the balance of such allocation that it is permitted and able to purchase under its governing documents, under applicable law, based upon its available capital or otherwise pursuant to the Adviser's investment allocation policy), continuing as such until the Non-Divisible Investment is fully allocated. In the event that a Non-Divisible Investment is partially allocated to a Client under the foregoing procedures and such Client was otherwise able to receive a greater portion of the Non-Divisible Investment under its governing documents, under applicable law, based upon its available capital or otherwise pursuant to the Adviser's investment allocation policy, then the next available Non-Divisible Investment shall be allocated to the Client that received only such partial allocation of the prior Non-Divisible Investment or to the next NDI Group or Client under the net asset value or other rotation methodology utilized by the Adviser based upon all factors determined by the Adviser as reasonable.

Generally, at the end of each calendar quarter (or such other times as determined by the Adviser), the Adviser will review the allocation of Non-Divisible Investments across its Clients to ensure that the separate allocations of Non-Divisible Investments have not resulted in unintended or undesired concentrations to one or more Clients. If the Adviser determines that the allocation of Non-Divisible Investments during a given measurement period has resulted in one or more Clients receiving more than its appropriate share of Non-Divisible Investments, the Adviser shall use commercially reasonable efforts to adjust the allocation of Non-Divisible Investments on a going-forward basis in a fair and equitable manner until the Adviser determines that such discrepancy has been resolved on an aggregate basis of holdings of Non-Divisible Investments among each suitable Client.

Allocations of investment opportunities to CLOs will generally be made pro rata to each of the CLOs based upon each such CLO's stated Target Initial Par Amount, as such Target Initial Par Amount is set forth in each such CLO's constituent, governance and offering documents (the "CLO Documents"), subject at all times to (i) the other investment conditions and requirements set forth in such CLO Documents and (ii) the determinations of the Adviser to make allocations in its good faith judgment and in accordance with the organizational and offering documents of all Clients, the general investment allocation policies and procedures of the Adviser, all applicable legal, tax, regulatory and other considerations, and all such other factors the Adviser deems appropriate with respect to such allocations of investment opportunities.

Notwithstanding the foregoing, in certain circumstances as determined by the Adviser in its sole discretion, a Client that would otherwise receive an allocation under the policies and principles described above will not receive such allocation if it would result in an allocation of a de minimis amount to such Client. Generally, the Adviser will not make an allocation of any investment opportunity to any Client if such allocated amount, at the time of such allocation, would be less than Five Thousand Dollars (\$5,000) (the “De Minimis Threshold”). In the event that a Client does not receive an allocation of an investment opportunity as a result of the application of the De Minimis Threshold (the “De Minimis Non-Allocation”), such a Client generally will be allocated an incremental excess amount of the next investment opportunity in the same strategy (or other closely related strategy as determined by the Adviser in its sole discretion) to which the De Minimis Non-Allocation relates in an amount necessary so that the percentage of its available capital that is invested is consistent with the provisions described herein.

The Adviser’s policy is to allocate investment opportunities prior to or at the trade date or closing of an investment. Particularly with respect to loans, private equity investments and certain other illiquid investments, it is not always possible or practical to determine the proper initial allocation of an investment opportunity prior to or at the closing of the investment. This delay may be due to, among other things, uncertainty of investment structure prior to closing, pending tax analysis, imminent first closings of new Clients (or classes or series thereof) prior to or at the time of the closing of an investment, and/or a variety of other circumstances. In such an event, the Adviser may make the investment in one or more Clients with the understanding that the Adviser will finally allocate the investment after closing (a “Final Allocation”). In these circumstances, the Adviser shall use its best efforts to determine the Final Allocation of an investment opportunity as quickly as reasonably practical after the closing of the investment. At all times, the Adviser will seek to make each Final Allocation within thirty (30) days of closing (the “Final Allocation Period”). So long as a Final Allocation is made within the Final Allocation Period, the Adviser will treat the Final Allocation as if made on the date of closing and shall not treat the Final Allocation as a cross transaction (or principal transaction) between or among Clients. Cost of capital, however, shall always be taken into account so that one or more Clients may, if deemed appropriate by the Adviser, reimburse one or more other Clients for the cost of capital (in addition to its or their share of an initial capital outlay) dating back to the date such capital was provided by such Client. In the event a Final Allocation is made outside of the Final Allocation Period, the Adviser shall treat the Final Allocation as a cross transaction (or principal transaction, as applicable) pursuant to its policies and procedures with respect to cross transactions and/or principal transactions, as applicable.

The appropriate allocation between the Clients of expenses and fees generated in the course of evaluating and making investments which are not consummated, such as out-of-pocket fees associated with due diligence, attorney fees and the fees of other professionals, will be determined by the Adviser and its affiliates in their good faith judgment. For the avoidance of doubt, fees and expenses associated with a particular Non-Divisible Investment shall be allocated to the Client (s) allocated such asset pursuant to the rotational allocation policy set forth above.

In addition, to the extent the Adviser has discretion over approving a secondary transfer of interests in a Client, or is asked to identify potential purchasers in a secondary transfer, the Adviser will do so in its sole discretion, and is permitted to take into account a variety of factors, including but not limited to its own interests including: (1) the Adviser's evaluation of the financial resources of the potential purchaser, including its ability to meet capital contribution obligations; (2) the Adviser's perception of its past experiences and relationships with the potential purchaser, including its belief that the potential purchaser would help establish, recognize, strengthen and/or cultivate relationships that may provide indirectly longer-term benefits to current or future Clients and/or the Adviser and the expected amount of negotiations required in connection with a potential purchaser's investment; (3) whether the potential purchaser would subject the Adviser, a Client, or their affiliates to legal, regulatory, reporting, public relations, media or other burdens; (4) requirements in the applicable Client's organizational documents; (5) a purchaser's potential investment into a Client managed or advised by the Adviser (including any commitment to a future Client); and (6) such other facts as it deems appropriate under the circumstances in exercising such discretion.

Any intra-Client allocations will be done in accordance with the organizational documents for such entities, including with respect to any Client that has multiple classes, series, tranches or other divisions within its structure that have different investment mandates, investment return profiles, investment terms, investment periods, lifecycles or other different or disparate terms or provisions regarding investment opportunities. These allocations are generally expected to be made on a pro rata basis. Nevertheless, the Adviser and its affiliates furnish investment management and advisory services to numerous Clients and accounts and the Adviser and its affiliates may, consistent with applicable law, make investment recommendations to other Clients or accounts (including accounts which are private funds or separately managed accounts which have management fees and performance fees or allocations at higher or varying rates paid to the Adviser or one or more of its affiliates, or in which portfolio managers or other personnel of the Adviser have a personal interest in the receipt of such fees or have personal investments), which may be the same as or different from those made to a particular Client and may cause conflicts of interest in the allocation of investment opportunities. In addition, conflicts of interest or legal or regulatory requirements, including those related to the Investment Company Act, applicable to certain Clients, may result in the Adviser and its affiliates limiting a Client's participation (or the Client being unable to participate) in certain attractive investment opportunities. *See Item 6. above.*

From time to time in connection with a co-investment opportunity, the Adviser or its affiliates may facilitate such co-investment and it or an affiliate may serve as the general partner or equivalent of a co-investment vehicle. The Adviser will determine if the amount of an investment opportunity exceeds the amount the Adviser determines would be appropriate for the Clients (after taking into account any portion of the opportunity allocated by contract to certain participants in the applicable deal, such as co-sponsors, consultants and advisers to the Adviser and/or the Clients or management teams of the applicable portfolio company, certain strategic investors and other investors whose allocation is determined by the Adviser to be in the best interest of the applicable

Client), and any such excess may be offered to one or more co-investors pursuant to the procedures included in such Clients' organizational documents/side letter agreements.

There can be no assurance that the application of the policies and procedures set out above will result in a Client participating in all investment opportunities that fall within its investment objectives. Further, BSP, BSP CLO, FBSPL Adviser and Franklin BSP have integrated, and are in the process of further integrating, certain of their advisory activities with the Adviser, including with respect to the allocation of investment opportunities for their respective clients, some of which have overlapping investment objectives with the Adviser's Clients. Moreover, K2/D&S and Alcentra Limited operate separately with respect to their advisory activities, such that investment opportunities that K2/D&S and Alcentra Limited source, respectively, are subject to their own separate allocation policies, procedures and obligations and not the allocation policies, procedures and obligations of the others.

From time to time, the Adviser may refer determinations regarding the allocation of certain investment opportunities to the Adviser's Allocation Committee (the "Allocation Committee"). The Allocation Committee reviews certain of the allocation of investment and disposition opportunities made among the Adviser's Clients after such allocations have been made, including with respect to non-standard allocations of investment opportunities, with the intention of fostering fair and equitable allocation over time. The Allocation Committee consists of senior officers of appropriate departments of the Adviser and BSP.

The allocation or investment opportunities policies of the European Private Credit, Structured Credit, European Liquid Loans, and the Global Special Situations strategies are determined by Alcentra Limited in consultation with us. *Please refer to Alcentra Limited's ADV Part 2A for more detail on the allocation policies for these strategies.*

Co-Investment Opportunities

The Adviser may, in its sole discretion, offer co-investment opportunities to one or more investors in a Client (with respect to pooled investment vehicle Clients) or third parties. In general, (i) no investor will have a right to participate in any co-investment opportunity, (ii) decisions regarding whether and to whom to offer co-investment opportunities, as well as the applicable terms on which a co-investment is made, are made in the sole discretion of the Adviser or its related persons considering such factors as the Adviser may consider relevant, (iii) co-investment opportunities are typically offered to some and not to other investors in the Clients, in the sole discretion of the Adviser or its affiliates, and investors may be offered a smaller amount of co-investment opportunities than originally requested, (iv) certain persons other than investors in the Clients (e.g., third parties) rather than one or more investors in a Client, may be offered co-investment opportunities, in the sole discretion of the Adviser or its affiliates, and (v) co-investors may purchase their interests in a portfolio company at the same time as the Clients or may purchase their interests from the applicable Clients after such Clients have consummated their investment in the portfolio company (also known as a post-closing sell down or transfer).

Notwithstanding the foregoing, the Adviser has entered into certain agreements to provide co-investment rights to certain investors in the Clients and third parties. The Adviser will allocate available co-investment opportunities among any such other parties as it may in its sole discretion determine (including, without limitation, another Client, affiliates of the Adviser (and/or their respective family members), and any person or entity who the Adviser believes will be of benefit to the co-investment, the Client, or another Client or who may provide a strategic, sourcing or similar benefit to the investment, Client, another Client, the Adviser, or one or more of their respective affiliates due to industry expertise or otherwise, including finders, senior advisors, originators and/or consultants of the Client (and may also organize one or more entities to invest in the Client or to co-invest alongside the Client to facilitate personal investments by such persons or entities)). Co-investments may be committed and/or consummated before or after the time that the Client makes its commitment or acquires the investment. In the event of a post-closing sell down, the Client will bear the risk that any or all of the excess portion of such investment may not be sold or may only be sold on unattractive terms. The Client may, in certain circumstances, bear the entire amount of any break-up fee or other fees, costs and expenses related to such investment, hold a larger portion than expected in such investment, or may realize lower-than-expected returns from such investment. The Client may also borrow to fund the portion of an investment that it intends to sell to co-investors. The Client will also bear the risk that any co-investors acquiring an interest in an investment after the closing of such investment may acquire such interest on terms that may not reflect the then-current value of such investment. In the case of a post-closing sell down, the Adviser may decide to charge (or may decide not to charge) a co-investor interest costs in addition to cost for the time period between the closing of the Client's investment in a portfolio company and the date of the transfer of interests in such portfolio company to the applicable co-investor. In certain circumstances, the Adviser expects to receive compensation or other benefits from a third party for a co-investment opportunity, in which case the Adviser would have conflicts with respect to determinations as to when and to whom to make co-investment opportunities available. Additionally, non-binding acknowledgments of interest in co-investment opportunities are not investment allocation requirements and do not require the Adviser to notify the recipients of such acknowledgments if there is a co-investment opportunity.

In certain cases, a co-investment vehicle, or other similar vehicle established to facilitate the investment by investors to invest alongside the Client, may be formed in connection with the consummation of a transaction. In the event a co-investment vehicle is created, the investors in such co-investment vehicle will typically bear all expenses related to its organization and formation and other expenses incurred solely for the benefit of the co-investment vehicle. As a general matter, no co-investor will bear dead deal costs or break-up fees until they are contractually committed to invest in the prospective investment and, furthermore, unless any co-investors otherwise agree, the applicable Clients will bear the entire amount of any research, transaction, break-up fee or broken deal expense or other fees, costs and expenses related to an investment that is not consummated.

Management of the Clients

The Adviser manages a number of Clients that have investment objectives similar to each other. The Adviser expects in the future to establish one or more additional pooled investment vehicles, including private investment funds, and separate managed accounts with investment objectives substantially similar to, or different from, those of the current Clients. Allocation of available investment opportunities between the Clients and any such pooled investment vehicles, including private investment funds, and separate managed account could give rise to conflicts of interest. See “Allocations of Investment Opportunities” above. Certain officers and employees of the Adviser who invest in or alongside the Clients may have different interests from the Client with respect to such investments (for example, with respect to the availability and timing of liquidity). The Adviser may give advice or take actions with respect to, the investments of one or more Client that may not be given or taken with respect to other Clients with similar investment programs, objectives or strategies. As a result, Clients with similar strategies may not hold the same securities or achieve the same performance. In addition, a Client may not be able to invest through the same investment vehicles, or have access to similar credit or utilize similar investment strategies as another Client. These differences may result in variations with respect to holdings of a Client and the price, leverage and associated costs of a particular investment opportunity and differences in a Client’s performance as compared to other Clients with similar investment programs, objectives or strategies. In addition, it is expected that employees of the Adviser responsible for managing a particular Client will have responsibilities with respect to other Clients, including pooled investment vehicles and separate managed accounts, managed by the Adviser’s affiliates, including pooled investment vehicles and separate managed accounts, that it expects to establish in the future. Conflicts of interest may arise in allocating time, services or functions of these employees among Clients and pooled investment vehicles and separate managed accounts managed by the Adviser’s affiliates. See also the Adviser’s response to the section entitled “Other Potential Conflicts” below, which describes other activities undertaken by employees of the Adviser.

Conflicts of Interest Relating to Investment in Affiliated Accounts

To the extent permissible under applicable law, we will, from time to time, invest some or all of the temporary investments of Client accounts in accounts managed by our affiliates. In addition, we may invest client accounts in other affiliated pooled investment vehicles. For example, our Structured Credit Strategy has the ability to purchase notes of CLOs for which we or one of our affiliates serve as investment manager. We have an incentive to allocate investments to these types of affiliated accounts in order to generate additional fees for our affiliates or us. *Please see also Item 12. Brokerage Practices*

Conflict of Interest Relating to Structured Credit Strategies

Clients in our Structured Credit Strategy may invest in CLOs, including, without limitation, CLO warehouses: (a) issued in transactions which are managed by an Alcentra or an affiliate (“Affiliated

CLOs” and “Affiliated Warehouses”, as applicable); (b) in which Alcentra or an affiliate and/or another Client managed by an Alcentra or an affiliate has made, or may make, an investment (including, without limitation, an investment in more junior or more senior tranches or interests different from or adverse to, the portfolio investments held by the structured credit client); and/or (c) to which Alcentra or an affiliate has provided financing or other services. Alcentra and its affiliates may also have ongoing relationships with or render services to, and engage in transactions with, companies whose securities are included in the collateral underlying one or more CLO and may own debt or equity securities issued by issuers of such collateral. Such purchases of CLOs (including CLO warehouses) by the structured credit client creates potential conflicts of interest.

Alcentra or its affiliates may receive substantial compensation with respect to investment management services provided to Affiliated CLOs (whether purchased in the primary or secondary market) which may include, but are not limited to, senior, subordinated and incentive management fees. In the case of Affiliated CLOs purchased by structured credit clients directly in the primary market, the structured credit client will receive a full rebate of all such management fees. Such rebate creates a conflict of interest to the extent that the investment manager and its affiliates may not pursue investment opportunities in Affiliated CLOs on behalf of the structured credit client even if the structured credit client is invested in the corresponding Affiliated Warehouse. No fees will be borne by the structured credit client with respect to the Affiliated Warehouses.

With respect to an Affiliated Warehouse, following the issue of a CLO, Alcentra may, in its capacity as an equity holder of the relevant Affiliated Warehouse, receive a portion of any excess interest earned during the CLO warehouse phase applicable to such Affiliated Warehouse. In circumstances where an Affiliated Warehouse does not result in a CLO issue, the structured credit client may bear a proportion of the establishment and operating costs of such an Affiliated Warehouse on a *pari passu* basis with other equity investors and first loss lenders.

In addition, Alcentra or an affiliate that manages an Affiliated Warehouse benefits from the structured credit client’s investment because establishing and financing the warehouse is an essential component of Alcentra’s or an affiliate’s CLO business. In connection with each Affiliated Warehouse, Alcentra or an affiliate will determine whether a CLO will be launched and at what price, which creates a conflict of interest involving Alcentra and/or an affiliate, possible future CLO investors and the structured credit client in its capacity as an investor in the Affiliated Warehouse.

Follow-on Investments

An additional investment made by a Client in an existing portfolio company presents a conflict of interest, including the terms of any new financing as well as the allocation of the investment opportunities in the case of follow-on investments by a Client in a portfolio company in which another Client of the Adviser or any client of the Adviser’s affiliates has previously invested. In addition, a Client may participate in relevering and recapitalization transactions involving a portfolio company in which another Client or client of the Adviser’s affiliates has already invested

or will invest. Conflicts of interest may arise, including determinations of whether existing investors are being cashed out at a price that is higher or lower than market value and whether new investors are paying too high or too low a price for the company or purchasing securities with terms that are more or less favorable than the prevailing market terms.

Related Services

Certain affiliates of the Adviser perform Related Services for, and receive fees from, actual or prospective portfolio companies, other investment vehicles of the Clients, or the Clients. Such fees will be in addition to the management fee and performance-based compensation paid by such Client to the Adviser. These fees may create a conflict of interest because the amounts of these fees may be substantial and the Clients and their investors, as applicable, may not have an interest in these fees. In many cases, with respect to the implementation of such arrangements, there is not an independent third-party involved on behalf of the relevant portfolio company. Therefore, a conflict of interest may exist in the determination of any such fees and other related terms in the applicable agreement with the portfolio company. *Please see Item 5. for additional information regarding Related Services fees.*

Conflicts of Interest Relating to “Proprietary Accounts”

Alcentra, our affiliates, or our existing and future employees, will, from time to time invest in products managed by Alcentra and our affiliates or we may establish “seeded” funds or accounts for the purpose of developing new investment strategies and products (“Proprietary Accounts”). Fees or incentive allocations on such investments, as well as minimum investment amounts, may be reduced or waived altogether in these instances. Investment by Alcentra, our affiliates, or our employees in Proprietary Accounts creates conflicts of interest because we have an incentive to favor these Proprietary Accounts by, for example, directing our best investment ideas to these funds or allocating, aggregating or sequencing trades in favor of such funds, to the disadvantage of other accounts. We also may have an incentive to dedicate more time and attention to our Proprietary Accounts and to give them better execution and brokerage commissions than our other client accounts. *Please see also Item 12. Brokerage Practices.*

Diverse Membership

The investors in certain Clients include U.S. taxable and tax-exempt entities, and institutions from jurisdictions outside of the United States. Such investors may have conflicting investment, tax and other interests with respect to their investments in a Client. The conflicting interests among the investors may relate to or arise from, among other things, the nature of investments made by a Client, the structuring of the acquisition of investments and the timing of the disposition of the investments, as well as the structure of a Client and its associated parallel investment vehicles. As a consequence, conflicts of interest may arise in connection with decisions made by the Adviser, 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 investors’ individual tax

situations. In selecting and structuring investments appropriate for a Client, the Adviser will consider the investment and tax objectives of the applicable Client and the investors as a whole, not the investment, tax or other objectives of any investor individually.

Side Letter Agreements

Alcentra enters into side letter arrangements with certain investors in certain of the Clients providing such investors with different or preferential rights or terms, including but not limited to (i) different or preferential information, (ii) fee structures, (iii) other preferential economic rights, (iv) information and reporting rights, (v) excuse or exclusion rights, (vi) waiver of certain confidentiality provisions, (vii) co-investment rights, (viii) liquidity or transfer rights, (ix) certain rights or terms necessary in light of particular legal, regulatory or policy requirements of a particular investor, (x) additional obligations and restrictions with respect to structuring particular investments in light of the legal and regulatory considerations applicable to a particular investor and (xi) veto rights. Except as otherwise agreed with an investor, Alcentra (or applicable affiliate) is not required to disclose the terms of side letter arrangements to other investors in the same Client.

Investments by Employees

Subject to applicable regulatory restrictions, certain employees of the Adviser are permitted to invest directly or indirectly in certain Clients (in the case of pooled investment vehicle Clients). Such investors may be in possession of information relating to such Clients that is not available to other Client investors. It is expected that, if such investments are made, the size and nature of these investments will change over time without notice to the other Client investors. Investments by the senior management and key employees in certain Clients could incentivize such employees to increase or decrease the risk profile of such Client. The Adviser shall treat any Client into which an employee is invested the same as all other Clients as is required by the Adviser's fiduciary duty.

Advisory Affiliates

Alcentra is affiliated with Alcentra Limited, BSP, BSP CLO, K2/D&S, FBSPL Adviser and Franklin BSP, investment advisers registered with the SEC (collectively the "Affiliates"). Certain Affiliates and their relying advisers generally focus primarily on different investment strategies than the Adviser. However, Alcentra Limited, BSP and BSP CLO have overlapping trading and investment strategies with the Adviser and, with respect to BSP and BSP CLO have integrated, and are in the process of further integrating, their advisory activities with the Adviser. As such, clients of the Adviser and the Affiliates may invest in the same portfolio companies, including in the same security or in different securities of such a portfolio company.

The Adviser and such Affiliates have implemented policies and procedures, and with respect to BSP and BSP CLO have combined such policies and procedures under a single compliance program, to address their overlapping strategies and investments and integrated advisory activities. The overlapping strategies and investments and integrated advisory activities with these Affiliates raises conflicts of interest, which the Adviser addresses through various policies and procedures,

including, but not limited to: (i) allocation of investment opportunities where the Adviser's Clients and Affiliates' clients may have an interest in the same security; (ii) handling the receipt of material non-public information regarding a portfolio company, issuer or security, the receipt of which by the Adviser or an Affiliate may prevent the Adviser or an Affiliate from trading in such security; (iii) implementation of information barriers and restricting trading in certain securities by the Adviser and across some or all Affiliates; and (iv) aggregation of investments and trade orders between the Adviser and an Affiliate.

In the ordinary course of conducting its activities, interests of the Adviser's Clients may therefore conflict with the interests of an Affiliate's clients. Please see the Adviser's response in the sections entitled "Conflicts Related to Purchases and Sales" and "Allocations of Investment Opportunities" above for more information. Other than the Affiliates, the other investment adviser affiliates of the Adviser do not have their own clients.

The Adviser is a subsidiary of Franklin Resources, Inc., a global investment management organization (together with its affiliated advisers (but excluding the Adviser), referred to in this section as "Franklin Templeton"). Clients of the Adviser and/or Franklin Templeton may invest in the same portfolio companies, including in the same security or other instrument or in different securities of or instruments issued by a portfolio company and Franklin Templeton has no obligation to inform the Adviser or its clients of any such investments or offer such investments to the Adviser or its Clients. In the ordinary course of conducting advisory activity on behalf of its Clients, the interests of the Advisers' Clients may therefore conflict with the interests of other Clients of the Adviser and/or Franklin Templeton. In addition, as a diversified financial services organization, Franklin Templeton and its affiliates engage in a broad spectrum of activities including financial, advisory, investment and other activities where their interests may conflict with the interests of the Adviser and/or its Clients. Franklin Templeton may provide investment advisory services and other services to clients and receive fees for such services in connection with transactions in which those clients may have interests that conflict with those of the Advisers' Clients. Franklin Templeton may also give advice to clients that may cause them to take actions adverse to the Advisers' Client's investments. In addition, Franklin Templeton may have relationships with clients seeking to invest in an existing portfolio company of Clients of the Adviser, or clients that compete with an existing portfolio company of Clients of the Adviser. Further, although it is not expected, it is possible that Franklin Templeton could create investment vehicles in the future that may compete with Clients of the Adviser for investment opportunities. Franklin Templeton will have no obligation to forego or share such investment opportunities with the Adviser or its Clients, and investments made by Franklin Templeton in such opportunities could preclude the Adviser or its Clients from investing in such opportunities.

In connection with its advisor business, Franklin Templeton may come into possession of information that could potentially limit the ability of the Adviser or its Clients to engage in potential transactions. In order to avoid such limitation, the Adviser intends to control the flow of such information, such as by erecting information barriers to restrict the transfer of such

information between the Adviser and Franklin Templeton. In the event that an information barrier designed to protect the Adviser and its Clients is breached (including inadvertently), changed or removed, the Adviser and its Clients will likely face the same restrictions on its investment activities as it would have faced had the information barrier not been established in the first place or face restrictions resulting from such changes to the information barrier, as the case may be. The Adviser will generally not rely on the expertise of Franklin Templeton and its investment professionals and will not share such investment professionals in managing and/or advising the Advisers' Clients.

Conflicts Relating to Related Persons and the Adviser

The Adviser generally may, in its discretion, contract with any related person of the Adviser to perform services for the Adviser in connection with its provision of services to the Clients. When engaging a related person to provide such services, the Adviser may have an incentive to recommend the related person even if another person may be more qualified to provide the applicable services and/or can provide such services at a lesser cost.

The Adviser generally may, in its discretion, recommend to a Client that it contracts for services with (i) a related person of the Adviser or (ii) an entity with which the Adviser or its affiliates or a member of their personnel has a relationship or from which the Adviser or its affiliates or a member of their personnel otherwise derives financial or other benefit. When making such a recommendation, the Adviser may, because of its financial or other business interest, have an incentive to recommend the related or other person even if another person is more qualified to provide the applicable services and/or can provide such services at a lesser cost.

Conflicts Related to Fee Structure

Because a Clients' management fee may be based upon the value of investor's capital accounts or net asset value, to the extent that the valuation of such assets is determined or influenced by the Adviser or its affiliates, this may create a conflict of interest.

The fact that the performance-based fee received by the Adviser or its affiliates from certain of the Clients is based on the performance of the Clients also creates an incentive for the Adviser to cause the Clients to make investments that are more speculative than would be the case in the absence of performance-based compensation. *Please see Item 6 and additional information in Item 11. for information regarding the allocation of investment opportunities and how such conflicts of interest are generally addressed by Alcentra.*

Transactions with Affiliates

Conflicts may also arise in connection with loans or other assets originated by one Client and sold to another Client. To the extent a Client purchases loans or other assets and subsequently sells a portion thereof to another Client, such Client will bear the risk of changes in the value of such loans or other assets during the period it holds such loans or other amounts and the amount of

capital available to such Client to pursue other investment opportunities may be reduced. It may be difficult to determine the value of the loans or other assets transferred to the buying Client and hence the consideration due to the selling Client whenever the buying Client may buy the loans or other assets. The valuation of loans or other assets that may be transferred between Clients involves inherent conflicts of interest for the Adviser and there is no guarantee that the Adviser will resolve these conflicts in a manner that will not have an adverse effect on a Client. Additionally, a selling Client may not offer all originated loans to a buying Client and a buying Client may not accept all such loans that are offered.

Additional conflicts could also arise with respect to the investment of a Client in CLOs or financing vehicles formed by the Adviser or its affiliates. Investing in CLOs or financing vehicles sponsored by the Adviser or its affiliates would result in certain conflicts, including that the Adviser may have an interest in causing a Client to provide financing for a CLO or financing vehicle to support its business or financial interests in causing the formation or closing of a CLO. Furthermore, Client investors, with respect to certain pooled investment vehicle Clients, should not expect the Adviser to have better information with respect to Adviser-affiliated investments than other investors have. Even if the Adviser has such information, it may not be permitted to act upon it in a manner that disadvantages the other investors in such Clients. Other Clients, or employees of the Adviser or its affiliates may be invested in different tranches or the same tranches of such CLOs as a Client or may invest in financing arrangements or “warehouses” with respect to such a CLO investment or vice versa. Such arrangements would cause conflicts related to a Client’s investment.

Other Potential Conflicts

The organizational documents of a Client establish complex arrangements among the Clients, the Adviser, investors, and other relevant parties. From time to time, questions may arise regarding certain parties’ rights and obligations in certain situations, some of which may not have been contemplated upon the negotiation and execution of such documents. In some instances, the operative provisions of the organizational documents of a Client, if any, may be broad, unclear, general, conflicting, ambiguous, and vague and may allow for multiple reasonable interpretations. In other instances, there may not be a directly applicable provision. While the Adviser will construe the relevant provisions in good faith and in a manner consistent with its fiduciary duty and legal obligations, the interpretations used may not be the most favorable to a Client or its investors (in the case of pooled investment vehicle Clients).

The Adviser, its affiliates and the Clients will often engage common legal counsel and other advisers in a particular transaction, including transactions in which there may be conflicts of interest. Members of the law firms engaged to represent the Clients may be investors in a client or other pooled investment vehicles and separate managed accounts managed by the Adviser’s affiliates and may also represent one or more portfolio companies or investors in a client or pooled investment vehicles and separate managed accounts managed by the Adviser’s affiliates. In the event of a significant dispute or divergence of interest between Clients and the Adviser and/or its affiliates, the parties may engage separate counsel in the sole discretion of the Adviser and its

affiliates. Moreover, in litigation and certain other circumstances, separate representation may be required.

The Adviser, its affiliates and the Clients and portfolio companies may engage other common service providers. The Adviser, its affiliates and the Clients and portfolio companies may be charged varying amounts for such services or may have different fee arrangements for different types of services provided. For instance, fees for various types of work in certain circumstances depend on the complexity of the matter, the expertise required and the time demands of the service provider. As a result, to the extent the services required by the Adviser or its affiliates differ from those required by the Clients and/or their portfolio companies, the Adviser and its affiliates could pay different rates and fees than those paid by the Clients and/or their portfolio companies. Nevertheless, a conflict of interest could still arise between the Adviser, on the one hand, and the Clients and portfolio companies, on the other hand, in determining whether to engage such service providers, including the possibility that the Adviser may favor the engagement or continued engagement of such persons if it receives a benefit from such service providers, such as lower fees, that it would not receive absent the engagement of such service provider by the Clients and/or the portfolio companies.

In addition, certain portfolio companies and certain affiliates of a Client could engage in activities that could adversely affect a Client and/or one or more of its portfolio companies, including, for instance, as a result of laws and regulations or certain jurisdictions (such as bankruptcy, environmental, consumer protection and/or labor or union laws) that may not recognize or permit the segregation of assets and liabilities between separate entities. Such jurisdictions may also allow for recourse against assets that are under common control with, or part of the same economic group as the entity that has incurred the liability. This may result in the assets of a Client and/or a portfolio company being used to satisfy the obligations or liabilities of another Client or its portfolio companies, or a pooled investment vehicle, separate managed account or portfolio companies of a pooled investment vehicle or separate managed account managed by an affiliate of the Adviser.

Transactions Related to Affiliates of and Clients Advised by the Adviser

A Client may seek to refinance loans or extend new credit to a borrower that has a current loan with an affiliate of or Client advised by the Adviser where the loan is nearing maturity or the borrower is seeking alternative financing, or in certain circumstances another such affiliate or Client of the Adviser may lend to an existing borrower of a Client. While the terms of such financing are negotiated with such borrowers, in certain circumstances it may be customary or may otherwise be beneficial for legal, tax, regulatory or other reasons for such transactions to involve both a Client and an affiliated lender or proceeds from one such transaction may pay off another such transaction, and such transactions are not restricted or subject to limitation under the terms of a Client agreement.

The Adviser, in its discretion, has in the past and may cause the Clients to have, ongoing business dealings, arrangements or agreements with persons who are former employees or executives of the Adviser or the Adviser's affiliates. The Clients bear, directly or indirectly, the costs of such dealings, arrangements or agreements. In such circumstances, there may be a conflict of interest between the Adviser and the Clients in determining whether to engage in or to continue such dealings, arrangements or agreements, including the possibility that the Adviser may favor the engagement or continued engagement of such persons even if a better price and/or quality of service could be obtained from another person.

Investors in pooled investment vehicle Clients may be introduced to the Adviser, or may be brought into a Client, by a third-party service provider from which the Adviser or an affiliate purchase products or services to which the Adviser or an affiliate may make payments.

The Adviser has in the past and may, from time to time in the future, cause one or more Clients to purchase, and/or bear premiums, fees, costs and expenses (including any expenses or fees of insurance brokers) for insurance to insure the applicable Clients, the applicable general partner, the Adviser and/or their respective directors, officers, employees, agents, representatives, members of the advisory committee and other indemnified parties, against liability in connection with the activities of the Clients. This may include a portion of any premiums, fees, costs and expenses for one or more "umbrella" or other insurance policies maintained by the Adviser that cover one or more Clients and/or the Adviser (including their respective directors, officers, employees, agents, representatives, members of the advisory committee and other indemnified parties). The Adviser will make judgments about the allocation of premiums, fees, costs and expenses for such "umbrella" or other insurance policies among one or more Clients, and/or the Adviser on a fair and reasonable basis and consistent with the Clients' governing documents. A different allocation could result in a Client bearing lower (or greater) premiums, fees, costs and expenses for insurance policies.

If a Client purchases in the secondary market at a discount debt securities of a company in which a Client has, for example, a substantial equity interest, (a) a court might require a Client to disgorge profit it realizes if the opportunity to purchase such securities at a discount should have been made available to the issuer of such securities or (b) a Client might be prevented from enforcing such securities at their full face value if the issuer of such securities becomes bankrupt. The effect of these transactions will vary from jurisdiction to jurisdiction.

Conflict of Interest Relating to Alcentra High Yield Strategy

Certain Clients' investment guidelines allow us to invest in bank loans. In many cases for these types of investments, there is information available from the loan issuer to the participants. Certain of this information may be considered material non-public information. The fact that the information is material non-public information presents a possible conflict as it is Alcentra's policy to restrict its debt securities trading when material non-public information becomes known. To remedy this conflict, it is Alcentra's current policy with regard to bank loans to generally restrict

access to material non-public information for any issuers where publicly traded debt securities are available.

Other Conflicts of Interest

As noted previously, Alcentra and our affiliates manage numerous accounts with a variety of interests. This necessarily creates conflicts of interest for us. For example, an affiliate or we may cause multiple accounts to invest in the same investment. Such accounts may have conflicting interests and objectives in connection with such investment, including differing views on the operations or activities of the portfolio company, the targeted returns for the transaction and the timeframe for and method of exiting the investment. Conflicts also arise in cases where multiple Alcentra and/or affiliate client accounts are invested in different parts of an issuer's capital structure. For example, one of our clients could acquire debt obligations of a company while an affiliate's account acquires an equity investment. In negotiating the terms and conditions of any such investments, we may find that the interests of the debt-holding client accounts and the equity holding client accounts conflict. If that issuer encounters financial problems, decisions over the terms of the workout could raise conflicts of interest (including, for example, conflicts over proposed waivers and amendments to debt covenants). For example, debt-holding accounts may be better served by a liquidation of an issuer in which it could be paid in full, while equity holding accounts might prefer a reorganization of the issuer that would have the potential to retain value for the equity holders. As another example, holders of an issuer's senior securities may be able to act to direct cash flows away from junior security holders, and both the junior and senior securities may be held in client accounts. Any of the foregoing conflicts of interest will be discussed and resolved on a case-by-case basis. Any such discussions will factor in the interests of the relevant parties and applicable laws. *Please see also Item 12. Brokerage Practices.*

Item 12. Brokerage Practices

Typically, we seek to execute portfolio transactions in a manner designed to obtain the best overall qualitative execution for Clients under the prevailing circumstances. The Clients' offering materials and / or our advisory agreements generally grant Alcentra discretion and authority to select broker-dealers and to negotiate spreads and other costs. We typically effect transactions with broker-dealers acting as principals at prices that include markups or markdowns. In addition, the administrative agent of a loan / debt instrument can typically charge an assignment fee for a particular loan.

We have no duty or obligation to seek in advance competitive bidding for the most favorable spreads or transaction costs applicable to any particular Client transaction but will endeavor to be aware of the current level of transaction costs and will seek to minimize the expenses incurred for effecting Client transactions when possible.

On occasion, we may execute transactions directly with an issuer without transacting through a broker-dealer / agent bank if it is determined that doing so is in the best interest of the Client.

Teams that invest in tradeable assets generally have the authority to direct transactions in securities and other investments on behalf of our Clients to broker-dealers we select. In doing so, we seek best execution of such transactions. When seeking best execution, we consider the full range and quality of a broker-dealer's services including, among other things, commission rates, a broker's trading expertise, reputation and integrity, facilities, financial services offered, willingness and ability to commit capital, access to under-written offerings and secondary markets, reliability both in executing trades and keeping records, fairness in resolving disputes, value provided, execution capability, financial responsibility and responsiveness to Alcentra. Transactions will not always be executed at the lowest available price or transaction cost but will be within a generally competitive range. Additionally, transactions which involve specialized services on the part of the broker-dealer usually entail higher transaction costs than would be the case with other transactions requiring more routine services or other broker-dealers that may not offer such products or services.

Considerations include a broker-dealer's specific expertise and/or agent bank status with respect to a particular investment, access to underwritten offerings, execution capabilities including such factors as responsiveness to Alcentra and back office settlement capabilities, the ability to generate credit investment ideas and the broker-dealer's financial stability. We often direct transactions to full-service broker-dealers that provide research reports, generally on an unsolicited basis. Such broker-dealers may pay for certain ancillary items (i.e. meals) for our investment professionals while attending seminars and other opportunities for education and fostering of business relationships. While we recognize that such activities can create potential conflicts of interest, we seek to minimize these conflicts by, for example, not permitting broker-dealers to pay for our travel and lodging expenses.

The brokerage practices of the European Private Credit strategy are determined by Alcentra Limited in consultation with us. The European Private Credit strategy does not generally use broker-dealers because their investments in portfolio companies are conducted through private offerings whereby the Clients' ownership is recorded on the books of the issuer. Most of the time the disposal of portfolio company positions is effected through private transactions and not through broker-dealers/agent banks due to the nature of the transaction (i.e. pay-downs, pay-offs and/or refinancing by portfolio companies of their outstanding debts). However, in the few instances when the Client uses a broker-dealer/agent bank to effect the liquidation of its holdings in portfolio companies, best execution is the primary consideration in placing portfolio transactions with a particular broker-dealer. The strategy considers the price of the instrument, broker-dealer mark-ups or mark-downs and related transaction costs. Other considerations include a broker-dealer's specific expertise and/or agent bank status with respect to a particular security, access to underwritten offerings, execution capabilities including such factors as responsiveness to Alcentra and back office settlement capabilities, the ability to generate credit investment ideas and the broker-dealer's financial stability.

The brokerage practices of the Global Special Situations strategy are determined by Alcentra Limited in consultation with us. While we have been given authority to place orders for trades at the direction of Alcentra Limited, generally we do not place orders for trades and do not expect to do so in the future. *Please refer to Alcentra Limited's ADV Part 2A for more detail on the brokerage practices of employees for Global Special Situations.*

Soft Dollars

The term "soft dollars" is commonly understood to refer to arrangements where an investment adviser uses client brokerage commissions to pay for research or other services used by the investment adviser. Section 28(e) of the Securities Exchange Act of 1934 provides a "safe harbor" that permits investment advisers to enter into soft dollar arrangements if the investment adviser determines in good faith that the amount of the commission is reasonable in relation to the value of the brokerage and research services provided.

As a matter of policy, we do not utilize "soft dollar" arrangements, but do receive research of the type that is customarily provided by brokers or dealers to their institutional customers, which may be useful to us in serving the Client accounts that we advise. Although our receipt of such research services does not reduce our normal independent research activities, it may enable us to avoid the additional expenses that we might otherwise incur if we were to attempt to independently develop comparable information.

Other Brokerage Practices Conflicts of Interest

In addition to conflicts of interest associated with soft dollars, the following brokerage practices may lead to an actual or potential conflict of interest when selecting broker-dealers to execute

Client trades: (i) receiving client referrals from a broker-dealer; (ii) acting on a client's direction to use a particular broker-dealer; and (iii) using affiliated broker-dealers.

Compensation for Client Referrals

We do not provide compensation to any broker-dealer in exchange for referral of investment management clients.

Affiliated Brokerage

We generally do not execute securities transactions through affiliated broker-dealers.

Brokerage for Client Referrals

We do not direct securities transactions to any broker-dealer in exchange for referral of investment management clients.

Directed Brokerage

We may accept direction from a Client to place trades for a Client's account with a particular broker-dealer or list of brokers. At times, a Client may instruct us to direct a portion of its commissions to a specified broker-dealer. In the event that such direction occurs, we may have limited capability to negotiate commission levels or obtain volume discounts and may experience other impediments to achieving best execution. In addition, in meeting the Client's brokerage directive, we may not be able to aggregate these transactions with transactions we effect for other Client accounts we manage and we may delay placing the orders for directed Client accounts until our orders for other Client accounts have been completed. As a result, the net price paid or received by the directed Client account may be different than the price paid or received by our other Client accounts and, therefore, we may be unable to achieve the most favorable execution for such directed Client account. Accordingly, directing brokerage may cost Clients more money.

Due to the directed brokerage arrangements that a number of our Clients have in place, the overall firm-wide commission rates may be higher than they otherwise would be if we did not participate in any client-directed brokerage programs.

Aggregation of Investments

The Adviser and certain of its affiliates, from time to time, subject to applicable law and the Adviser's, the affiliate's or an applicable Client's or affiliate's client's compliance policies and procedures, aggregates (or bunches) the orders of more than one Client and/or affiliate's client, for the purchase or sale of the same publicly traded security. The Adviser, and certain of its affiliates, often employs this practice because larger transactions can enable the Adviser and its affiliates to obtain better overall prices, including lower commission costs or mark-ups or mark-downs. The Adviser and certain of its affiliates may combine orders on behalf of Clients with orders for other pooled investment vehicles or separate manage account clients for which it or its affiliates have

trading authority, or in which it or its affiliates have an economic interest. In such cases, the Adviser and its affiliates generally allocate the publicly traded securities or proceeds arising out of those transactions (and the related transaction expenses) on an average price basis among the various participants on a pro rata basis.

When orders for publicly traded securities are not entirely filled, allocation shall be made based upon the Adviser's and affiliate's (if applicable) procedures for allocation of investment opportunities. Where aggregate trades have been filled during the course of the trading day at different prices, the execution price of the publicly traded securities to each Client will, to the extent possible, be the average price of all executions of purchases or sales, as the case may be, for all Clients executing such transaction during that day. *See the Adviser's response to Item 11. above for more information regarding conflicts of interest related to investment and trading discretion.*

Alcentra may aggregate transactions for its Clients together with clients of Alcentra Limited, BSP and BSP CLO. When trades are aggregated, each client account within the block will, to the extent possible, receive the same average price and commission.

Any deviation from the pro rata allocation policy shall be for good cause.

Aggregation/Allocation Across Multiple Portfolio Managers and Advisers

CLO Warehouse clients and CLO Clients that were initially identified as "ramping" Clients at the time the order was placed, may be allocated more than their pro rata share. For these purposes, Alcentra allows for adjustments to allocations to such ramping Clients up to a 1.5x factor. This ramping provision is applied in a manner such that only the allocations to other CLO and CLO warehouse clients are affected.

Co-Investments – Fund Investors

During the investment period, private funds may offer co-investment opportunities to fund investors. Co-investments are a direct investment by an investor alongside a fund's investment in a target portfolio company. In this context, co-investments increase a fund investor's exposure to a fund portfolio company. We may but are not obliged to invite fund investors to co-invest along with the funds in investment opportunities offered to the funds. Any invitation to co-invest is at our complete discretion. For more information about co-investments, please refer to offering materials of the respective private funds.

Co-Investments – Affiliated Clients

The Investment Company Act generally prohibits "joint" transactions with an affiliate, which could include co-investments in the same portfolio company. The SEC has granted us relief sought in an exemptive application that expands the ability for our 40 Act Funds to co-invest in portfolio companies with certain other managed Clients or certain of our affiliates, subject to compliance with certain conditions. Under the terms of the order, the independent directors of a 40 Act Fund

must make certain conclusions in connection with a co-investment transaction, including, but not limited to: (i) the terms of the potential co-investment transaction, including the consideration to be paid, are reasonable and fair to the 40 Act Fund, and (ii) the potential co-investment transaction is consistent with the interests of the 40 Act Fund and is consistent with its objectives and strategies.

Our 40 Act Funds may also co-invest with certain other managed Clients or certain of our affiliates in circumstances where doing so is consistent with applicable law and SEC staff interpretations. For example, our 40 Act Funds may co-invest with such entities consistent with guidance promulgated by the SEC staff permitting co-investments in privately placed securities so long as certain conditions are met, including that we, acting on one of our 40 Act Fund's behalf and on behalf of other Clients, negotiates no term other than price. Any such investment would be made, subject to compliance with existing regulatory guidance, applicable regulations and our allocation procedures. In situations where we cannot rely on the exemptive order or SEC staff interpretations, we will need to decide which Client, if any, will proceed with the investment.

Item 13. Review of Accounts**U.S. Liquid Loan Strategy**

The Liquid Credit team, which is comprised of portfolio managers, research analysts, traders and portfolio support analysts, meets daily to assess current issues, potential strategy shifts, and market changes, with input from all participants mentioned above to manage the U.S. Liquid Loan Strategy. Meetings are supported by a variety of surveillance reports available to all team members that highlight performance, attribution, current positioning, and previous-day transactions. The portfolio managers and portfolio support analysts review daily the loan account summary data for each Client account relating to sector, quality, diversification, and duration, which shall be consistent with the current investment policy of the LCT and each Client account's guidelines. The portfolio support analyst reviews each trade prior to allocation, keeping in mind the above targets as well. The LCT undertakes an in-depth, more detailed review when certain rank levels are triggered and during other circumstances, as required.

Portfolio managers review their portfolios with the Chief Investment Officer and team members monthly. The review covers absolute and relative to benchmark positioning and changes over the course of the previous month. The review also covers performance of each portfolio, attribution of performance, and reasons for any performance dispersion between like strategies. The Portfolio manager for the strategy distributes documentation to the investment team members on those topics. These meetings are open for any other investment team members and client service personnel.

European Liquid Loans, European Private Credit, Global Special Situations, and Structured Credit Strategies

We or Alcentra Limited, as applicable, generally receive and review monthly reports and participate in quarterly portfolio reviews for the relevant credits in the European Liquid Loans, European Private Credit, Global Special Situations, and Structured Credit strategies. Supplementary in-depth reviews may be triggered by market or economic factors, severe deterioration in credit performance, collateral value, cash flow or rating. Annual audited financial statements are generally provided to investors in Clients (in the case of pooled investment vehicle Clients). In addition, unaudited reports are generally provided on a quarterly basis.

Multi-Strategy Credit Strategy

Alcentra generally receives and reviews monthly reports on the performance of the multi-strategy credit Client accounts and their respective underlying investments. Allocations among strategies are determined by Alcentra in accordance with its policies and procedures in conjunction with any investment committee or similar decision-making authority that may be established under the respective Client's governing documents. Allocations among strategies must be made within the guidelines established for the respective client.

Alcentra High Yield Strategy

The Liquid Credit team, which is comprised of portfolio managers, research analysts, traders and portfolio support analysts, meets daily to assess current issues, potential strategy shifts, and market changes, with input from all participants mentioned above. Meetings are supported by a variety of surveillance reports available to all team members that highlight performance, attribution, current positioning, and previous-day transactions. The portfolio managers and portfolio support analysts review daily the fixed income account summary data for each Client account relating to sector, quality, diversification, and duration, which shall be consistent with the current investment policy of the LCT and each Client account's guidelines. The portfolio support analysts review each trade prior to allocation, keeping in mind the above targets as well. The LCT undertakes an in-depth, more detailed review when certain rank levels are triggered and during other circumstances, as required.

Portfolio managers review their portfolios with the Chief Investment Officer and team members monthly. The review covers absolute and relative to benchmark positioning and changes over the course of the previous month. The review also covers performance of each portfolio, attribution of performance, and reasons for any performance dispersion between like strategies. The Portfolio manager for the strategy distributes documentation to the investment team members on those topics. These meetings are open for any other investment team members and client service personnel.

Structured Credit Strategy

The portfolio manager of the Structured Credit team reviews the portfolios on a weekly basis. Alcentra's risk committee has additional oversight and reviews the portfolio holdings and investment guidelines on a monthly basis. When requested to do so, the portfolio manager provides additional narrative on the portfolio and current market conditions to the committee. The team monitor investments utilizing proprietary internal cash flow models as well as third party systems. The criteria typically includes:

- breakeven default and downgrade rates;
- yield, price and potential investment return;
- weighted average life of investment;
- collateral composition;
- subordination levels;
- liquidity of the investment;
- technical features governing events of default and over-collateralisation tests;
- situation assessment (ratings outlook, current news or outstanding issues, etc.);
- cash flow level, pliability and sustainability.

Simultaneously, the underlying portfolio is reviewed with primary focus on the following criteria:

- market price of portfolio;
- downgrade and default risk for individual credits;
- second lien and mezzanine exposure;
- recovery rate risk;
- structured finance and bond exposure; and portfolio industry concentrations.

Item 14. Client Referrals and Other Compensation

Certain affiliates of the Adviser also provide Related Services to actual or prospective portfolio companies, other investment vehicles of the Clients, or the Clients. Such Related Services are complementary to the investment advisory services provided by the Adviser. Time spent on Related Services varies from investment to investment.

Unaffiliated Solicitors and Placement Agents

We may hire third parties to solicit new investment advisory clients or act as a placement agent to solicit investors in certain pooled investment vehicle Clients managed by us. The commissions or fees, if any, payable to such solicitors or placement agents with respect to solicitation of advisory clients or investors in certain clients will be paid solely by Alcentra. Clients will not pay fees for these solicitations. These solicitors and/or placement agents have an incentive for the client to hire us because we will pay the solicitor and/or placement agent for the referral. The prospect of receiving solicitation/placement fees may provide such solicitors and placement agents and/or their salespersons with an incentive to favor these sales over the sale of other investments with respect to which the solicitor and/or placement agent does not receive such compensation, or receives lower levels of compensation. In addition, to the extent permitted by law, certain placement agents and their respective affiliates may provide brokerage and certain other financial and securities services to Alcentra or our affiliates. Such services, if any, will be provided at competitive rates. Any such arrangements with solicitors and/or placement agents are structured to comply with Rule 206(4)-1 under the Advisers Act.

Item 15. Custody

Rule 206(4)-2 under the Advisers Act (the “Custody Rule”) defines “custody” to include a situation in which an adviser or a related person holds, directly or indirectly, client funds or securities or has any authority to obtain possession of them, in connection with advisory services provided by the adviser.

For purposes of the Custody Rule, we are deemed to have “custody” of certain Client assets because we may have the ability to deduct fees from Client custodial accounts; or we may serve as general partner/ managing member/ trustee (or similar capacity) of pooled investment vehicle Clients organized as limited partnership/limited liability company/trust.

Generally, an adviser that is deemed to have custody of a client’s funds or securities, among other things, is required to arrange for an annual independent verification of such funds or securities in accordance with the Custody Rule (the “Surprise Exam Requirement”). However, the Custody Rule contains the following exceptions from the Surprise Exam Requirement:

1. Ability to Deduct Fees: advisers deemed to have custody of client assets solely because of their ability to deduct fees from client accounts are not subject to the Surprise Exam Requirement. Alcentra does not deduct fees from Client’s custodian accounts.
2. Pooled Investment Vehicles: advisers who are deemed to have custody of the assets of clients formed as pooled investment vehicles may comply with the rule if the pooled investment vehicle Clients has audited financial statements that are prepared in accordance with generally accepted accounting principles and such statements are distributed to investors in the pooled investment vehicle Clients within 120 days (or 180 days for funds of funds) of the end of the fiscal year. Alcentra advises certain pooled investment vehicles and intends to cause such pooled investment vehicles to receive and distribute audited financial statements to their investors.

Separate Managed Account Clients

We do not maintain physical possession of Client assets held in separate managed accounts. Typically, each of our Clients independently selects a custodian with whom it contracts directly. Our authority to instruct the Client’s custodian is limited to that granted by the Client to us in the investment management agreement.

Separate managed account Clients will receive from their bank, broker-dealer or other qualified custodian an account statement, at least quarterly, identifying the amount of funds and each security in the account at the end of the period and setting forth all transactions in the account during that period. Clients should review these statements carefully. Clients will also receive account statements separately from us and are strongly urged to compare the account statements received from us with those that are received from the qualified custodian.

Item 16. Investment Discretion

We typically accept discretionary investment authority over Client assets. Clients grant this discretionary authority to us in writing via a contract or through an appointment to become the investment adviser of a private fund or pooled investment vehicle Client. Such discretion is to be exercised in a manner consistent with the stated investment objectives and guidelines for the particular Client account.

Clients must deliver their investment guidelines and restrictions to us in writing, and we will adhere to such guidelines and restrictions when making investment decisions. We have also entered into agreements with affiliates where we provide non-discretionary investment advice but are not responsible for day-to-day investment management decisions.

Item 17. Voting Client Securities

As the Clients primarily invest in debt instruments, the Adviser does not normally receive proxies to vote common stock or other equity securities. However, the Adviser has adopted the following policies and procedures to address the instances where voting, consent or action, such as waivers of covenant breaches or amendments to governing documents, may be required, whether pursuant to proxies or other voting, consent or action to be taken by the Adviser on behalf of one or more Clients. These voting, consent and/or action matters may arise, particularly with respect to distressed debt instruments and other special situations.

Where authority to vote has been delegated to the Adviser, it is the Adviser's fiduciary duty to vote proxies and other consents and/or actions in the best interests of each of the Clients on a Client-by-Client basis. The overriding principle of the Adviser's proxy and other voting, consent and/or action is to maximize the financial interests of each of the Clients on a Client-by-Client basis. It is the policy of the Adviser in voting, consent and/or action matters to consider and vote or otherwise act with respect to each proposal with the objective of maximizing investment returns for the Clients, in each case on a Client-by-Client basis.

The Adviser has established guidelines regarding the voting of proxies on routine, non-routine, corporate governance and social issues and other matters. In the event of a conflict, the portfolio manager for each Client will advocate in the best interest of the specific Client. The Adviser may, however, vote, consent and/or act in a manner that is contrary to the Adviser's general guidelines if it believes that it would be in a Client's best interest to do so, and the Adviser makes such determinations on a Client-by-Client basis.

All proxies and other votes, consents and/or actions require a mandatory conflicts of interest review, which will include consideration of whether (i) the Adviser, (ii) any investment professional or other persons at the Adviser recommending how to vote, (iii) one or more Clients and/or (iv) the Adviser's affiliates and their clients have an interest in how the proxy (or other matter) is voted and whether that may present a conflict of interest. Situations may arise in which separate Clients invest in different parts of the capital structure of the same company or other entity, or in which a single Client may invest in different parts of the capital structure of the same company or other entity. In those situations, two or more Clients may be invested in strategies having different investment objectives, investment styles, economic positions and/or portfolio managers. As a result, the Adviser may cast different votes on behalf of different Clients. In each case, the Adviser will determine the vote, consent or action that the Adviser believes in the best interests of each Client, without regard to the interests of any other Client.

In resolving conflicts, or otherwise determining how to vote, consent and/or act with respect to a particular matter, the Adviser may from time to time utilize separate deal teams, implement information barriers and internal screens, retain separate outside counsel and/or seek input from unaffiliated third parties, including without limitation independent directors, advisory committees, independent fiduciaries, consultants and other professionals.

The Adviser is not required to vote a proxy (or similar matter) if the cost of voting due to special translation, delivery or other requirements would outweigh the benefit of voting.

The Adviser will retain all books and records relating to its proxy and other voting activities on behalf of Client accounts in accordance with the requirements of Rule 204-2(c)(2) under the Advisers Act. Copies of the Adviser's proxy and other voting policies and procedures and relevant voting logs are available to any Client or prospective client by calling Mr. Alexander McMillan at 212-588-6712 or by writing to Mr. McMillan, Chief Compliance Officer, Benefit Street Partners L.L.C., 9 West 57th Street, Suite 4920, New York, New York 10019.

To the extent that it is granted such authority by Clients, the Adviser may deal with class action claims on a case-by-case basis. Upon receipt of a claim, the Chief Compliance Officer in conjunction with the Chief Operating Officer will determine whether the Adviser should join or otherwise participate in such class action or litigation in light of the relative costs and benefits of doing so. Any proceeds from a class action suit will be allocated among the Clients and any Client investors (in the case of pooled investment vehicle Clients) currently existing at the time of recovery of such proceeds.

Item 18. Financial Information

In certain circumstances, registered investment advisers are required to provide you with financial information or disclosures about their financial condition in this Item. Alcentra has no financial commitment that impairs our ability to meet contractual and fiduciary commitments to clients and have never been the subject of a bankruptcy proceeding.