

ITEM 1

COVER PAGE

---

PART 2A OF FORM ADV: FIRM BROCHURE



**GLG LLC**

March 28, 2024

---

1345 Avenue of the Americas, 21<sup>st</sup> Floor

New York, NY 10105

Phone: (212) 649-6600

Website: <https://www.man.com/>

**This brochure provides information about the qualifications and business practices of GLG LLC (the “Firm”). If you have any questions about the contents of this brochure, please contact us at (212) 649-6600 and/or [compus@man.com](mailto:compus@man.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.**

*The Firm is registered as an investment adviser with the SEC. Registration with the SEC does not imply a certain level of skill or training and no inference to the contrary should be made.*

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

## ITEM 2 MATERIAL CHANGES

The Firm's last update to its brochure was September 26, 2023. Since this update, the following amendments have been made to the brochure, which we do not deem to be material:

- Item 4. has been updated to reflect that the Firm is doing business as Man Group which represents the marketing name of the Firm.
- Item 10.C. has been updated in relation to certain affiliates.
- Item 12.A.1. was amended to clarify that the Firm does not pay for research or other products or services through commissions and these are not considered as factors when executing transactions for clients.
- Item 17. has been updated to reflect changes to the Global Proxy Voting Policy.

**Even though a concerted effort is made to keep clients/investors informed of notable changes to the Firm's business throughout the year, clients/investors are encouraged to review this update carefully, much like all of the Firm's reports and communications, in its entirety.**

### ITEM 3 TABLE OF CONTENTS

ITEM 1 COVER PAGE.....	i
ITEM 2 MATERIAL CHANGES .....	ii
ITEM 3 TABLE OF CONTENTS .....	iii
ITEM 4 ADVISORY BUSINESS .....	1
A. General Description of Advisory Firm .....	1
B. Description of Advisory Services .....	2
C. Availability of Customized Services for Individual Clients .....	3
D. Collateralized Loan Obligations .....	3
E. Wrap Fee Programs.....	4
F. Assets Under Management .....	4
ITEM 5 FEES AND COMPENSATION .....	5
A. Advisory Fees and Compensation .....	5
B. Payment of Fees .....	7
C. Additional Fees and Expenses .....	7
ITEM 6 PERFORMANCE-BASED FEES AND SIDE- BY-SIDE MANAGEMENT .....	10
ITEM 7 TYPES OF CLIENTS .....	11
ITEM 8 METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS .....	12
A. Methods of Analysis and Investment Strategies .....	12
B. Material, Significant or Unusual Risks Relating to Investment Strategies .....	13
C. Risk Associated With Particular Types of Investment Products.....	50
ITEM 9 DISCIPLINARY INFORMATION .....	66
ITEM 10 OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS .....	67
A. Broker-Dealer Registration Status .....	67
B. Futures Commission Merchant, Commodity Pool Operator or Commodity Trading Adviser Registration Status.....	67

C. Material Relationships or Arrangements with Industry Participants.....	67
D. Material Conflicts of Interest Relating to Other Investment Advisers.....	68
ITEM 11 CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING .....	70
A. Code of Ethics .....	70
B. Securities that the Investment Adviser or a Related Person Has a Material Financial Interest. ....	72
1. Cross Transactions and Principal Transactions .....	72
2. Allocation of Investment Opportunities.....	72
3. Valuation.....	74
C. Investing in Securities that the Investment Adviser or a Related Person Recommends to Clients .....	74
D. Conflicts of Interest Created by Contemporaneous Trading.....	75
ITEM 12 BROKERAGE PRACTICES.....	77
A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions .....	77
1. Payment of Research.....	78
2. Brokerage for Client Referrals.....	79
3. Directed Brokerage .....	79
B. Order Aggregation .....	80
C. Trade Error Policy and System Events Policy .....	80
D. Loan Trading.....	81
ITEM 13 REVIEW OF ACCOUNTS.....	82
A. Frequency and Nature of Review of Client Accounts or Financial Plans .....	82
B. Factors Prompting Review of Client Accounts Other than a Periodic Review .....	82
C. Content and Frequency of Account Reports to Clients .....	82
ITEM 14 CLIENT REFERRALS AND OTHER COMPENSATION .....	84
A. Economic Benefits for Providing Services to Clients.....	84
B. Compensation to Non-Supervised Persons for Client Referrals .....	84

ITEM 15 CUSTODY .....	85
ITEM 16 INVESTMENT DISCRETION .....	86
ITEM 17 VOTING CLIENT SECURITIES.....	87
A. Proxy Voting.....	87
B. Class Actions and Securities Litigation .....	89
ITEM 18 FINANCIAL INFORMATION .....	91

## ITEM 4 ADVISORY BUSINESS

### A. General Description of Advisory Firm

GLG LLC, a Delaware limited liability company with its principal place of business located in New York, New York, USA, was originally formed in April 2002. The Firm offers advisory or sub-advisory services to U.S. or non-U.S. institutional managed accounts and pooled investment vehicles on either a discretionary or non-discretionary basis. In addition, the Firm offers sub-advisory services on a discretionary basis to investment companies, including mutual funds and exchange traded funds, registered under the Investment Company Act of 1940, as amended (“Company Act”). The direct owner of the Firm is Man Investments Holdings Inc., an indirect, wholly-owned subsidiary of Man Group plc. Man Group plc is a public company listed on the London Stock Exchange and is a component of the FTSE 250 Index. Man Group plc, through its investment management subsidiaries (collectively, "Man"), is a global investment management business and provides a range of fund products and investment management services for institutional and private investors globally. As of December 31, 2023, Man had approximately \$167.5 billion of assets under management.<sup>1</sup> The Firm is doing business as Man Group which represents the marketing name of the Firm.

The Firm has full discretionary advisory investment management authority with respect to investment decisions for U.S. and non-U.S. pooled investment vehicles, including private funds (the "Private Funds") and managed accounts. The Firm also provides sub-advisory services to certain pooled investment vehicles including affiliated private funds and UCITS funds (collectively with the Private Funds, (the “Funds”) and a third-party exchange traded fund (“ETF”). The Firm's advice with respect to the Funds, ETF and managed accounts is made in accordance with the investment objectives and guidelines as set forth in the applicable Fund's offering memorandum, ETF's prospectus or the managed account's investment management agreement or other legal documents. “Funds” may include one or more funds that the Firm, affiliates or employees<sup>2</sup> have seeded or invested over 25% of the capital of such Funds. Important information regarding each Fund, ETF, and managed account, which includes investment objectives, risks, strategy, fees and other material information, including applicable conflicts of

---

<sup>1</sup> Man assets under management as stated in the Man Group plc Annual Report include advisory-only assets over which Man has no decision making or trading authority and dedicated managed account platform services for which Man provides platform and risk management services but does not provide investment management services.

<sup>2</sup>“Employee(s)” for purposes of this Brochure includes personnel, partners, officers, directors (other than non-executive directors of Man Group plc) and other persons with similar status or performing similar functions.

interest is contained in each Fund's offering documents, ETF's prospectus and in each managed account's investment management agreement, as the case may be.

As used herein, the term "client" generally refers to each Fund, ETF, and each beneficial owner of a managed account.

As part of its services, the Firm provides discretionary investment management and research services to certain clients or Funds of its affiliate, GLG Partners LP, which is located in London, England and is an investment adviser registered with the SEC and is authorized and regulated by the Financial Conduct Authority in the United Kingdom. In connection with these services, the Firm manages select portfolios of certain pooled investment vehicles, including private funds, UCITS, other pooled investment vehicles and managed accounts for which GLG Partners LP serves as investment manager or in a similar capacity. GLG Partners LP may utilize the Firm's investment management, trading and research in providing services to its clients.

The Firm may offer non-discretionary investment management services. With respect to non-discretionary accounts, the Firm would have on-going responsibility to select or make recommendations, based upon the needs of the client, as to specific financial instruments the account may purchase or sell and, if such recommendations are accepted by the client, the Firm would be responsible for arranging or effecting the purchase or sale.

From time to time, certain affiliated advisory firms may be considered "Participating Affiliates" of the Firm (as that term is used in relief granted by the staff of the Securities and Exchange Commission ("SEC")) allowing investment advisers registered with the SEC to use portfolio management, research, operations, and trading resources of advisory affiliates and personnel subject to the supervision of an SEC-registered adviser. Professionals from such Participating Affiliates may render portfolio management, research, or other related services to the Participating Affiliates under separate services agreements. Fees may be paid by and received from the parties under these arrangements.

Man provides a number of centralized functions to the Firm, which includes trading, financing and cash management, risk management, operations, middle office accounting, finance, proxy voting, class actions, human resources, facilities, tax, legal, compliance, information technology, among other such services. The Firm utilizes investment management, research, investment models, trade execution, client servicing, sales and marketing capabilities of its affiliates in providing services to its clients.

In addition to these services, the Firm's affiliates may utilize its investment management, research, trade execution and other services in providing services to their clients.

## **B. Description of Advisory Services**

Please see Item 8 herein.

*This brochure generally includes information about the Firm and its relationships with its clients and affiliates. While much of this brochure applies to all such clients and affiliates, certain information included herein applies to specific clients or affiliates only. Important information regarding each fund and managed account, which includes investment objectives, risks, strategy, fees and other material information, including applicable conflicts of interest regarding relationships with affiliates, is contained in each fund's offering documents and in each managed account's investment management agreement, as the case may be.*

**C. Availability of Customized Services for Individual Clients**

The Firm's investment decisions and advice with respect to each Fund are subject to the Fund's investment objectives and guidelines, as set forth in its offering documents. Similarly, the Firm's investment decisions and advice with respect to each managed account are subject to each client's investment objectives and guidelines, as set forth in the client's investment management agreement, other legal documents as well as any written instructions provided by the client to the Firm.

A Fund may issue multiple classes, sub-classes, tranches, sub-tranches and/or series (or sub-series) of shares or interests, as applicable, in the future or enter into side letter agreements with certain investor(s) that alter, modify or change the terms of the shares or interests, as applicable, held by the investor(s), which may differ and may be more favorable from the shares or interests, as applicable, currently offered by the Fund in terms of, among other things, the performance compensation, the management fee, redemption rights (including redemption dates and notice periods), currency denomination, minimum and additional subscription amounts, informational rights and other rights. New classes, sub-classes, tranches, sub-tranches and/or series (or sub-series) of shares or interests, as applicable, may be issued (or "side letter" agreements may be entered into) by a Fund's board of directors, in its sole discretion, on behalf of the Fund, in consultation with the Firm, without providing prior notice to, or receiving consent from, existing investors. The terms of such classes, sub-classes, tranches, sub-tranches and/or series (or sub-series) or "side letter" agreements will be determined by the board of directors, in its sole discretion, in consultation with the Firm. In general, a Fund will not be required to notify investors upon entering into "side letter" agreements nor will a Fund be required to offer such additional and/or different rights and/or terms to any or all of the other investors.

**D. Collateralized Loan Obligations**

The Firm offers investment management services as collateral manager to certain collateralized loan obligation special purpose vehicles (each a "CLO"). CLO is in the form of a non-U.S. entity that issues rated notes ("Rated Notes") and non-rated notes ("Equity" and, together with the Rated Notes, "Notes") under an indenture ("Indenture"). The Notes of the CLO are secured by a portfolio of assets consisting primarily of "Leveraged Loans" (described further below) owned by the CLO and managed by the Firm pursuant to the terms of an investment management agreement between that CLO and the Firm. Investors who wish to obtain exposure



to Leveraged Loans and similar investments, including, high yield bonds, may do so through purchasing Notes issued directly by the CLOs.

Investment management agreements and related Trust Deed documentation contain detailed specifications and requirements regarding the types of Leveraged Loans and other assets the Firm is permitted to acquire on behalf of the CLOs and specify the circumstances in which we can purchase and sell assets, as well as the overall composition of the portfolio (diversity, concentration, ratings, etc.). These investment guidelines are generally not tailored to the individualized needs of any particular investor or holder of Notes (each a “Noteholder”). At inception, however, specific asset criteria or portfolio guidelines may be established in consultation with certain key, prospective investors. Generally, prospective investors and Noteholders must independently consider whether a particular CLO meets their investment objectives and risk tolerances prior to investing.

In connection with the pre-launch phase of a CLO’s lifecycle, the Firm also acts as investment manager in respect of the “warehouse” assets acquired by that CLO. Generally, such warehouses are expected to be operative for a 12-month period prior to launch of a CLO, although the term may vary depending upon market conditions. Further, such warehouses are often capitalized by some of the CLO Note holders as well as the Firm, its affiliates, or funds managed by such affiliates, with leverage provided by the CLO underwriter. References to CLOs *infra* include references to such warehouses.

**E. Wrap Fee Programs**

The Firm does not participate in wrap fee programs.

**F. Assets Under Management**

The Firm managed approximately \$7.4 billion in regulatory assets under management on a discretionary basis as of December 31, 2023.

## **ITEM 5**

### **FEES AND COMPENSATION**

A fee schedule is omitted because this brochure is being delivered only to qualified purchasers, as defined in section 2(a)(51)(A) of the Company Act.

The Firm does not maintain a basic fee schedule. The following is a general overview of the types of fees the Firm charges its clients:

#### **A. Advisory Fees and Compensation**

Fees for each client are determined on a case-by-case basis. Fees for institutional managed accounts are negotiated directly with each managed account and may consist of a fee based on assets under management, investment performance or a combination of both. Performance-based fees, if applicable, will be charged in compliance with Rule 205-3 of the Investment Advisers Act of 1940, as amended (the “Advisers Act”).

#### **Funds**

Fees charged to the Funds are fully described in the respective Funds' offering document. Generally, with respect to the Funds, the Firm or its affiliates (i) charge a monthly or quarterly management fee in arrears at annualized rates generally ranging from 0.5% to 1.75%, and (ii) charge performance fees at 20% of net profits and in some cases subject to a “benchmark return” or “hurdle rate” payable annually in arrears or at the time of a redemption/withdrawal.

Certain UCITS funds pay an administration fee to the non-US based manager of the UCITS funds which is an affiliate of the Firm (the “Manager”) of 0.30% per annum of the average net asset value payable monthly in arrears. The administration fee is used to pay the services of the administrator and administrative support services of the Manager as further described in the UCITS funds’ prospectus.

Certain non-U.S. share classes of certain Funds may be subject to an up-front sales charge of up to 5% of the initial amount invested payable to an affiliate of the Firm, as further described in the Funds’ offering documents. The sales charge may be paid entirely or partially to intermediaries or other persons. Certain non-US share classes in the Funds may be subject to distribution fees which generally range from .75% to 1.25% per annum of the net asset value paid monthly, which may be used for distribution and sales costs of the shares, including payments to affiliated and/or unaffiliated distributors. Schedules of fees and performance-based fees are set forth in the offering document for each of the Funds, which should be consulted by any prospective investor to determine the applicable level of fees or allocations, when fees are paid, and any conditions on redemptions from the Funds.

As permitted, the Firm or its affiliates may from time to time in its sole discretion and out of its own resources decide to rebate part or all of the management and/or performance

fees, and/or distribution fees to some or all investors or to intermediaries. The Firm or its affiliates may pay a portion of its fees to distributors or intermediaries of the Funds.

The Firm's compensation may be negotiable and the Firm may, in its sole discretion, elect to waive or modify any compensation with respect to any investor, without entitling any other investor to a waiver or modification. The Firm may also invest client or Fund assets in investments that charge additional fees or are subject to additional allocations (including other Funds advised by its affiliates ("Affiliated Funds")). Investors may therefore indirectly bear (i) advisory fees or an allocation (including management, performance, administration, or other fees or a performance allocation) to the Firm or its affiliates and (ii) fees charged by the underlying investment. Investments that charge additional fees may include, but are not limited to, money market funds, short-term investment vehicles, exchange traded funds, pooled investment vehicles, special purpose investment vehicles and alternative investment vehicles. If a Fund invests in any Affiliated Fund, the performance compensation and management fee otherwise payable to the Firm or its affiliate at the Affiliated Fund level will generally be waived by such Affiliated Fund. The administration fee (if any) will generally not be waived.

Generally, the investment management agreements with clients may be terminated by either party in accordance with the terms and notice period described in each investment management agreement. the Firm's investment management agreements are generally terminable with prior written notice, without penalty, or upon a breach, and/or also may be automatically renewed.

### **CLOs**

Fees for the management of a warehouse facility will be negotiated on a case-by-case basis.

Fees for any services provided to CLOs will also be negotiated on a case-by-case basis and are expected to be in the form of a management fee and incentive fee. Subject to the terms of the agreements and governing documents, the Firm is generally paid by each CLO, on a quarterly basis in arrears: (i) senior and subordinated management fees generally range, on a combined basis, between 30 bps and 40 bps per annum of the principal amount of assets under management, and (ii) incentive fees which consist of an agreed upon percentage of excess cash flow (typically 20%) payable following the receipt by Equity holders of a specified internal rate of return (collectively, the "CLO Management Fees"). CLO Management Fees are calculated in accordance with the terms of the CLO Indenture by a trustee for the CLO (the "Trustee") and paid to the Firm in arrears by the Trustee from the income generated by the CLO portfolio in accordance with a priority of payments specified in the Indenture. Senior management fees have a higher payment priority than subordinated management fees which are generally paid only to the extent cash flow remains after the CLO funds debt service on the Rated Notes and satisfies other third-party fees and expenses. CLO Management Fees are generally negotiated by the Firm with the underwriter of the CLO Notes, often with input from potential Equity holders, at CLO's inception and may be greater or less than the range specified herein. Fees are generally not negotiable by

CLO Rated Note holders. Neither the Firm nor its employees accept compensation for the sale of securities or interests in the CLOs. Fees, in general, may vary and in some cases may be negotiable and may be payable more or less frequently depending upon the CLO and the arrangement.

**B. Payment of Fees**

Fees and compensation paid to the Firm or its affiliates by the Funds or managed accounts are generally paid by the client from its assets. With regards to the Funds, the fees are calculated by the Fund's administrator and are paid directly from the Fund's assets. Management fees are generally paid on either a monthly or quarterly basis in arrears and the performance compensation is generally deducted on an annual basis or at the time of a redemption or withdrawal, as applicable, or more frequently as further described in the Fund's governing documents or managed account's investment management agreement. With regards to managed accounts, fees are negotiated and agreed upon with the client directly and may include a management fee or a combination of management fee payable monthly or quarterly in advance or arrears and performance compensation payable annually in arrears. Management fees and performance-based compensation are pro-rated for partial periods.

The Firm's employees may invest in one or more Funds or Affiliated Funds. The Firm's employees may or may not be subject to a management fee and performance-based compensation by these Funds or Affiliated Funds. In addition, the Firm's employee investments may or may not be subject to the same liquidity terms or fees as those of other investors in the Funds.

**C. Additional Fees and Expenses**

Not all of the Firm's Fund investors bear all of the expenses set forth below and, in some cases, will bear additional expenses not included herein. Fund investors should refer to the Fund's governing documents for details relating to specific expenses relating to the Fund. In addition to the asset-based and as applicable, performance-based compensation described above, each the Firm Fund investor generally bears the following expenses: operating and other expenses and its *pro rata* portion of the Fund's expenses and as applicable master fund expenses, including, but not limited to, fund formation, fees paid to administrators, fees paid to custodians, fees paid to prime brokers, fees relating to any special purpose vehicles, as applicable, investment-related expenses (*e.g.*, brokerage commissions (see Item 12 for more information on brokerage expenses) and transaction costs, currency hedging costs, clearing and settlement charges, interest expense, fees and expenses incurred in any borrowing or lending securities, any cost of acquiring or maintaining financing, any cost implicit in any repurchase or reverse repurchase agreements, consulting costs, legal costs, research and data charges, fees to negotiate and settle potential and actual transactions, as applicable, (including, investment-related litigation and restructuring expenses), investment banking and any other professional fees or compensation relating to particular investments or contemplated investments and research-related expenses, including, transactional, risk, market, reference, consumer and industry data and information, alternative data, news and quotation equipment and services (including, fees for data, data aggregation and software

providers, exchanges and other third party and information vendors, other non-traditional and information sources, academic research data and trade ideas), expert networks or other networks, other third-party fees and expenses incurred in connection the evaluation of prospective transactions, (including, related travel and due diligence costs and expenses related to certain investments), expenses relating to third-party valuation services, expenses attributable to any third-party proxy voting service, costs for ERISA bonding, if applicable; expenses relating to reports provided to investors, expenses associated with the preparation, printing and distribution costs of the periodic and annual financial statements and all professional and other fees and expenses in connection therewith; the cost of publication of the net asset value of the fund, external legal and compliance expenses (which include, responding to formal and informal inquiries, subpoenas, investigations and other regulatory matters, indemnification expenses and expenses associated with regulatory filings including blue sky filings and other filings relating to the Fund and/or master fund and/or underlying investments, if applicable), legal costs relating to the review, negotiation, closing and/or settlement of potential and actual transactions, as applicable, relating to actual or contemplated investments (including, such fees and expenses for transactions that a Fund and/or the Firm elect ultimately not to acquire for the Fund); fees and expenses incurred in connection with any potential or actual investment or other participation in, or any holding or disposition of any interest in, another investment entity, business entity or organization, including any restructuring expenses; any broken deal expenses; and fees and expenses related to the engagement of any service providers to the Firm and its affiliates or any other trading vehicle incurred in the course of operating assets in which a Fund invests; any expenses associated with preparing, monitoring, analyzing, monitoring tax and administrative reports or other documentation, external accounting, audit and tax-related preparation expenses, directors' fees and expenses, organizational and operating expenses, clearing and registration fees and other expenses due to regulatory, supervisory or fiscal authorities in various jurisdictions, liquidation costs, and the out-of-pocket expenses incurred by the Fund's service providers, insurance fees and expenses, including, if applicable, a reasonably allocated portion of the premiums for any Fund directors' and officers', errors and omissions, cybersecurity or other coverage that would offset a portion of the Fund's indemnity obligations, expenses relating to the offer and sale of Fund interests and/or shares, taxes, expenses related to the maintenance of the Fund's registered office, and corporate licensing expenses. the Firm or its affiliates may pay certain of the aforementioned expenses and may therefore be entitled to be reimbursed by a Fund in respect of such expenses. Fund costs may be amortized over a period of time to ensure that large expenses are borne in an equitable manner.

Each managed account will typically bear many of the fees and expenses described above. Certain expenses borne by the Funds may or may not be shared by managed accounts. The expenses borne by a managed account are set forth in the managed account's investment management agreement or as otherwise agreed with the managed account.

### **Allocation of Expenses**

A Fund or managed account may incur an expense which forms part of a larger aggregate expense relating to a number of entities for which the Firm or its affiliates provide services. Such expense will generally be allocated between the relevant entities, on a pro rata basis,

or in conjunction with a flat fee per entity for a portion of the expense, where appropriate or as otherwise determined by the Firm and/or the Fund directors in a fair and reasonable manner. The Firm may not allocate expense amounts that are deemed diminimus to its Funds. Clients may not receive the same benefits from the services that they pay for.

**ITEM 6**  
**PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

The Firm accepts performance-based fees for some, but not all clients to which it provides investment advisory services. The Firm may face a conflict of interest by managing accounts that are subject to a performance-based fee or allocation and accounts that are not subject to a performance-based fee or allocation, including that the Firm may have an incentive to favor accounts for which it receives performance-based fees or allocations. The Firm may also have an incentive to favor accounts from which the Firm will receive a performance fee calculated at a higher rate over accounts from which the Firm will receive a performance fee or allocation calculated at a lower rate. This includes scenarios where a performance fee may be expected to be at a lower rate given the operation of a fee calculation mechanism such as a high-water mark. Furthermore, performance-based fee compensation may create an incentive for the Firm to make riskier or more speculative investments than would be the case in the absence of such performance fees.

Generally, the Firm addresses these conflicts of interest through the adoption of policies and procedures that are designed to mitigate such conflicts of interest and ensure compliance with applicable law, including by way of an investment allocation policy which is designed to ensure accounts are treated fairly and equitably over time regardless of the types of fees or fee rates paid. Please see Items 11.B.2 and 11.D below.

## **ITEM 7**

### **TYPES OF CLIENTS**

The Firm provides investment advisory services primarily to U.S. or non-U.S. Funds, including private funds and UCITS funds, CLOs and U.S. or non-U.S. institutional managed accounts which include pension plans, on a discretionary basis. The Firm also provides sub-advisory services to an ETF. The securities of the Funds are not registered under the Securities Act of 1933. In addition, the Funds are not registered under the Company Act and may or may not be continuously offered.

Redemption rights with respect to each Fund are set forth in the offering memorandum for each Fund. Termination rights with respect to each managed account are set forth in the investment management agreement for each managed account. Investments in the Funds may be subject to certain qualifications and a minimum investment requirement which under certain conditions may be waived as set forth in the Fund's offering memorandum. Currently, the Firm does not have a pre-determined account minimum for managed accounts.



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

**A. Methods of Analysis and Investment Strategies**

*The descriptions set forth in this brochure of specific advisory services that the Firm offers to clients, and investment strategies pursued, and investments made by the Firm on behalf of its clients, should not be understood to limit in any way the Firm's investment activities. The Firm may offer any advisory services, engage in any investment strategy and make any investment for its clients, including any not described in this brochure, that the Firm considers appropriate, subject to each client's investment objectives and guidelines. The investment strategies the Firm pursues are speculative and entail substantial risks. Clients/investors should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any client will be achieved.*

The Firm conducts its own analyses and may also use the analyses of its affiliates as well as third parties. The Firm may use many sources of information in its analyses of financial instruments which may be obtained from its affiliates or third parties. These sources include but are not limited to: financial filings; business, economic, financial and other publications; trade journals; other money managers or financial services professionals; investment and commercial bankers; industry and turnaround specialists; media sources; information from brokers including, research, models, discussions with analysts, idea meetings, and other information provided by brokers; third-party data services including alternative data; external research; inspections of corporate facilities; one-on-one conversations with company management teams, suppliers, customers, end users and sector specialists, as well as lawyers, bankruptcy attorneys; economists, strategists, lobbyists, academic specialists and expert networks. In addition, the Firm may employ third-party consultants to provide it with fundamental and technical research, including, but not limited to, information regarding various markets, industries and companies. Furthermore, the Firm may place significant reliance on automated and quantitative techniques in order to perform analyses and generate suggested trades. In addition, the Firm may utilize other sources of information including non-traditional data sources and information which may exist from time to time.

The Firm may employ a number of investment strategies in connection with its investment advisory services depending upon the type and stated investment objectives of each client. These investment strategies include, but are not limited to, the following which may be used for investment, hedging or speculative purposes: fundamental stock picking; long-only equities; long-short equities; participation in initial public offerings and other new issues (and associated trading); buying put options and call options; selling put options and call options on both a covered and uncovered basis; options and futures on equity indices; buying and selling volatility instruments; buying and selling of (other) derivatives; securities lending; sale and repurchase transactions; long-short debt; pairs trading; arbitrage; event driven; relative value;

convertible debt; convertible arbitrage; distressed credit/debt including unsecured and secured debt, fixed income securities denominated in local currency or in the currencies of OECD (Organization for Economic Co-Ordination and Development) countries, preferred stock, or capital structure arbitrage.

With regards to certain of its investment strategies, the Firm may consider ESG factors including the Man Responsible Investment framework, which considers responsible investment criteria when making investment decisions. Such factors and responsible investment criteria will be disclosed accordingly.

Depending on the specific investment strategies pursued, the Firm may invest in one or more of the following, among others: bonds and other debt instruments (investment and non-investment grade), equity instruments (including listed and un-listed securities), exchange-traded funds ("ETFs"), loans (par, near par and distressed), leveraged loans, participations, commodities, derivatives or other financial instruments including futures, asset backed securities, convertible and preferred securities, warrants and other rights to purchase shares, collateralized debt and loan obligations, bank debt, floating rate notes, depository receipts, emerging markets debt, government bonds, municipal bonds, and preferred real or personal property or any other types of assets it can own unless otherwise specified in the Fund's offering documents or in the managed account's investment management agreement. The derivative instruments which clients may purchase or sell include, futures, credit derivatives, exchange-traded or over-the-counter ("OTC") derivatives, options, swaptions, swaps (including, but not limited to, basket swaps, equity swaps, credit default swaps, interest rate swaps, contracts for difference and total return swaps), and deliverable and non-deliverable forward contracts. Clients also may from time to time purchase or sell currencies, forward currency contracts or other related derivative instruments. The Firm clients will incur additional costs when trading securities on swap.

The Firm may also engage in specific trading strategies such as algorithm trades, short term trading and other investment strategies. the Firm may engage in other investment and trading strategies that may be deemed appropriate from time to time. Details regarding specific investment strategies are described in greater detail in each Fund's offering document and each managed account's investment management agreement.

**B. Material, Significant or Unusual Risks Relating to Investment Strategies**

The investment strategies that the Firm pursues are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any client will be achieved. The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in a Fund or managed account managed by the Firm.

*The following risk factors may not be applicable to all clients. Investments in a Fund are speculative and involve a substantial degree of risk, including the risk that an investor could lose some or all of its investment in a Fund. Prospective investors should carefully consider the risks of investing, which include, without limitation, those set forth below which are more fully*

*described in the applicable Fund's offering documents. These risk factors include only those risks the Firm believes to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis employed by the Firm and do not purport to be a complete list or explanation of the risks involved in an investment in a Fund or to clients advised by the Firm.*

## **Risks of Investments in Financial Instruments Generally**

Investments in financial instruments involve risks, including the risk that the entire amount invested may be lost. The Firm will invest in and actively trade financial instruments using investment techniques with certain risk characteristics, including, without limitation, risks arising from the volatility of the equity markets, the risks of borrowings, the risks of short selling, the potential illiquidity of financial instruments and the risk of loss from counterparty defaults. No guarantee or representation is made that a client's investment objective will be achieved. The Firm may utilize such investment techniques as leverage and margin transactions, limited diversification and options and derivatives trading, which practices can, in certain circumstances, increase the adverse impact to which a client may be subject.

## **Market Risk**

The financial instruments held by a client are subject to normal market fluctuations and the risks inherent in investment in international financial instruments markets and there can be no assurances that investments will appreciate in value. The Firm's strategies are subject to multiple dimensions of market risk: unexpected directional price movements, momentum pricing continuing to influence economic factors, deviations from historical pricing relationships, changes in the regulatory environment, changes in market volatility, "flights to quality" and "credit squeezes".

The particular or general types of market conditions in which a client may incur losses or experience unexpected performance volatility cannot be predicted, and a client may materially underperform other clients with a substantially similar investment strategy.

## **Natural Resources Concentration Risk**

Certain strategies may be concentrated in the securities of natural resources related companies. Investments in equity securities of companies in natural resources and natural resources-related businesses are more vulnerable to price movements of natural resources and other factors that particularly affect those types of businesses.

Investments in natural resources-related securities may be affected by numerous factors, including changes in supply of, or demand for, various natural resources, changes in energy prices, international political and economic developments, economic conditions in large importation countries, import controls, civil conflict, natural or man-made disasters, actions to address climate change or other environmental factors, energy conservation, the success of exploration projects, fluctuation and changes in commodity or other raw material prices, production spending, increased competition, technological developments, and tax and other government regulation and

intervention. These factors could adversely affect the performance of companies in natural resources-related industries, and the Fund's performance is likely to be disproportionately affected by these factors compared to a more broadly diversified fund.

### **Systemic Risk**

Systemic credit risk may arise through a default by one of several financial institutions that are dependent on one another to meet their liquidity or operational needs, so that a default by one institution causes a series of defaults by the other institutions. This is sometimes referred to as a "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearinghouses, banks, securities firms and exchanges and issuers of financial instruments, with which the Firm interact on a daily basis including entities with which a client has trading relationships, that provide a client with financing arrangements and/or that custody all or some portion of a client's assets. Such risks may be exacerbated by the obligations for certain securities to be centrally cleared by a third-party clearing house, such that the financial stress or systemic credit risk with respect to a particular type or class of security will be compounded due to the default or financial distress of, or other credit event related to such clearing house.

World events and/or the activities of one or more large participants in the financial markets could result in a temporary or sustained systemic breakdown in the normal operation of financial markets. Such events could result in liquidity and counterparty credit events which could result in a portfolio incurring substantial or total losses.

### **Limited Diversification**

There may not be limits on the Firm's investment discretion with respect to certain strategies. At any given time, it is therefore possible that a client's portfolio could become significantly concentrated in any one issuer, industry, sector, strategy, country or geographic region, and such concentration of risk may increase the losses suffered by the client. In addition, it is possible that the Firm may select investments that are concentrated in a limited number or type of financial instruments. This limited diversity could expose a client to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in those financial instruments.

### **Flexible Investment Approach**

The Firm has broad investment authority and may trade long and short in any type of financial instrument, issuer or group of related issuers, country, region and sector that it believes will help a client achieve their investment objective. A client may also invest in and utilize, in order to manage or mitigate risk, currency spot and forward contracts, currency and interest rate futures contracts, OTC and exchange-listed options and options on futures contracts. Additionally, the strategies that the Firm may pursue for its clients are not limited to the strategies described herein; furthermore, such strategies may change and evolve materially over time. The Firm will opportunistically implement whatever strategies, techniques and discretionary approaches, as well as such other investment tactics, as it believes from time to time may be suited to prevailing market conditions. The Firm may utilize such leverage, position size, market exposure, duration and other

portfolio management techniques as it believes are appropriate for a client. In addition, any new investment strategy, technique and tactic developed by the Firm may be more speculative than earlier investment strategies, techniques and tactics and may involve material and as-yet-unanticipated risks that could increase the risk of investing. Clients may not be informed of any changes in the Firm's strategies, techniques, discretionary approach and tactics, except as required by applicable law. There can be no assurance that the Firm will be successful in applying its approach, and there is material risk that a client may suffer significant impairment or total loss of its capital.

### **Importance of Market Judgment**

The discretionary market judgment of the Firm's investment professionals is integral to the implementation of its strategies. Discretionary action by the Firm's investment professionals is subject to the risk of bad judgment and emotionalism.

### **Due Diligence Process**

Before making investments, the Firm will conduct due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence, the Firm may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants and investment banks may be involved in the due diligence process in varying degrees depending on the type of investment. Nevertheless, when conducting due diligence and making an assessment regarding an investment, the Firm will rely on the resources available to it, including information provided by the target of the investment and, in some circumstances, third-party investigations. The due diligence investigation that the Firm will carry out with respect to any investment opportunity may not reveal or highlight certain facts that could adversely affect the value of the investment.

### **Nature of Certain Investments**

There is no limitation on the size or operating experience of the companies in which a client may invest. Some small companies in which a client may invest may lack management depth or the ability to generate internally or obtain externally the funds necessary for growth. Companies with new products or services could sustain significant losses if projected markets do not materialize. Further, such companies may have, or may develop, only a regional market for products or services and may be adversely affected by purely local events. Such companies may be small factors in their industries and may face intense competition from larger companies and entail a greater risk than investment in larger companies.

### **Co-Investments**

The Firm may offer co-investment opportunities from time to time. Participants in co-investments may have economic or business interests or goals that are inconsistent with those of a Fund, or may be in a position to take (or block) action in a manner that is contrary to a Fund's investment objectives. Such participants may also have greater transparency or otherwise receive additional

information with respect to such co-investment opportunities than investors even though a Fund may have invested in the same asset.

The terms of any co-investment will be determined by the Firm on a case-by-case basis in its sole discretion and any co-investment opportunity will be presented on an “as is” basis. The Firm expects that co-investments will generally be structured through investment funds or similar arrangements to facilitate such investments for legal, tax, regulatory or other purposes, but co-investment opportunities may also be invested directly in parallel with the participants. In such cases, it is possible that a participant in a co-investment may sell some or all of its interest in a co-investment while a Fund retains (or is required to retain) its interest, implying that such Fund risks future losses while the participant in the co-investment has already liquidated its position.

Participants in co-investments may engage the Firm or its affiliates to advise it with respect to such co-investment opportunity and agree to compensate the Firm or its affiliates for such services. A Fund and its investors will not participate in the profits or losses received by the other participants in the co-investments, nor will a Fund or its investors participate in the compensation received by the Firm or its affiliates with respect to such co-investment opportunities.

### **Below Investment-Grade Investments**

Clients may invest in corporate and government debt financial instruments, which may be unrated or below investment grade. It is likely that many of the debt instruments in which the client invests may be unrated, and whether or not rated, the debt instrument may have speculative characteristics. The issuers of such instruments may face significant ongoing uncertainties and exposure to adverse conditions that may undermine the issuer’s ability to make timely payment of interest and principal. Such instruments are regarded as predominantly speculative with respect to the issuer’s capacity to pay interest and repay principal in accordance with the terms of the obligations and involve major risk exposure to adverse conditions. In addition, an economic recession could severely disrupt the market for most of these financial instruments and may have an adverse impact on the value of such instruments. It is also likely that any such economic downturn could adversely affect the ability of the issuers of such financial instruments to repay principal and pay interest thereon and increase the incidence of default for such financial instruments.

The secondary market for lower and unrated financial instruments will likely be less liquid (or even non-existent) than markets for higher quality financial instruments and, as such, may have an adverse effect on the market prices of certain financial instruments. The illiquidity of the market could make it difficult for the client to sell such financial instruments. There are fewer dealers in the market for lower and unrated financial instruments than investment grade financial instruments. The prices quoted by different dealers may vary significantly and the spread between the bid and asked price is generally much larger than for higher quality instruments. Since investors generally perceive that there are greater risks associated with lower or unrated credit financial instruments, the yields and prices of such financial instruments may tend to fluctuate more than those for higher rated financial instruments. In the lower quality segments of the credit markets, changes in perceptions of issuers’ creditworthiness tend to occur more frequently and in

a more pronounced manner than do changes in higher quality segments of the credit markets, resulting in greater yield and price volatility.

### **Investments in Distressed Financial Instruments**

Clients may invest in “below investment grade” financial instruments and obligations of issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems, including companies involved in bankruptcy or other reorganization and liquidation proceedings. These financial instruments are likely to be particularly risky investments although they also may offer the potential for correspondingly high returns. Among the risks inherent in investments in troubled entities is the fact that it may frequently be difficult to obtain information as to the true condition of such issuers. Such investments may also be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court’s power not to enforce covenants or to disallow, reduce, subordinate or disenfranchise particular claims. Such companies’ securities may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies. In addition, there is no minimum credit standard that is a prerequisite to the client’s investment in any instrument, and a significant portion of the obligations and financial instruments in which the client invests may be less than investment grade. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. There is no assurance that the Firm will correctly evaluate the value of the assets collateralizing the client’s loans or the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which the client invests, the client may lose its entire investment, may be required to accept cash or financial instruments with a value less than the client’s original investment and/or may be required to accept payment over an extended period of time.

In liquidation (both in and out of bankruptcy) and other forms of corporate reorganization, there exists the risk that the reorganization either will be unsuccessful (due to, for example, failure to obtain requisite approvals), will be delayed (for example, until various liabilities, actual or contingent, have been satisfied) or will result in a distribution of cash or a new financial instrument the value of which will be less than the purchase price to the client of the financial instrument in respect to which such distribution was made.

In certain transactions, the client may not be “hedged” against market fluctuations, or, in liquidation situations, may not accurately value the assets of the company being liquidated. This can result in losses, even if the proposed transaction is consummated.

### **Financial Instruments related to Defaulting Companies**

Clients may invest in the financial instruments related to companies involved in bankruptcy proceedings, reorganizations and financial restructurings and may have a more active participation

in the affairs of the issuer than is generally assumed by an investor. This may subject the client to litigation risks, including litigation brought by other creditors against the client, or prevent the client from disposing of securities. In a bankruptcy or other proceeding, the client as a creditor may be unable to enforce its rights in any collateral or may have its security interest in any collateral challenged, disallowed or subordinated to the claims of other creditors. While the Firm will attempt to avoid taking the types of actions that would lead to equitable subordination or creditor liability, there can be no assurance that such claims will not be asserted or that the Firm will be able to successfully defend against them. Because other investors may purchase the securities of these companies for the purpose of exercising control or management, the client may be at a disadvantage to the extent that the client's interests differ from the interests of these other investors.

### **Expenses Associated with Creditor Remedies**

Bankruptcy proceedings are often lengthy and difficult to predict and could adversely impact a creditor's return on investment. Administrative costs relating to a bankruptcy proceeding will be paid out of the debtor's estate prior to any returns to creditors. These costs and the costs associated with a creditor's exercising of its remedies can be significant and typically are incurred in significant amounts and in irregular periods. By their nature, these expenses frequently must be incurred before the associated investment can appreciate. A client may bear the expenses associated with an investment without receiving the benefit of the subsequent appreciation in value.

### **Suboptimal Structuring of Investments**

The Firm may take into account tax considerations when structuring investments. However, the profitability of the client's investment strategies relies, in part, on an ability to take control positions or acquire voting rights. In addition, the client may in certain circumstances invest in SPVs that are corporations for US federal income tax purposes and any return experienced by the client on such SPVs will be net of taxes. The client's profitability also depends on efficient financing of investments. In balancing these considerations, which may be in tension, the client may structure certain investments in a manner that is suboptimal from a tax perspective, suboptimal from a control or voting perspective, suboptimal from a financing efficiency perspective, or some combination of these.

### **Capital Structure Arbitrage**

The success of certain strategies depends on the ability of the Firm to identify and exploit the relationships between movements in different financial instruments within an issuer's capital structure (including bank debt, convertible and non-convertible senior and subordinated debt and preferred and common stock). Identification and exploitation of these opportunities involves uncertainty. There can be no assurance that the Firm will be able to locate investment opportunities or to correctly exploit price discrepancies. A reduction in the pricing inefficiency of the markets in which the Firm will seek to invest will reduce the scope for the client's investment strategies.



In the event that the perceived mispricing underlying the client's positions fail to materialize, these investment strategies could be unsuccessful or result in losses.

### **Direct Lending**

Investment firms participating in the loan markets is a relatively new development, and it is uncertain how successful hedge fund strategies — involving theoretical pricing models, hedging through supposedly similar (but not identical) asset classes and leverage (among other factors) — will be in trading in these markets.

### **Bank Loans and Participations**

Clients may invest in fixed- and floating-rate bank loans and participations. The special risks associated with these obligations include: (i) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors' rights laws; (ii) environmental liabilities that may arise with respect to the collateral securing the obligations; (iii) adverse consequences resulting from participating in such loans with other institutions which may default on their obligation to provide additional funding under such loans; and (iv) limitations on the ability of the investor in a participation directly to enforce the lender's rights under such loans.

In recent years, a number of judicial decisions have upheld the right of borrowers to sue lending institutions based on various evolving legal theories (collectively termed "lender liability"). Generally, lender liability is founded upon the premise that an institutional lender has violated its duty (whether implied or contractual) of good faith and fair dealing owed to a borrower or has assumed a degree of control over the borrower resulting in the lender assuming a fiduciary duty to the borrower and/or its other creditors or shareholders. Clients could be subject to allegations of lender liability.

Clients may also invest in pools of mortgage-related loans and loan participations originated by banks and other financial institutions. These pools may include highly leveraged loans to borrowers with below investment-grade credit ratings. Such loans typically are negotiated by one or more commercial banks or financial institutions and syndicated among a group of commercial banks and financial institutions. In order to induce the lenders to extend credit and to offer a favorable interest rate, the borrower often provides the lenders with extensive information about its business that is not generally available to the public. To the extent that a client obtains such information, and it is material and non-public, clients will be unable to trade in the securities of the borrower until the information is disclosed to the public or otherwise ceases to be material, non-public information.

Clients may invest directly or through participations in loans with revolving credit features or other commitments or guarantees to lend funds in the future. A failure by the client to advance requested funds to a borrower could result in claims against the client and in possible assertions of offsets against amounts previously lent.

The client may acquire interests in bank loans and other debt obligations either directly (by way of sale or assignment) or indirectly (by way of participation). The purchaser of an assignment

typically succeeds to all the rights and obligations of the assigning institution and becomes a lender under the credit agreement with respect to the debt obligation; however, in certain cases its rights may be more restricted than those of the assigning institution. A participation interest in a portion of a debt obligation typically results in a contractual relationship with only the institution acting as a lender under the credit agreement, not with the borrower. To the extent it holds participation interests, the client generally will have no right to exercise the rights of the lender under the credit agreement, including the right to enforce compliance by the borrower with the terms of the loan agreement or approve amendments or waivers of terms, nor will the client have any rights of set-off against the borrower, and the client may not directly benefit from the collateral supporting the debt obligation in which they have purchased the participation. As a result, the client will be exposed to the credit risk of both the borrower and the institution selling the participation.

Investments in loans through direct assignment of a financial institution's interests with respect to a loan may involve additional risks to the client. For example, if the loan is foreclosed, the client could become part owner of any collateral, and would bear the costs and liabilities associated with owning and disposing of the collateral. In addition, under legal theories of lender liability, the client could be held liable as a co-lender. In the case of loan participations, direct debt securities may also involve a risk of insolvency of the lending bank or other intermediary. Direct debt securities that are not in the form of securities may offer less legal protection to the client in the event of fraud or misrepresentation. In the absence of definitive regulatory guidance, the client may rely on the Firm's research to attempt to avoid situations where fraud or misrepresentation could adversely affect the client.

Bank loans may not be readily marketable and may be subject to restrictions on resale. In some cases, negotiations involved in disposing of indebtedness may require weeks to complete. Consequently, some indebtedness may be difficult or impossible to dispose of readily at what the Firm believes to be a fair price. In addition, bank loans often are less liquid than other types of debt securities (particularly in times of significant market dislocation).

Bank loans that are fully secured may offer the client more protection than an unsecured loan in the event of non-payment of scheduled interest or principal. However, there can be no assurance that the liquidation of any collateral from a secured bank loan would satisfy the borrower's obligation, or that such collateral could be liquidated. In the event of the bankruptcy of a borrower, the client could experience delays or limitations in its ability to realize the benefits of any collateral securing a bank loan. Also, the client may invest in bank loans that are unsecured.

Purchasers of loans and other forms of direct indebtedness depend primarily upon the creditworthiness of the borrower for payment of principal and interest. Direct debt securities may not be rated by any rating agency. Indebtedness of borrowers whose creditworthiness is poor involves substantially greater risks and may be highly speculative. Borrowers that are in bankruptcy or restructuring may never pay off their indebtedness or may pay only a small fraction of the amount owed.

A loan often is administered by a bank or other financial institution that acts as agent for all holders. The agent administers the terms of the loan, as specified in the loan agreement. Unless, under the

terms of the loan or other indebtedness, the client has direct recourse against the borrower, it may have to rely on the agent to apply appropriate remedies against a borrower.

Bank loans are subject to prepayment risks. The degree to which borrowers prepay bank loans, whether as a contractual requirement or at their election, may be affected by, among other factors: general business conditions, the financial condition of the borrower and competitive conditions among lenders. As such, prepayments cannot be predicted with accuracy. Upon a prepayment, either in part or in full, the actual outstanding debt on which the client derives interest income will be reduced. The effect of prepayments on the client's performance may or may not be mitigated by the receipt of prepayment fees and/or the client's reinvestment of prepayments in other bank loans or other investments that have similar or identical yields.

### **Equitable Subordination**

Under common law principles that in some cases form the basis for lender liability claims, if a lender (i) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower; (ii) engages in other inequitable conduct to the detriment of such other creditors; (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors; or (iv) uses its influence as a stockholder to dominate or control a borrower to the detriment of other creditors of such borrower, a court may elect to subordinate the claim of the offending lender to the claims of the disadvantaged creditor or creditors, a remedy called "equitable subordination." The risk of a successful equitable subordination action may be increased to the extent that the client owns equity securities of a borrower or the Firm serves on creditors' committees with respect to a defaulted or restructured asset or otherwise. With respect to a loan for which a third-party lender acts as agent but in which the client is participating, the client may be unable to prevent such agent from engaging in conduct that would form the basis for a successful cause of action based upon lender liability or equitable subordination.

### **Fraudulent Conveyance Considerations; Preferences; Recharacterization of Debt**

Various creditor-protection laws, which differ materially from jurisdiction to jurisdiction, provide for the potential invalidation, subordination or recharacterization of certain debt obligations (which the client may acquire). For example, if a court were to find that a borrower did not receive fair consideration or reasonably equivalent value for incurring the indebtedness evidenced by an investment and/or granting any security interest or other lien securing such investment, and, after giving effect to such indebtedness, the borrower: (i) was insolvent; (ii) was engaged in a business for which the assets remaining in such borrower constituted unreasonably small capital; or (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature, such court could invalidate such indebtedness and such security interest or other lien as fraudulent conveyances, subordinate such indebtedness to existing or future creditors of the borrower and/or recover amounts previously paid on such investment by the borrower (including to the client). If a court were to determine that an advance of funds to a borrower is in fact equity and not debt, such court may recharacterize the advance as common equity, subordinated to all indebtedness.

If an issuer in which the client has an investment becomes insolvent, any payment made on such investment may be subject to avoidance as a “preference” if made within a certain period of time (which may be as long as one year) before insolvency.

In general, if payments on an investment are voidable, whether as fraudulent conveyances or preferences, such payments can be recaptured either from the initial recipient or from subsequent transferees of such payments. To the extent that any such payments are recaptured from the client, the resulting loss will be borne by the investors in the client.

### **Whole Loans**

The Firm may invest in whole loans on behalf of its clients. When the client holds a whole loan, the Firm will be responsible for dealing directly with the issuer — which can both consume valuable the Firm resources which could be more profitably employed in other investments as well as subjecting the client to all the uncertainties, expenses and adversary proceedings which surround foreclosures in general.

### **Risks of Property Ownership**

The client may be required, perhaps to a degree substantially greater than it anticipated, to attempt to enforce security interests, including through foreclosures on commercial or residential real estate. The foreclosure process, although designed to be expedited in many jurisdictions, can involve all the uncertainty and potential delays of any legal process as well as the related expense. Moreover, once property has been acquired, (whether through foreclosure or consent), the client will be subject to all the risks and expense of a property owner.

If the client is forced by market conditions to hold a property for a longer holding period or for a higher holding cost than expected, the results could be materially adverse to the client and its prospects.

### **Difficulty of Exercising Remedies**

In the event the issuer of one or more of the client’s investments is or becomes insolvent, it may be difficult for the client to exercise its rights and remedies as a creditor or to otherwise effect a planned reorganization, restructuring or bankruptcy. The client may make investments in restructurings and workouts that involve companies that are experiencing, or are expected to experience, severe financial difficulties, which may never be overcome and may lead to uncertain outcomes. Courts and other governmental bodies typically have broad discretion to control the terms of a reorganization, and political factors may be of significant importance in the more high profile bankruptcies. For example, in order to protect net operating losses of a company in bankruptcy, a governmental body might take any number of actions, including prohibiting or limiting the transfer of claims held by certain classes of creditors. Such a prohibition could have a material adverse effect on the value of certain investments made by the client. For example, the client might be prohibited from liquidating investments that are declining in value.

If the client is unable to effectively assert its rights and remedies in court or other proceedings, it may not be able to implement its strategy with respect to one or more investments and, as a result, may incur substantial losses.

### **Subordination, “Cramdowns” and Dilution**

The client as the creditor of an issuer can find itself subordinated to otherwise junior creditors, depending on the laws of the applicable jurisdiction. For example, a bankrupt issuer may be able to apply under local law to the relevant court for “debtor-in-possession,” or similar financing, in order to obtain new capital for its operations. The persons who invest such new capital will take a senior position to the client, even though the client was previously senior to such persons. The client may or may not be given an opportunity to participate in such financing.

A reorganization plan approved by any judicial or administrative body may result in a number of different creditors being compelled to accept materially adverse changes to the terms of the debt that they hold — including reduced interest rates, extended maturities and reduced acceleration rights. Such “cramdowns” may be imposed at the discretion of such governmental bodies in order to give the issuer a better chance of remaining economically viable.

In a reorganization, substantial amounts of equity are often issued to the senior lenders in return for the extinguishment of their debt. This can result in substantial dilution to an equity position previously acquired by the client — either directly or through the acquisition of convertible debt.

### **Uncertainties of Foreclosure Process**

If it becomes necessary to foreclose on the assets underlying a loan acquired by the client, significant uncertainty may arise as to the outcome of the proceeding. Courts or other arbiters typically have broad discretion as to how they deal with the claims of different creditors, and the claims of secured creditors may not — despite their legal entitlement — always be respected as a matter of policy.

### **General Risks of Real Estate Collateral**

In making loans secured by real estate, the client will be subject to all of the risks inherent in investing in real estate and real estate-related investments. These risks may include, without limitation, general and local economic and social conditions, fluctuations in real estate values, the financial resources of tenants, vacancies, changes in tax, zoning, building, environmental and other applicable laws, real property tax rates, changes in interest rates and the availability of mortgage funds. Such risks also include fluctuations in occupancy rates, rent schedules and operating expenses, which could adversely affect the value of the properties. There can be no assurance of profitable operations for any real estate property, or the repayment of any debt investment made by the client, that is secured by such property. The cost of operating a property may exceed the rental income it generates, and the client may be forced to advance funds to protect an equity investment, forego the receipt of interest income on debt investments and/or dispose of commercial real estate collateral on disadvantageous terms.

## **Uncertain Recovery Value of Collateral**

The investments made by the client may or may not be secured. To the extent potential investments are secured, a substantial component of the Firm's analysis of the desirability of making such investments relates to the estimated residual or recovery value of such investments in the event of the insolvency of the issuer. This residual or recovery value will be driven primarily by the value of the underlying assets constituting the collateral for such investment. The value of collateral can, however, be extremely difficult to predict and in certain market circumstances there could be little, if any, market for such assets. Moreover, depending upon the status of these assets at the time of an issuer's default, they may be substantially worthless. The types of collateral owned by the issuers in which the client will invest will vary widely.

Furthermore, the Firm's evaluation of the residual/recovery value of collateral as well as likely near- to mid-term market conditions depends in substantial part on the integrity of the data gathered by the Firm. Not only may such data prove to be unreliable but, even if reliable, changing markets and regulations may cause such data not to be representative of current market conditions.

## **Debtor-in-Possession Financing, Rescue Financing, Bridge Financing**

From time to time the client, instead of acquiring financial instruments in the secondary market, may act as a direct lender to distressed companies through syndicated or bilateral credit facilities, including "rescue financings," bridge financings, and debtor-in-possession loans extended within the context of a Chapter 11 (US Bankruptcy Code) process. These investments will likely take the form of debt and will be identified and evaluated in the same manner as any other client investment, but with the difference that the Firm will typically deal directly with such distressed company in question in structuring the client's investments and have greater flexibility to structure the terms of such investments to the particular circumstances involved (whereas in acquiring financial instruments in the secondary market, the Firm has little, if any, ability to negotiate their terms). The timing of these investments — i.e., at what stage of the "distressed debt cycle" the distressed company is in when the client invests — will vary based on the individual circumstances of each distressed company. In these situations, the client may attempt to manage its exposure to issuer-specific idiosyncratic risk by structuring the terms of its investment (e.g., requiring additional collateral and/or "put" rights), conducting ongoing due diligence, holding regular meetings with management and, in certain cases, syndicating portions of its investment to third parties.

## **Inadvertent Receipt of Confidential Information**

In making debt investments, especially in distressed debt securities, loans and other investments, investors often receive material non-public information which prevents them from executing additional transactions in the securities of a given issuer (for example, shorting the equity of such issuer as part of a "special situations" trade).

The Firm may participate in creditors' committees. Participation on such committees may result in the Firm receiving "material non-public information". If the Firm receives such information, it would be precluded from trading in a given issuer's securities on behalf of the client.

## **Investing in Emerging Markets and Frontier Markets**

The Firm may cause a client to invest in investments in various markets, some of which may be considered as “emerging markets” or “frontier markets”. Many emerging markets or frontier markets are developing both economically and politically and may have relatively unstable governments and economies based on only a few commodities or industries. Many emerging markets or frontier markets countries do not have firmly established product markets and companies may lack depth of management or may be vulnerable to political or economic developments such as nationalisation of key industries. Investments in companies and other entities in emerging markets or frontier markets and investments in emerging market or frontier market sovereign debt may involve a high degree of risk and may be speculative. The Firm considers that frontier markets are similar to emerging markets. However, they have smaller and fewer companies, fewer investors and less trading than emerging markets. There is also less regulation, information on companies and transparency in frontier markets. It is generally expected that frontier markets will be the next generation of emerging markets.

Risks include: (i) greater risk of expropriation, confiscatory taxation, nationalisation, social and political instability (including the risk of changes of government following elections or otherwise) and economic instability; (ii) the relatively small current size of some of the markets for securities and other investments in issuers and the current relatively low volume of trading, resulting in lack of liquidity and in price volatility; (iii) certain national policies which may restrict a client’s investment opportunities including restrictions on investing in issuers or industries deemed sensitive to relevant national interests; (iv) the absence of developed legal structures governing private or foreign investment and private property; (v) the potential for higher rates of inflation or hyper-inflation; (vi) currency risk and the imposition, extension or continuation of foreign exchange controls; (vii) interest rate risk; (viii) credit risk; (ix) lower levels of democratic accountability; (x) differences in accounting standards and auditing practices which may result in unreliable financial information; (xi) different corporate governance frameworks; (xii) lack of quality, timing and reliability of official data published by governments or government agencies; and (xiii) political instability due to government or military intervention in decision making, terrorism, civil unrest, extremism, hostilities between neighbouring countries and anti-western views.

The emerging markets or frontier markets risks described above increase counterparty risks for those clients invested in these markets. In addition, investor risk aversion to emerging markets or frontier markets can have a significant adverse effect on the value and/or liquidity of investments made in or exposed to such markets and can accentuate any downward movement in the actual or anticipated value of such investments which is caused by any of the factors described above.

Emerging markets or frontier markets are characterised by a number of market imperfections, analysis of which requires long experience in the market and a range of complementary specialist skills. These inefficiencies include: (i) the effect of politics on sovereign risk and asset price dynamics; (ii) institutional imperfections, such as deficiencies in formal bureaucracies and historical or cultural norms of behaviour at the level of individual economic factors; (iii) the fact

that asset classes are still developing and the information driving markets is a small proportion of the available information, and underlying development and sovereign risk fundamentals may take days, months and sometimes years to impact asset prices; (iv) liquidity imperfections and the unpredictability of market concentration; and (v) information asymmetries, most typically the result of experience and local knowledge and the fact that some market participants have access to relevant market information that others do not. The Firm may seek to take advantage of these market imperfections to achieve the investment objectives of the relevant clients. It is not, however, guaranteed that it will be able to do so at any time.

In the recent past, the tax systems of some emerging markets or frontier markets countries have been marked by rapid change, which has sometimes occurred without warning and has been applied with retroactive effect. In these countries, a large national budget deficit often gives rise to an acute government need for tax revenues, while the condition of the economy has reduced the ability of potential taxpayers to meet their tax obligations. In some cases, there is widespread non-compliance with tax laws, insufficient personnel to deal with the problem and inconsistent enforcement of the laws by the inexperienced tax inspectors.

In addition, the market practices in relation to settlement of securities transactions and custody of assets may not be as developed as in developed countries, increasing the risk of conducting transactions in those countries.

### **Legal Risk Relating to Investments in Emerging Markets**

Many of the laws that govern private and foreign investment, securities transactions, creditors' rights and other contractual relationships in emerging markets are new and largely untested. As a result, clients may be subject to a number of unusual risks, including inadequate investor protection, contradictory legislation, incomplete, unclear and changing laws, ignorance or breaches of regulations on the part of other market participants, lack of established or effective avenues for legal redress, lack of standard practices and confidentiality customs characteristic of developed markets, and lack of enforcement of existing regulations. Regulatory controls and corporate governance of companies in developing countries may confer little protection on investors. Anti-fraud and anti-insider trading legislation is often rudimentary. The concept of fiduciary duty is also limited when compared to such concepts in developed countries. In certain instances, management may take significant actions without the consent of investors. There can be no assurance that this difficulty in protecting and enforcing rights will not have a material adverse effect on a client and its operations. Furthermore, it may be difficult to obtain and enforce a judgment in certain of emerging market countries in which securities are invested.

### **Risk of Errors and Omissions in Information Relating to Emerging Markets**

Companies in emerging countries are generally subject to less stringent and less uniform accounting, auditing and financial reporting standards, practices and disclosure requirements than those applicable to companies in developed countries. In particular, valuation of assets, depreciation, exchange differences, deferred taxation, contingent liabilities and consolidation may



be treated differently from accounting standards in more developed countries. Consequently, there is less publicly available information about an emerging country company than about a company in a developed market. Furthermore, the quality and reliability of official data published by the government or securities exchanges in emerging markets may not accurately reflect the statistics being reported.

## **Sanctions**

International sanctions and direct and indirect responses thereto are influenced by a number of factors that are beyond the control of, and very often are not able to be predicted by, the Firm. Compounding the implications of the imposition of sanctions is the potential for the implementation of statutes, laws and/or regulations which may be designed to promote and/or formalize, or have the effect of promoting and/or formalizing, requirements for anti-compliance or non-compliance with one or more other countries' sanctions programs. Both the sanctions themselves as well as one or more countries' responses thereto (such as imposing their own sanctions, anti-compliance statutes or other statutory, legal, regulatory or other measures) may have a material adverse effect on clients. International sanctions may have a variety of material adverse effects and the implementation of investment strategies, including, without limitation, (a) prohibiting or otherwise directly or indirectly rendering uneconomic or impracticable transactions in certain countries and/or in certain classes of assets and/or with certain persons and/or entities, and/or (b) otherwise reducing or limiting (up to and including completely precluding) the ability of the Firm to obtain direct and/or indirect access to one or more markets, instruments, exposures or assets which are or may form part of a clients' investment programme. Affected individuals and companies may include specially designated persons or entities and other parties subject to sanctions and embargo programs implemented by the US Treasury Department's Office of Foreign Assets Control ("OFAC") or by other international, provincial, federal, state or local authorities. In addition, certain programs administered by OFAC and by other authorities prohibit dealing with individuals or entities in certain countries regardless of whether such individuals or entities appear on any lists maintained by such authorities thereby creating ambiguity and additional potential risks of non-compliance, all of which may subject clients to losses. While the Firm regularly reviews global sanctions and updates thereto to assess their implications, global economic and trade sanctions, among other things: (i) are inherently very complex, (ii) may require immediate implementation without any or sufficient opportunity for clarification and/or regulatory guidance regarding ambiguities and/or nuances implicit in the sanctions, and (iii) may require further implementing regulations, formal and informal regulatory guidance in the format of "FAQs", discussions with applicable regulators or other guidance in order to be appropriately implemented, some or all of which may change frequently (including intra-day) and/or be unavailable by the applicable deadline(s) for implementation. Each of these factors individually and taken in aggregate may have a material adverse effect on clients.

## **Political and/or Regulatory Risks**

The value of the assets of clients may be affected by uncertainties such as international political developments, changes in government policies, taxation, restrictions on foreign investment and

currency repatriation, currency fluctuations and other developments in applicable laws and regulations.

### **Government Involvement in Private Sector**

Government involvement in the private sector varies in degrees among the emerging countries in which the Fund may invest. Such involvement may include government ownership, wage and price controls or imposition of trade barriers or other protectionist measures.

### **Investment and Repatriation Restrictions**

Some countries have laws and regulations that currently preclude direct foreign investment in the securities of their companies. However, indirect foreign investment in the securities of companies listed and traded on the stock exchanges in these countries is permitted by certain countries through investment funds which have been specifically authorized. A client may invest in these investment funds. If a client invests in such investment funds, they will indirectly bear expenses of the underlying investment funds. In addition to the foregoing investment restrictions, prior governmental approval for foreign investments may be required under certain circumstances in some emerging countries.

Repatriation of investment income, assets and the proceeds of sales by foreign investors may require governmental registration and/or approval in some countries. A client could be adversely affected by delays in or a refusal to grant any required governmental registration or approval for such repatriation or by withholding taxes imposed by countries on interest or dividends paid on securities held by a client or gains from the disposition of such securities.

### **Small and Mid-Capitalization Risks**

Investments in unseasoned and small and mid-capitalization companies may expose a client to greater investment risk. Investments in the securities of these companies may present greater opportunities for growth but also involve greater risks than are customarily associated with investments in securities of more established and larger capitalized companies. The securities of less seasoned and smaller capitalized companies are often traded in the OTC market and have fewer market makers and wider price spreads, which may in turn result in more abrupt and erratic market price movements and make a client's investments more vulnerable to adverse general market or economic developments than would investments only in large, more established companies. It is more difficult to obtain information about less seasoned and smaller capitalization companies because they tend to be less well known and have shorter operating histories and because they tend not to have significant ownership by large investors or be followed by many securities analysts. Additionally, these companies may have limited product lines, markets or financial resources, or they may be dependent upon a limited management group that may lack depth and experience. Investments in larger and more established companies present certain advantages in that such companies generally have greater financial resources, more extensive research and development, manufacturing, marketing and service capabilities, more stability and greater depth of management and technical personnel.

## **Investing in Developing Europe**

A client may invest in less developed European countries. The economies of such countries generally are heavily dependent upon international trade and, accordingly, have been and may continue to be adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. Business entities in these countries have only a limited history of operating in a market-oriented economy, and the ultimate impact of such countries' attempts to move toward more market-oriented economies is currently unclear. The social and economic difficulties resulting from local corruption and crime could adversely affect the value of a client's investments. These countries have been developing a body of real property, securities and tax laws and laws governing corporations and other business entities. Such legal structures governing private and foreign investment and private property, where they have been implemented, are new. Laws may not exist to cover all business and commercial relationships or to protect the holders of interests in equity or debt securities adequately. Laws, regulations, and legal interpretations in less developed European countries can change quickly and unpredictably in a manner far more volatile than in the United States and certain of the more developed European countries. These changes could materially and adversely affect a client's investments.

## **Non-G7 Investments**

The Firm may invest a portion of client assets in securities of non-G7 companies which are traded in non-G7 markets. Investing in the securities of companies in non-G7 countries involves certain considerations not usually associated with investing in securities of G7 companies or G7 markets, including: political and economic considerations, such as greater risks of expropriation and nationalization, confiscatory taxation, the potential difficulty of repatriating funds, general social, political and economic instability and adverse diplomatic developments, the possibility of imposition of withholding or other taxes on dividends, interest, capital gain, gross sale or disposition proceeds or other income; the small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility, fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict the client's investment opportunities. In addition, accounting and financial reporting standards that prevail in such countries generally are not equivalent to G7 standards and, consequently, less information is available to investors in companies located in such countries than is available to investors in companies located in the G7. There is also less regulation generally of the securities markets in such countries than there is in the G7.

## **Lack of Diversification**

There are no limits on the Firm's investment discretion. At any given time, it is therefore possible that the client's portfolio could become significantly concentrated in any one issuer, industry, sector, strategy, country or geographic region, and such concentration of risk may increase the losses suffered by a client. In addition, it is possible that the Firm may select investments that are concentrated in a limited number or type of financial instruments. This limited diversity could

expose a client to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in those financial instruments.

### **Competition; Availability of Investments**

Certain markets in which a client may invest are extremely competitive for attractive investment opportunities and, as a result, there may be reduced expected investment returns. There can be no assurance that the Firm will be able to identify or successfully pursue attractive investment opportunities in such environments. Among other factors, competition for suitable investments from other pooled investment vehicles, the public equity markets and other investors may reduce the availability of investment opportunities. There has been significant growth in the number of firms organized to make such investments, which may result in increased competition to the client in obtaining suitable investments.

### **Investment Selection**

The Firm may select investments on the basis of information and data filed by the issuers of such financial instruments with various regulatory bodies or made directly available to the Firm by the issuers of the financial instruments and other instruments or through sources other than the issuers. Although the Firm evaluates all such information and data and will seek independent corroboration when it considers it appropriate and when it is reasonably available, The Firm is not in a position to confirm the completeness, genuineness or accuracy of such information and data.

### **Special Situations**

A client may invest in companies involved in (or the target of) acquisition attempts or tender offers or in companies involved in or undergoing work-outs, liquidations, spin-offs, reorganizations, bankruptcies or other catalytic changes or similar transactions. In any investment opportunity involving any such type of special situation, there exists the risk that the contemplated transaction either will be unsuccessful, take considerable time or will result in a distribution of cash or a new security the value of which will be less than the purchase price to the client of the security or other Financial Instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, the client may be required to sell its investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which the client may invest, there is a potential risk of loss by the client of its entire investment in such companies.

### **Relative Value**

A portion of the client's investment portfolio may be devoted to relative value strategies. The success of any relative value investment strategy depends on the Firm's ability to identify and exploit perceived inefficiencies in the pricing of securities, financial products or markets. Identification and exploitation of such discrepancies involve uncertainty. There can be no assurance that the Firm will be able to locate investment opportunities or to exploit pricing inefficiencies in the markets for financial instruments. A reduction in the pricing inefficiency of the markets in which the Firm seeks to trade will reduce the scope for the client's investment

strategies. In the event that the perceived mis-pricings underlying the client's positions were to fail to converge toward, or were to diverge further from, relationships expected by the Firm, the client may incur losses. A relative value investment strategy may result in high portfolio turnover and, consequently, high transaction costs. Depending upon the investment strategies employed and market conditions, unforeseen events involving such matters as political crises, or changes in currency exchange rates or interest rates, forced redemptions of securities, or general lack of market liquidity may have a material adverse effect on the client.

### **Risk Arbitrage**

A portion of the client's investment portfolio may be devoted to risk arbitrage strategies. Risk arbitrage is a strategy that seeks to profit from changes in the price of securities of companies involved in extraordinary corporate transactions. The difference between the price paid by the client for securities of a company involved in an announced extraordinary corporate transaction and the anticipated value to be received for such securities upon consummation of the proposed transaction will often be very small. Since the price bid for the securities of a company involved in an announced extraordinary corporate transaction will generally be at a significant premium above the market price prior to the announcement, if the proposed transaction appears likely not to be consummated or in fact is not consummated or is delayed, the market price of the securities will usually decline sharply, perhaps by more than the client's anticipated profit, even if the security's market price returns to a level comparable to that which existed prior to the announcement of the deal.

The risk arbitrage business is extremely competitive. In any given transaction, arbitrage activity by other firms will tend to narrow the spread between the price at which a security may be purchased by the client and the price it expects to receive upon consummation of the transaction.

### **Event-Driven Investing**

A portion of the client's investment portfolio may be devoted to event-driven strategies, which often involves the purchase of a company's securities after the announcement or disclosure of a significant event, including, but not limited to, a spin-off, auction of the company or subsidiary, merger, tender offer or other type of restructuring.

The client may also acquire securities of a company that, although not the subject of an announced spin-off, merger, tender offer or other restructuring transaction, is in the Firm's view, a potential candidate for such a transaction. Alternatively, positions may be taken in a company experiencing accounting problems, in anticipation of a potential corporate transaction or in a company being impacted by possible legislative activity or litigation. In any such a case, if the anticipated transaction or event does not in fact occur, or if events occur in a sequence not anticipated by the Firm, the client may close out the investment at a loss.

The price offered for securities of a company involved in an announced deal generally represents a significant premium above the market price prior to the announcement. Therefore, the value of such securities held by the client will decline in the event the proposed transaction is not consummated and if the market price of the securities returns to a level comparable to the price

prior to the announcement of the deal. Furthermore, the difference between the price paid by the client for securities of a company involved in an announced deal and the anticipated value to be received for such securities upon consummation of the proposed transaction will often be very small. If the proposed transaction appears likely not to be consummated or, in fact, is not consummated or is delayed, the market price of the securities will usually decline, perhaps by more than the client's anticipated profit. In addition, when the client has sold short the securities it anticipates receiving in an exchange or merger, and the proposed transaction is not consummated, the client may be forced to cover its short position in the market at a higher price than its short sale, with a resulting loss. If the client has sold short securities that are the subject of a proposed cash tender offer or cash merger and the transaction is consummated, the client also may be forced to cover its short position at a loss.

Where the client has purchased put options with respect to the securities it anticipates receiving in an exchange or merger, if the proposed transaction is not consummated, the exercise price of the put options held by the client may be lower than the market price of the underlying securities, with the result that the cost of the options will not be recovered. If the client has purchased put options with respect to securities which are the subject of a proposed cash tender offer or cash merger and the transaction is consummated, the client also may not exercise its options and may lose the premiums paid therefor. Since options expire on defined dates, in the event consummation of a transaction is delayed beyond the expiration of a put option held by the client, it may lose the anticipated benefit of the option.

The client may determine that the offer price for a security which is the subject of a tender offer is likely to be increased, either by the original bidder or by another party. In those circumstances, the client may purchase securities above the offer price, and such purchases are subject to the added risk that the offer price will not be increased or that the offer will be withdrawn.

The consummation of mergers and tender and exchange offers can be prevented or delayed by a variety of factors, including: (i) opposition of the management or stockholders of the target company, which will often result in litigation to enjoin the proposed transaction; (ii) intervention of a regulatory agency; (iii) efforts by the target company to pursue a "defensive" strategy, including a merger with, or a friendly tender offer by, a company other than the offeror; (iv) in the case of a merger, failure to obtain the necessary stockholder approvals; (v) market conditions resulting in material changes in securities prices; (vi) compliance with any applicable securities laws; and (vii) inability to obtain adequate financing.

Often a tender or exchange offer will be made for less than all of the outstanding securities of an issuer or a higher price will be offered for a limited amount of the securities, with the provision that, if a greater number is tendered, securities will be accepted *pro rata*. Thus, a portion of the securities tendered by the client may not be accepted and may be returned to the client. After completion of the tender offer, the market price of the securities may have declined below the client's cost, and a sale of any returned securities may result in a loss.

## **Convertible Trading and Arbitrage**

Convertible trading and arbitrage strategies involve investing in convertibles that appear incorrectly valued relative to their theoretical value. The strategy consists of the purchase (or short sale) of a convertible security coupled with the short sale (or purchase) of the underlying security for which the convertible security can be exchanged to exploit price differentials.

Convertible arbitrage strategies generally involve spreads between two or more positions. To the extent the price relationships between such positions remain constant, no gain or loss on the position will occur. Such positions do, however, entail a substantial risk that the price differential could change unfavorably, causing a loss to the spread position. Substantial risks also are involved in borrowing and lending against such investments. The prices of these investments can be volatile, market movements are difficult to predict, and financing sources and related interest and exchange rates are subject to rapid change. Certain corporate securities may be subordinated (and thus exposed to the first level of default risk) or otherwise subject to substantial credit risks.

Government policies, especially those of foreign central banks, have profound effects on interest and exchange rates that, in turn, affect prices in areas of the investment and trading activities of convertible arbitrage strategies. Many other unforeseeable events, including actions by various government agencies and domestic and international political events, may cause sharp market fluctuations.

## **Merger Arbitrage**

Merger or “risk” arbitrage strategies attempt to exploit merger activity to capture (or sell short) the spread between current market values of securities and their values after successful completion of a merger, restructuring or similar corporate transaction. Merger arbitrage investments often incur significant losses when anticipated merger or acquisition transactions are not consummated. The consummation of mergers, tender offers and exchange offers can be prevented or delayed by a variety of factors, including: (i) regulatory and antitrust restrictions; (ii) political factors; (iii) industry weakness; (iv) stock-specific events; and (v) failed financings. Merger arbitrage positions are also subject to the risk of overall market movements. To the extent that a general increase or decline in equity values affects the stocks involved in a merger arbitrage position differently, the position may be exposed to loss. Merger arbitrage strategies also depend on the overall volume of merger activity, which historically has been cyclical in nature.

## **Collateralized Loan Obligations (CLOs)**

CLOs are structured finance securities backed by a pool of credit related assets consisting of predominantly secured senior loans, secured senior bonds, unsecured senior obligations, second lien loans, mezzanine obligations, high yield bonds, corporate rescue loans, as well as certain other investments. CLOs are subject to many of the same risks that apply to these credit related investments as described elsewhere within this Item 8. These risks include creditworthiness, default, interest rate and prepayment risk as well as market risks. CLOs are leveraged and therefore also subject to leverage risk which may have the effect of magnifying losses. CLOs issue classes or “tranches” of debt and equity that may vary significantly in risk and yield. There is no public

market for interests in CLOs and such interests may be difficult to sell at an advantageous price or time.

## **Quantitative Trading**

The Firm may utilize quantitative models and processes in its selection of financial instruments for clients. Quantitative trading by the Firm may include the following risks:

### *Trade and Settlement Systems Risks*

Clients depend on the Firm and its other service providers to develop and implement adequate systems for processing of the Firm's trading and settlement activities.

Further, the Firm relies on systems and technology (and may rely on new systems and technology in the future) for various purposes including, without limitation, to trade, clear and settle transactions, to evaluate certain financial instruments, to monitor its portfolio and net capital, and to generate risk management and other reports that are critical to oversight of clients' activities. Certain of the Firm's operations processes will be dependent upon systems operated by third parties, including but not limited to executing brokers, prime brokers, the administrator of the market counterparties and their sub-custodians as well as other service providers. These third-party programs, systems and/or technology may be subject to certain limitations, including, but not limited to, those caused by computer "worms", viruses, power failures and/or other technology-related impairments. The Firm's operations are highly dependent on each of these systems and technology and the successful operation of such systems and technology is often out of the Firm's control. The failure of one or more systems and technology or the inability of such systems to satisfy the Firm's current and evolving requirements could have a material adverse effect on clients. For example, systems failures could cause settlement of trades to fail, lead to inaccurate accounting, recording or processing of trades, and cause inaccurate reports, all or any of which may affect the ability of the Firm to monitor and/or manage the investment portfolio and risks.

There is a risk that any algorithmic trading systems that may be used for clients or service providers may not be able to adequately react to a market event without serious disruption. Further, trading algorithms may malfunction causing severe losses.

### *Risk of Programming Implementation Error or Logical Error*

To the extent the Firm's trading strategies are reliant upon the operation of the trading software, clients may be therefore at risk of errors of implementation (colloquially known as "bugs") and errors of design that may have found their way into the software, and which may cause inappropriate or aberrant behavior under certain or all market conditions. While reasonable steps may have been taken to ensure that the software is adequate in design and free from manifest bugs, formal proof of bug-free code may not have been undertaken nor can the underlying logical and/or mathematical models be certified as free from error. Furthermore, while the software may have been extensively tested, no guarantee can be given that a unique combination of input conditions experienced when running the system "live" and which has not been encountered during



development, will not cause the system to fail, perform aberrantly, or take positions that are (under some reasonable criteria) judged to be inappropriate. Furthermore, as with any software, upgrades, “bug fixes” and various other improvements may be introduced over time and the risk therefore exists that such changes may detrimentally affect the performance of the strategy, rather than improve it.

### *Model and Data Risk*

The Firm may rely on quantitative models (both proprietary models and those supplied by third parties or affiliates) (collectively, “**Models**”) and information and data both developed by the Firm and supplied by third parties or affiliates (collectively, “**Data**”) rather than granting trade-by-trade discretion to the Firm’s investment professionals. In combination, Models and Data are used to construct investment decisions, to value both current and potential investments (including, without limitation, for trading purposes, and for the purposes of determining the Net Asset Value of fund), to provide risk management insights and execute any resulting orders. Models and Data are known to have errors, omissions, imperfections and malfunctions (collectively, “**System Events**”). System Events in third-party Models are generally entirely outside of the control of the Firm.

The Firm seeks to reduce the incidence and impact of System Events through a certain degree of internal testing and monitoring, and the use of independent safeguards in the overall portfolio management system and often, with respect to proprietary models, in the software code itself. Despite such testing, monitoring and independent safeguards, System Events will result in, among other things, the execution of unanticipated trades, the failure to execute anticipated trades, delays in the execution of anticipated trades, the failure to properly allocate trades, the failure to properly gather and organize available data, the failure to take certain hedging or risk reducing actions and/or the taking of actions which increase certain risk(s)—all of which may have materially adverse effects on clients and/or their returns.

The research and modelling processes engaged in by the Firm on behalf of clients are extremely complex and involve the use of financial, economic, econometric and statistical theories, research and modelling; the results of this investment approach must then be translated into computer code. Although the Firm seeks to hire individuals skilled in each of these functions and to provide appropriate levels of oversight and employ other mitigating measures and processes, the complexity of the individual tasks, the difficulty of integrating such tasks, and the limited ability to perform “real world” testing of the end product, even with simulations and similar methodologies, raise the chances that Model code may contain one or more coding errors, thus potentially resulting in a System Event and further, one or more of such coding errors could adversely affect clients’ investment performance.

Certain investment strategies of the Firm may be highly reliant on the gathering, cleaning, culling and performing of analysis of large amounts of Data. Accordingly, Models rely heavily on appropriate Data inputs. However, it is not possible or practicable to factor all relevant, available Data into forecasts and/or trading decisions of the Models, particularly with regard to the more newly established financial instruments in which clients may invest. Further, the various, non-

standard, complex, thinly-traded and novel instruments that may be invested in by clients necessarily increase the possibility of a System Event. The Firm will use its discretion to determine what Data to gather with respect to each Investment Strategy and what subset of that Data the Models take into account to produce forecasts which may have an impact on ultimate investment decisions. In addition, due to the automated nature of Data gathering, the volume and depth of Data available, the complexity and often manual nature of Data cleaning, and the fact that the substantial majority of Data comes from third-party sources, it is inevitable that not all desired and/or relevant Data will be available to, or processed by, the Firm at all times. Irrespective of the merit, value and/or strength of a particular Model, it will not perform as designed if incorrect Data is fed into it which may lead to a System Event potentially subjecting clients to a loss. Further, even if Data is input correctly, “model prices” anticipated by the Data through the Models may differ substantially from market prices, especially for financial instruments with complex characteristics, such as derivatives.

Where incorrect or incomplete Data is available, the Firm may, and often will, continue to generate forecasts and make investment decisions based on the Data available to it. Additionally, the Firm may determine that certain available Data, while potentially useful in generating forecasts and/or making investment decisions, is not cost effective to gather due to, among other factors, the technology costs or third-party vendor costs and, in such cases, the Firm will not utilize such Data. The Firm has full discretion to select the Data it utilizes. The Firm may elect to use or may refrain from using any specific Data or type of Data in generating forecasts or making trading decisions with respect to the Models. The Data utilized in generating forecasts or making trading decisions underlying the Models may not be (i) the most accurate data available or (ii) free of errors. The Data set used in connection with the Models is limited. The foregoing risks associated with gathering, cleaning, culling and analysis of large amounts of Data are an inherent part of investing with a quantitative, process-driven, systematic adviser such as the Firm (it being understood that a “discretionary” investment manager may rely heavily on Models and Data).

When Models and Data prove to be incorrect, misleading or incomplete, any decisions made in reliance thereon expose client to potential losses and such losses may be compounded over time. For example, by relying on Models and Data, the Firm may be induced to buy certain investments at prices that are too high, to sell certain other investments at prices that are too low, or to miss favorable opportunities altogether. Similarly, any hedging based on faulty Models and Data may be unsuccessful and when determining Net Asset Value, any valuations of the clients’ investments that are based on valuation Models may prove to be incorrect. In addition, Models may incorrectly forecast future behavior, leading to potential losses on a cash flow and/or a mark-to-market basis. Furthermore, in unforeseen or certain low-probability scenarios (often involving a market event or disruption of some kind), Models may produce unexpected results which may be System Events.

Errors in Models and Data are often extremely difficult to detect, and, in the case of Models, the difficulty of detecting System Events may be exacerbated by the lack of design documents or specifications. Regardless of how difficult their detection appears in retrospect, some System Events may go undetected for long periods of time and some may never be detected. When a System Event is detected, a review and analysis of the circumstances that may have caused a

reported System Event will be completed and is overseen by an Escalation Committee made up of appropriate senior personnel. Finally, when a System Event is detected, the Firm, in its sole discretion, may choose not to address or fix such System Event. When a System Event is detected, the Firm generally will not perform a materiality analysis on the potential impact of a System Event. The Firm believes that the testing and monitoring performed on Models will it to identify and address those System Events that a prudent person managing a quantitative, systematic and computerized investment program would identify and address by correcting the underlying issue(s) giving rise to the System Events, however there is no guarantee of the success of such processes. Investors should assume that System Events and their related risks and impact are an inherent part of certain process-driven, systematic investment management processes. Accordingly, the Firm does not expect to disclose discovered System Events to clients.

### *Obsolescence Risk*

The Firm is unlikely to be successful in the deployment of certain quantitative, systematic investment strategies unless the assumptions underlying the Models are realistic and either remain realistic and relevant in the future or are adjusted to account for changes in the overall market environment. If such assumptions are inaccurate or become inaccurate and are not promptly adjusted, it is likely that the Models will not generate profitable trading signals. If and to the extent that the Models do not reflect certain relevant factors, and the Firm does not successfully address such omission through its testing and evaluation by modifying the Models accordingly, major losses may result - all of which will be borne by clients. The Firm will continue to test, evaluate and add new Models which may lead to the existing Models being modified from time to time. Investors will not be informed of nor will approve the addition, modification or removal of the Models and Investment Strategies. There can be no assurance as to the effects (positive or negative) of any changes, including additions, modifications and removal of the Models or Investment Strategies on clients' performance.

### *Crowding/Convergence*

There is significant competition among quantitatively-focused managers and the ability of the Firm to deliver returns that have a low correlation with global aggregate equity markets and other hedge funds is dependent on its ability to employ Models that are simultaneously profitable and differentiated from those employed by other managers. To the extent that the Firm is not able to develop sufficiently differentiated Models, client investment objective may not be met, irrespective of whether the Models are profitable in an absolute sense. In addition, to the extent that the Models come to resemble those employed by other managers, there is an increased risk that a market disruption may negatively affect predictive Models such as those employed by the Firm, as such a disruption could accelerate reductions in liquidity or rapid re-pricing due to simultaneous trading across a number of strategies utilizing Models (or similar quantitatively-focused investment strategies) in the marketplace.

### *Involuntary Disclosure Risk*

The ability of the Firm to achieve its investment goals for clients is dependent in large part on its ability to develop and protect its models and proprietary research. The models and proprietary research and the Models and Data are largely protected by the Firm through the use of policies, procedures, agreements, and similar measures designed to create and enforce robust confidentiality, non-disclosure, and similar safeguards. However, position-level public disclosure obligations (or disclosure obligations to exchanges or regulators with insufficient privacy safeguards) could lead to opportunities for competitors to reverse-engineer the Firm's models, and thereby impair the relative or absolute performance of client portfolios.

### **Turnover and Trading Costs**

The investment strategy to be employed by the Firm may have a high degree of turnover which will result in higher transaction costs than would be the case if the Firm employed a buy-and-hold strategy. The transaction costs associated with an active trading strategy may lower returns. If the client's portfolio is successful, it will also generate significant amounts of short-term capital gain related to the sale of securities held for less than one year and relatively little long-term gain, which may have disadvantageous tax consequences for the client. Furthermore, trading costs outside the United States are typically higher than those found in the United States.

### **Highly Volatile Derivative Markets**

The prices of derivative financial instruments, including futures and option prices, can be highly volatile. Price movements of derivative contracts in which a client may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies, financial instruments, futures and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. A client will also be subject to the risk of the failure of any exchanges on which its positions trade or of their clearing houses.

### **Issuer Risk**

Investments by a client may include debt and equity securities of companies that the client does not control. Such securities may be acquired by the client through trading activities or through purchases of securities from the issuer. These investments will be subject to the risk that the company in which the investment is made may make business, financial or management decisions with which the Firm does not agree or that the majority stakeholders or the management of the company may take risks or otherwise act in a manner that does not serve the client's interests. If any of the foregoing were to occur, the value of an investment by the client could decrease.

## **Currency Risk**

The value of the financial instruments, which may be designated in any currency, may rise and fall due to exchange rate fluctuations in respect of the relevant currencies. Adverse movements in currency exchange rates can result in a decrease in return and a loss of capital. It may not be possible, desirable or practicable to successfully hedge against the consequent currency risk.

## **Short Sales**

The client may sell financial instruments it does not own in anticipation of a decline in the market price of such securities or in order to hedge portfolio positions.

Short selling, of the securities not owned by the client, necessarily involves certain additional risks. Such transactions expose the client to the risk of loss in an amount greater than the initial investment, and such losses can increase rapidly. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the client of buying those securities to cover the short position. There can be no assurance that the client will be able to maintain the ability to borrow securities sold short. In such cases, the client can be “bought in” (*i.e.*, forced to repurchase securities in the open market to return to the lender). If such request for return of securities occurs at a time when other short sellers of the subject security are receiving similar requests, a “short squeeze” can occur, wherein the client might be compelled, at a disadvantageous time, to replace borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier.

In a short sale, the client would ordinarily be entitled to receive payments (at rates based in part on prevailing short-term “money market” rates) with respect to such proceeds. To complete such a transaction, the client would generally borrow the security sold in order to make delivery to the buyer. The proceeds of the short sale would generally be retained by the broker, to the extent necessary to meet margin requirements, until the short position is closed out. The client may be required to pay a premium to the lender of the securities, which would increase the cost of the security sold. The client would generally be obliged to replace any securities borrowed by purchasing them at the market price at the time of replacement. The client may be obliged to return the securities borrowed at any time. The price at such time may be more or less than the price at which the security was sold by the client. Until the security is replaced, the client is generally required to pay to the lender amounts equal to any dividends or interest which accrue on the securities borrowed during the period of the loan. The client will incur a loss as a result of the short sale if the price of the security increases between the date of the short sale and the date on which the client replaces a borrowed security and the client will realize a gain to the extent the security declines in price between those dates by an amount in excess of the costs incurred in effecting the short sale.

## **Hedging Transactions**

The Firm is not required to attempt to hedge portfolio positions for its clients. Furthermore, the Firm may not anticipate a particular risk so as to hedge against it. The client may utilize a variety

of financial instruments (including options and other derivatives), both for investment purposes and for risk management purposes in order to: (i) protect against possible changes in the market value of the client's investment portfolio resulting from fluctuations in the securities markets and changes in interest rates; (ii) protect the unrealized gains in the value of the client's investment portfolio; (iii) facilitate the sale of any such investments; (iv) enhance or preserve returns, spreads or gains on any investment in the client's portfolio; (v) hedge the interest rate or currency exchange rate on any of the client's liabilities or assets; (vi) protect against any increase in the price of any financial instruments the client anticipates purchasing at a later date; or (vii) for any other reason that the Firm deems appropriate.

The success of the Firm's hedging strategy is subject to the Firm's ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the financial instruments in the portfolios being hedged. Since the characteristics of many securities changes as markets change or time passes, the success of the instances when the Firm hedges portfolio positions in the client is also subject to the Firm's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. While the client may enter into certain hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the client than if they had not engaged in any such hedging transactions. For a variety of reasons, the Firm may not seek to establish a perfect correlation between such hedging financial instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent the client from achieving the intended hedge or expose the client to risk of loss. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of the client's holdings.

### **Credit Analysis and Credit Risk**

The investment strategies utilized by the Firm may require accurate and detailed credit analysis of issuers. There can be no assurance that the Firm will have access to accurate, complete information with respect to the subjects of its analysis or that the Firm's credit analysis, even with access to current information, will prove to be correct. The client may be subject to losses, which could be substantial, in the event of credit deterioration or bankruptcy of one or more issuers in its portfolio. While the client may hedge its credit risk with short positions in both cash and synthetic holdings, there can be no assurance that the client will have the ability to establish such hedges in the marketplace, or that such hedges, if established, will offset losses.

### **Execution, Market and Liquidity Risks**

The client may make investments or hold trading positions in markets that are volatile, and which may become illiquid. Timely divestiture or sale of trading positions can be impaired by decreased trading volume, increased price volatility, concentrated trading positions, limitations on the ability to transfer positions in highly specialized or structured transactions to which it may be a party, and changes in industry and government regulations. It may be impossible or costly for the client to liquidate positions rapidly in order to meet margin calls, redemption requests or otherwise, particularly if there are other market participants seeking to dispose of similar assets at the same time or the relevant market is otherwise moving against a position or in the event of trading halts

or daily price movement limits on the market or otherwise. Furthermore, if the client incurs substantial trading losses, the need for liquidity could rise sharply while its access to liquidity could be impaired. In addition, in conjunction with a market downturn, the client's counterparties could incur losses of their own, thereby weakening their financial condition and increasing the client's credit risk to them. The client's trading orders may not be executed in a timely and efficient manner due to various circumstances, including, without limitation, trading volume surges or systems failures attributable to the client, the Firm, the client's counterparties, brokers, dealers, agents or other service providers. In such event, the client might only be able to acquire or dispose of some, but not all, of the components of such position, or if the overall position were to need adjustment, the client might not be able to make such adjustment. As a result, the client would not be able to achieve the market position selected by the Firm, which may result in a loss.

### **Effects of Health Crises and Other Catastrophic Events**

Health crises, such as pandemic and epidemic diseases, as well as other catastrophes such as natural disasters, war or civil disturbance, acts of terrorism, power outages and other unforeseeable and external events, that result in disrupted markets and/or interrupt the expected course of events, and public response to or fear of such crises or events, may have an adverse effect on the operations of and, where applicable, investments made by clients. For example, any preventative or protective actions taken by governments in response to such crises or events may result in periods of regional, national or international business disruption. Such actions may significantly disrupt the operations of clients, the Firm and service providers. Further, the occurrence and duration of such crises or events could adversely affect economies and financial markets either in specific countries or worldwide. The impact of such crises or events could lead to negative consequences for clients, including, without limitation, significant reduction in the value of the client's assets, reduced liquidity of the client's investments, and restrictions on the ability to value investments. These risks of loss can be substantial, could greatly exceed all income or other gains, if any, received by clients in assuming these risks and, depending on the size of the loss, could adversely affect the return on investments.

### **Breaches in Information Technology Security**

The Firm maintains global information technology systems, consisting of infrastructure, applications and communications networks to support the clients' as well as its own business activities. These systems could be subject to security breaches such as 'cyber-crime' resulting in theft, a disruption in the Firm's ability to close out positions and the disclosure or corruption of sensitive and confidential information. Security breaches may also result in misappropriation of assets and could create significant financial and/or legal exposure for the Firm and its clients. The Firm seeks to mitigate attacks on its own systems and those of the clients but will not be able to directly control the risks to third-party systems to which it may connect. Any breach in security of the Firm's systems could disrupt the clients' and the Firm's business and may cause the clients to suffer, among other things, financial loss, the disruption of its business, liability to third parties, regulatory intervention and/or reputational damage.

## **Non-Execution of Trading Orders**

The efficacy of investment and trading strategies depends largely on the ability to establish and maintain an overall market position in a combination of financial instruments. Trading orders may not be executed in a timely and efficient manner due to various circumstances, including systems failures or human error. In such event, a portfolio might only be able to acquire some but not all of the components of the position, or if the overall position were to need adjustment, a portfolio might not be able to make such adjustment. As a result, the portfolio would not be able to achieve the market position selected by the Firm and might incur a loss in liquidating its position.

## **Use of Leverage**

The client may, in the sole discretion of the Manager or the Firm, leverage its investment positions by borrowing funds from securities broker-dealers, banks or others, including pursuant to repurchase arrangements and/or deferred purchase agreements. Leverage may also take the form of, without limitation, any of the financial instruments described herein, including derivative financial instruments which are inherently leveraged, short selling and trading in products with embedded leverage such as options, swaps and forwards. While leverage potentially creates the opportunity to participate in greater returns or achieve more diversification associated with greater exposure, it also creates exposure to potential increased losses. Leverage increases both the possibilities for profit and the risk of loss, and the volatility of an investment in Shares may be significantly greater than would otherwise be the case without leverage. Any event which adversely affects the value of an investment by the client would be magnified to the extent that the client is leveraged. Borrowings will typically be secured by the financial instruments and other assets held by the client. Under certain circumstances, a lender may demand an increase in the collateral that secures the client's obligations and if the client were unable to provide additional collateral, the lender could liquidate assets held in the account to satisfy the client's obligations. Liquidation in that manner could have extremely adverse consequences. Further, termination of any leverage facility entered into by the client by the facility provider may adversely impair the client's ability to meet its investment objective.

The use of leverage has attendant risks and can substantially increase the adverse impact to which the client's investment portfolio may be subject. In addition, the leverage used by the client will be subject to the risk that changes in the general level of interest rates may adversely affect expenses and operating results. Interest rates will typically be affected by economic factors including, without limitation, inflation, lending rates established by central banks or similar governmental agencies, availability of credit, liquidity in the markets, and the pace of economic growth. The amount of the client's borrowings and the interest rates on those borrowings, which will fluctuate, may have a significant effect on the client's profitability.

In general, the client's use of short-term margin borrowings may result in certain additional risks. For example, should the securities pledged to brokers to secure the portfolio's margin accounts decline in value, the portfolio could be subject to a "margin call," pursuant to which the portfolio must either deposit additional funds with the broker, or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden precipitous drop in the



value of the portfolio's assets, the portfolio might not be able to liquidate assets quickly enough to pay off its margin debt. Increases in the amount of margin or similar payments could result in the need for trading activity at times and prices which could be disadvantageous to the client or the underlying vehicles through which the client directly or indirectly invests and could result in substantial losses.

The client may obtain leverage through the use of options, futures, options on futures, swaps and other synthetic or derivative financial instruments. Such financial instruments inherently contain much greater leverage than a non-margined purchase of the underlying security, commodity or instrument. This is due to the fact that generally only a small portion (and in some cases none) of the value of the underlying security, commodity or instrument is required to be paid in order to make such investments. As a result of leverage employed in relation to these instruments, small changes in the value of the instruments may cause a relatively large change in the value of the client. Many such financial instruments are subject to variation or other interim margin requirements, which may force premature liquidation of investment positions.

As a consequence of leverage, interest expense may be material as a percentage of the assets of the client. Interest expense could force a reduction in the exposure of the Shares to the investment strategy. The use of such leverage means that even comparatively small losses, or insufficient profits to offset expenses, could rapidly deplete the capital available to the client and reduce or eliminate its profit potential. Further fees relating to any financing arrangements such as arrangement, commitment, minimum utilization and renewal fees may also be payable. Changes by banks and dealers in such policies, or the imposition of other credit limitations or restrictions, whether due to market circumstances or government, regulatory or judicial action, may result in large margin calls, loss of financing, forced liquidations of positions at disadvantageous prices, termination of swap and repurchase agreements and cross-defaults to agreements with other dealers. Any such adverse effects may be exacerbated in the event that such limitations or restrictions are imposed suddenly and/or by multiple market participants. The imposition of any such limitations or restrictions could compel the client to liquidate all or part of its portfolio at disadvantageous prices, which may lead to a complete loss of the client's equity.

There can be no assurance that the client will be able to maintain adequate financing arrangements or avoid having to close out positions at losses which if held would have been profitable. There is also no assurance that any Financing Arrangement will be renewed and, if any Financing Arrangement in respect of the Shares is renewed, it may be renewed on less favorable terms. In particular, third parties may not be available to act as financing providers and the Man Group itself may face regulatory, commercial or other constraints, resulting in it not offering or renewing a Financing Arrangement. Additionally, any Financing Arrangement may be subject to early termination in accordance with its terms and may be terminated by a counterparty. A loss of, a termination of, or a reduction in, a Financing Arrangement may have the effect of causing the client to reduce its overall investment exposure in respect of the Shares with a corresponding reduction in investment return expectations. The renewal of a Financing Arrangement might be subject to a change in terms of that Financing Arrangement including but not limited to a change in applicable interest margins.

An investment in the client should be regarded as a highly leveraged investment and the Shares will likely experience both a greater potential for gain as well as for loss as compared to an investment that employs a lower level of leverage.

### **Trading Systems Risks**

Clients depend on the Firm and its other service providers to develop and implement appropriate systems for trading activities. Further, clients may rely extensively on computer programs and systems (and may rely on new systems and technology in the future) for various purposes including, without limitation, to trade, clear and settle transactions, to evaluate certain financial instruments, to monitor its portfolio and net capital, and/or to generate risk management and other reports that are critical to oversight of the client activities. Certain of the Firm's operations interface will be dependent upon systems operated by third parties, including prime brokers, the administrator, market counterparties and their sub-custodians and other service providers, and the Firm may not be in a position to verify the risks or reliability of such third-party systems. These program or systems may be subject to certain limitations, including, but not limited to, those caused by computer "worms", viruses and power failures. The Firm's operations are highly dependent on each of these systems and the successful operation of such systems is often out of the Firm's control. The failure of one or more systems or the inability of such systems to satisfy the Firm's new or growing businesses could have a material adverse effect on a client. For example, systems failures could cause settlement of trades to fail, lead to inaccurate accounting, recording or processing of trades, and cause inaccurate reports, which may affect the ability of the Firm to monitor investment portfolio and risks.

There is a risk that any algorithmic trading systems used by the Firm or its service providers may not be able to adequately react to a market event without serious disruption. Further, trading algorithms may malfunction causing severe losses.

### **Operational Risk**

Clients depend on the Firm and its affiliates to develop appropriate systems and procedures to control operational risk. These systems and procedures may not account for every actual or potential disruption of the Firm's operations. The Firm's business is dynamic and complex. As a result, certain operational risks are intrinsic to the Firm's operations, especially given the volume, diversity and complexity of transactions that the Firm enters into daily. The Firm's business is highly dependent on its ability as well as the ability of its affiliates to process, on a daily basis, transactions across numerous and diverse markets. Consequently, clients rely heavily on the Firm's financial, accounting and other data processing systems. The ability of such systems to accommodate an increasing volume, diversity and complexity of transactions could also constrain the ability of the Firm to properly manage portfolios. Systemic failures in the systems employed by the Firm, prime brokers, custodians, administrators, counterparties, exchanges and similar clearance and settlement facilities and other parties could result in mistakes made in the confirmation or settlement of transactions, or in transactions not being properly booked, evaluated or accounted for. These and other similar disruptions in operations may cause the Firm to suffer,

among other things, financial loss, the disruption of its businesses, liability to third parties, regulatory intervention or reputational damage.

### **Trade Error Risk**

The complex execution modalities operated by the Firm and the speed and volume of trading invariably result in occasional trades being executed which, with the benefit of hindsight were not required or intended by the execution strategy or occasional trades not being executed when they should have been. To the extent an error is caused by a counterparty, such as a broker, the Firm generally attempts to recover any loss associated with such error from such counterparty. To the extent an error is caused by the Firm, a formalized process is in place for the resolution of such errors. Given the volume, diversity and complexity of transactions executed by the Firm clients should assume that trade errors will occur on occasion. If such errors result in gains to the Client, such gains will be retained by the Client. However, if such errors result in losses, they will be borne by the Firm in accordance with its internal policies unless otherwise determined.

### **Settlement Risks**

Clients may also be exposed to a credit risk on parties with whom it trades financial instruments and may also bear the risk of settlement default. Clients should also note that settlement mechanisms in emerging markets are generally less developed and reliable than those in more developed countries and that this therefore increases the risk of settlement default, which could result in substantial losses for the client in respect of investments in emerging markets. Clients should also note that the financial instruments related to small capitalization companies as well as the financial instruments related to companies domiciled in emerging markets are less liquid and more volatile than more developed stock markets.

### **Custodian Risk**

Where the Custodian or other service provider has custody of any client assets, the insolvency of such service provider may result in a delay in or a shortfall of the recovery of such assets.

### **Risks of Clearing Houses, Counterparties or Exchange Insolvency**

The liquidity of a secondary market in derivatives is subject to the risk of trading halts, suspensions, exchange or clearing house equipment failures, government intervention, insolvency of a brokerage firm, clearing house or exchange or other disruptions of normal trading activity, including any brokers refusing to clear or settle any trade.

The client is subject to the risk of the insolvency of its counterparties (such as broker-dealers, futures commission merchants, banks or other financial institutions, exchanges or clearing houses). The client's capital could be lost or impounded during a counterparty's bankruptcy or insolvency proceedings and a substantial portion or all of the client's assets may become unavailable to it either permanently or for a matter of years. If any such bankruptcy or insolvency were to occur, the Firm might decide to liquidate the client's portfolio or suspend, limit or

## **Pricing of Investment Positions**

Valuation of the client's portfolio, which will affect the amount of the management fee and the performance fee, is the responsibility of the administrator or custodian and may involve uncertainties and judgmental determinations. Third-party pricing information may at times not be available regarding certain of the client's financial instruments. A disruption in the secondary markets for the client's investments may limit the ability of the client to obtain accurate market quotations. In addition, material events occurring after the close of a principal market upon which a portion of the financial instruments or other assets of the client are traded may require the determination of the effect of a material event on the value of the financial instruments traded on the market. Further, because of the overall size and concentrations in particular markets and maturities of positions that may be held by the client from time to time, the liquidation values of the client's financial instruments and other investments may differ significantly from the interim valuations of these investments.

Due to a wide variety of market factors and the nature of certain financial instruments to be held by the client, there is no guarantee that the valuation of the client's portfolio will represent the value that will be realized by the client on the eventual disposition of the investment or that would, in fact, be realized upon an immediate disposition of the investment.

The valuation of certain illiquid financial instruments is inherently subjective and subject to increased risk that the information used to value such financial instruments may be inaccurate or subject to other error. Inaccurate valuations may, among other things, prevent the Firm from effectively managing its investment portfolios and risks, may result in the client exceeding certain investment guidelines and may affect the diversification and risk management of the client's portfolio. The value of the client's portfolio may also be affected by changes in accounting standards, policies or practices.

## **Liquidity Risks**

Under certain market conditions, such as during volatile markets or when trading in a financial instrument or market is otherwise impaired, the liquidity of the client's portfolio positions may be reduced. During such times, the client may be unable to dispose of certain assets, which would adversely affect the client's ability to rebalance its portfolio or to meet redemption requests. In addition, such circumstances may force the client to dispose of assets at reduced prices, thereby adversely affecting the client's performance. If there are other market participants seeking to dispose of similar assets at the same time, the client may be unable to sell such assets or prevent losses relating to such assets. Furthermore, if the client incurs substantial trading losses, the need for liquidity could rise sharply while its access to liquidity could be impaired. In addition, in conjunction with a market downturn, the client's counterparties could incur losses of their own, thereby weakening their financial condition and increasing the client's credit risk to them.

## **Better Access to Information**

Many entities and/or affiliates will generally have full transparency into the activities of the Firm, including position transparency of client portfolios. Certain investors may be granted enhanced

transparency rights from time to time. Such information, which may be potentially relevant to a decision to invest in or redeem interests of a client, may not be made available to all investors.

### **Business and Regulatory Risks of Private Investment Funds**

The regulatory environment for hedge funds is evolving and changes therein may adversely affect the ability of the Firm to obtain the leverage it might otherwise obtain or to pursue its investment strategies on behalf of clients. In addition, the regulatory or tax environment for derivative and related instruments is evolving and may be subject to modification by government or judicial action which may adversely affect the value of the investments held by clients. The effect of any future regulatory or tax change is impossible to predict.

Market disruptions and the dramatic increase in the capital allocated to alternative investment strategies during the past decade have led to increased governmental as well as self-regulatory scrutiny of the “hedge fund” and financial services industry in general. Certain legislation proposing greater regulation of the industry, such as the Dodd-Frank Act, is considered periodically by the US Congress, as well as by the governments of non-US jurisdictions. It is impossible to predict what, if any, changes in the regulations applicable to the Firm, the markets in which it trades and invests or the counterparties with which it does business may be instituted in the future. Any such laws or regulations may materially adversely affect the Firm’s ability to continue to pursue its investment objective and adhere to its investment guidelines.

Securities and futures markets are subject to comprehensive statutes, regulations, and margin requirements. Regulators and self-regulatory organizations, including but not limited to the CFTC, the SEC and the FCA, and exchanges are authorized to take extraordinary actions in the event of market emergencies. The regulation of swaps, futures and/or other derivative transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by governmental, regulatory, and judicial actions.

The effect of any future regulatory change on the Firm could be substantial and adverse including, for example, increased compliance costs, the prohibition of certain types of trading and/or the inhibition of the Firm’s ability to continue to pursue client investment objectives and adhere to investment guidelines.

The Firm’s business is dynamic and is expected to change over time. Therefore, the Firm may be subject to new or additional regulatory constraints in the future. Such regulations may have a significant impact on clients and the operations of the Firm.

### **Limited Regulatory Oversight**

The Firm is registered with the SEC as an investment adviser under the Advisers Act. The Firm is also registered with the CFTC as a CPO and is a member of NFA. The Firm’s SEC and CFTC registrations and NFA membership do not indicate any level of expertise or qualification, nor has the SEC, CFTC or NFA in any respect approved the Firm.

The Funds are neither required nor intend to register as an investment company under the Company Act and are not reporting companies under the Exchange Act. Accordingly, the provisions of such regulations, which among other things generally require investment companies to have a majority of disinterested directors, require securities held in custody at all times to be maintained in segregated accounts and regulate the relationship between the investment company and its asset manager, are not applicable to the Funds. The Funds are not subject to comparable regulation in any non-US jurisdiction. Therefore, investors in a Fund do not have the benefit of the protections afforded by, nor is the Fund subject to the restrictions contained in, such registration and regulation.

### **Limitations Due to Regulatory Restrictions**

The Firm may seek to acquire a significant stake in certain issuers of securities. In the event such stake exceeds certain percentage or value limits, the Firm may be required to file a notification with one or more governmental agencies or comply with other regulatory requirements. Certain notice filings are subject to review that requires a delay in the acquisition of the security. Compliance with such filing and other requirements may result in additional costs and may impact on the ability to respond in a timely manner to changes in the markets with respect to such securities.

### **Control Position**

The Firm, on behalf of its clients, acting either alone or as part of a group, may acquire a "control" position in an issuer's securities. This may subject clients to additional risks of liability for environmental damage, product defects, failure to supervise management, violation of governmental regulations and other types of liability in which the limited liability generally characteristic of business operations may be ignored.

### **Short-Swing Liability and Other Limitations**

From time to time, clients, acting alone or as part of a group may acquire beneficial ownership of more than 10% of a certain class of securities of a public company, or may place a director on the board of directors of such a company. As a result, under Section 16 of the Exchange Act, clients may be subject to certain additional reporting requirements and may be required to disgorge certain short-swing profits arising from purchases and sales of such securities. In addition, in such circumstances clients will be prohibited from entering into a short position in such issuer's securities, and therefore limited in its ability to hedge such investments.

### **Risk of Litigation**

Clients may accumulate substantial positions in the securities of a company that becomes involved in proxy fights or other litigation or attempts to gain control of the company. Under those circumstances, clients might be named as a defendant in a lawsuit or regulatory action. In addition, the outcome of such disputes, which may affect the value of such securities, may be impossible to anticipate.

## **C. Risk Associated With Particular Types of Investment Products**

### **Equity Securities**

Equity securities fluctuate in value in response to many factors, including the activities and financial condition of individual companies, the business market in which individual companies compete and industry market conditions and general economic environments. For example, beginning in September 2008, world financial markets experienced extraordinary market conditions resulting in extreme volatility in the global equity markets. A client's profit potential may be generally diminished during market cycles in which there is a sustained decline in equity price levels.

### **Private Investments and Illiquid Securities**

A client may invest in illiquid and restricted, as well as thinly-traded, securities, including securities that are privately placed, securities that are purchased in offshore transactions pursuant to Regulation S and securities that are "restricted securities" pursuant to Rule 144A under the Securities Act of 1933. There may be no trading market for these securities, and such positions may only be able to be liquidated at disadvantageous prices, if at all. As a result, a client may be required to hold such securities despite adverse price movements.

The Firm typically values the illiquid securities in its good faith discretion. Although there can be no assurance that these valuations will accurately predict the price at which an arm's-length buyer would be willing to purchase the securities.

### **Illiquid Investments**

The Firm may invest in Financial Instruments which are subject to legal or other restrictions on transfer or for which no liquid market exists. The market prices, if any, for such Financial Instruments tend to be volatile and may not be readily ascertainable, and the Firm may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. Accordingly, clients may be forced to sell more liquid positions at a disadvantageous time, resulting in a greater percentage of the portfolio consisting of illiquid assets. The sale of restricted and illiquid Financial Instruments often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of Financial Instruments eligible for trading on national exchanges or in the OTC markets. Restricted Financial Instruments may sell at a price lower than similar Financial Instruments that are not subject to restrictions on resale.

### **Illiquid Investments; Special Investments**

The client may invest in financial instruments which become illiquid. The market prices, if any, for such financial instruments tend to be volatile and may not be readily ascertainable and the client may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. These investments will not necessarily be designated as "Special Investments" but may be so designated. The sale of illiquid financial instruments often

requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets.

The client may designate certain investments as Special Investments. The client may not be able to promptly liquidate those investments and its ability to realize gains or to avoid losses in periods of rapid market volatility may therefore be affected.

### **Depository Receipts**

A client may purchase sponsored or unsponsored American Depositary Receipts, European Depositary Receipts and Global Depositary Receipts (collectively “**Depository Receipts**”) typically issued by a bank or trust company which evidence ownership of underlying securities issued by a corporation. Generally, Depository Receipts in registered form are designed for use in the US securities market and Depository Receipts in bearer form are designed for use in securities markets outside the US. Depository Receipts may not necessarily be denominated in the same currency as the underlying securities into which they may be converted. Depository Receipts may be issued pursuant to sponsored or unsponsored programs. In sponsored programs, an issuer has made arrangements to have its securities trade in the form of Depository Receipts. In unsponsored programs, the issuer may not be directly involved in the creation of the program. Although regulatory requirements with respect to sponsored and unsponsored programs are generally similar, in some cases it may be easier to obtain financial information from an issuer that has participated in the creation of a sponsored program. Accordingly, there may be less information available regarding issuers of securities’ underlying unsponsored programs and there may not be a correlation between such information and the market value of the Depository Receipts.

### **ABS and MBS**

The investment characteristics of asset-backed securities (“ABS”) and mortgage-backed securities (“MBS”) differ from traditional debt securities. Among the major differences are that interest and principal payments are made more frequently, usually monthly, and that the principal may be prepaid at any time because the underlying loans or other assets generally may be prepaid at any time. The frequency at which prepayments (including voluntary prepayments by the obligors and liquidations due to default and foreclosures) occur on loans underlying MBS and ABS will be affected by a variety of factors including the prevailing level of interest rates as well as economic, demographic, tax, social, legal and other factors. Generally, mortgage obligors tend to prepay their mortgage loans when prevailing mortgage rates fall below the interest rates on their mortgage loans. Particular investments may experience outright losses, as in the case of an interest only security in an environment of faster actual or anticipated prepayments. Also, particular investments may underperform relative to hedges that may have been constructed for these investments, resulting in a loss.

Mortgage loans on commercial properties underlying MBS are often structured so that a substantial portion of the loan principal is not amortized over the loan term but is payable at maturity and repayment of the loan principal thus often depends upon the future availability of real estate



financing from the existing or an alternative lender and/or upon the current value and salability of the real estate. Therefore, the unavailability of real estate financing may lead to default. Most commercial mortgage loans underlying MBS are effectively non-recourse obligations of the borrower, meaning that there is no recourse against the borrower's assets other than the collateral. If borrowers are not able or willing to refinance or dispose of encumbered property to pay the principal and interest owed on such mortgage loans, payments on the subordinated classes of the related MBS are likely to be adversely affected. The ultimate extent of the loss, if any, to the subordinated classes of MBS may only be determined after a negotiated discounted settlement, restructuring or sale of the mortgage note, or the foreclosure (or deed in lieu of foreclosure) of the mortgage encumbering the property and subsequent liquidation of the property.

Through the use of trusts and special purpose corporations, various types of assets, primarily automobile and credit card receivables, are securitized in pass through structures. Through collateralized debt obligations, clients may invest in these and other types of ABS that may be developed in the future. ABS present certain risks that are not presented by MBS. Primarily, these securities do not have the benefit of the same security interest in the related collateral. There is a possibility that recoveries on repossessed collateral may not, in some cases, be available to support payments on these securities. The risk of investing in ABS is ultimately dependent upon payment of loans by the debtor. The collateral supporting ABS is of shorter maturity than mortgage loans and is less likely to experience substantial prepayments. As with MBS, ABS are often backed by a pool of assets representing the obligations of a number of different parties and use credit enhancement techniques such as letters of credit, guarantees or preference rights. The value of an ABS is affected by changes in the market's perception of the asset backing the security and the creditworthiness of the servicing agent for the loan pool, the originator of the loans or the financial institution providing any credit enhancement, as well as by the expiration or removal of any credit enhancement.

### **Fixed Income Securities**

Fixed income securities are subject to the risk of an issuer's ability to meet principal and interest payments on the obligation (credit risk) and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (market risk). The fixed-income securities in which a client may invest are interest rate sensitive. An increase in interest rates will generally reduce the value of fixed-income securities, while a decline in interest rates will generally increase the value of fixed-income securities. A client's performance will therefore depend in part on the ability to anticipate and respond to such fluctuations on market interest rates, and to utilize appropriate strategies to maximize returns, while attempting to minimize the associated risks to investment capital.

### **Corporate Debt**

Bonds, notes and debentures issued by corporations may pay fixed, variable or floating rates of interest, and may include zero-coupon obligations. Corporate debt financial instruments may be subject to credit ratings downgrades. Other financial instruments may have the lowest quality ratings or may be unrated. In addition, the client may be paid interest in kind in connection with

its investments in corporate debt and related financial instruments (e.g., the principal owed to the client in connection with a debt investment may be increased by the amount of interest due on such debt investment). Such investments may experience greater market value volatility than debt obligations that provide for regular payments of interest in cash and, in the event of a default, the client may experience substantial losses.

### **Sovereign Debt**

Several factors may affect (i) the ability of a government, its agencies, instrumentalities or its central bank to make payments on the debt it has issued, including financial instruments that the Firm believes are likely to be included in restructurings of the external debt obligations of the issuer in question, (ii) the market value of such debt and (iii) the inclusion of sovereign debt in future restructurings, including such issuer's (a) balance of trade and access to international financing, (b) cost of servicing such obligations, which may be affected by changes in international interest rates, and (c) level of international currency reserves, which may affect the amount of non-US exchange available for external debt payments. Significant ongoing uncertainties and exposure to adverse conditions may undermine the issuer's ability to make timely payment of interest and principal, and issuers may default on their sovereign debt.

### **Non-Performing Nature of Debt; Insufficient Collateral**

It is possible that certain debt financial instruments purchased by the Firm for its clients may become non-performing and possibly go into default. Furthermore, the obligor or relevant guarantor may also be in bankruptcy or liquidation. There can be no assurance as to the amount and timing of payments, if any, with respect to such loans.

Each Loan is subject to the risk of default by the applicable borrower. Although the client generally will invest in Loans secured by collateral, this may not always be the case. Even if the Loan is secured by collateral, the collateral may be insufficient to fully mitigate the risk of loss upon default. Moreover, there can be no assurance that the client can actually recover the collateral secured by the Loan despite pursuing legal avenues available to it.

### **Investment in Undervalued Financial Instruments**

A client may invest in financial instruments related to companies which the Firm believes to be undervalued. However, the identification of investment opportunities in undervalued financial instruments is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired.

### **Currency Exchange Exposure**

A client may invest in financial instruments denominated in other currencies other than the client's base currency. The Firm may or may not seek to fully hedge client currency exposure by entering into currency hedging transactions, such as treasury locks, forward contracts, futures contracts and cross-currency swaps. The Firm may also seek to hedge some currency risk so that client's currency exposure is in line with that of a global benchmark as determined by the Firm from time

to time. There can be no guarantee that financial instruments suitable for hedging currency or market shifts will be available at the time when the Firm wishes to use them, or that hedging techniques employed by the Firm will be effective. Furthermore, certain currency market risks may not be fully hedged or hedged at all. To the extent unhedged, the value of clients' positions in non-base currency investments will fluctuate with applicable exchange rates as well as with the price changes of the investments in the various local markets and currencies. Such fluctuations may result in a loss to a client.

### **Preferred Securities**

A client may invest in preferred stock of certain companies. Preferred stock, unlike common stock, offers a stated dividend rate payable from a corporation's earnings. These dividends may be cumulative or non-cumulative, participating or auction rate. If interest rates rise, the fixed dividend on preferred stocks may be less attractive, causing the prices of preferred stocks to decline. Preferred stock may have mandatory sinking fund provisions and call/withdrawal provisions prior to maturity, a negative feature when interest rates decline. Dividends on some preferred stock may be "cumulative", requiring all or a portion of prior unpaid dividends to be paid before dividends are paid on the issuer's common stock. Preferred stock also generally has a preference over common stock on the distribution of a corporation's assets upon liquidation of the corporation, and may be "participating", which means that it may be entitled to a dividend exceeding the stated dividend in certain cases.

Preferred securities may include provisions that permit the issuer, at its discretion, to defer distributions for a stated period without any adverse consequences to the issuer. If a client owns a preferred security that is deferring its distributions, it may be required to report income for tax purposes although it has not yet received such income. Preferred securities are generally subordinate to the rights associated with an issuer's debt securities in terms of priority to corporate income and liquidation payments, and therefore are subject to greater credit risk than more senior debt securities. Preferred securities may be substantially less liquid than many other securities.

### **Convertible Securities**

Convertible securities are bonds, debentures, notes, preferred stocks or other securities that may be converted into or exchanged for a specified amount of common stock of the same or different issuer within a particular period of time at a specified price or formula. A convertible security entitles its holder to receive interest that is generally paid or accrued on debt or a dividend that is paid or accrued on preferred stock until the convertible security matures or is redeemed, converted or exchanged. Convertible securities have unique investment characteristics in that they generally: (i) have higher yields than common stocks, but lower yields than comparable non-convertible securities; (ii) are less subject to fluctuation in value than the underlying common stock due to their fixed-income characteristics; and (iii) provide the potential for capital appreciation if the market price of the underlying common stock increases.

The value of a convertible security is a function of its "investment value" (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not

have a conversion privilege) and its “conversion value” (the security’s worth, at market value, if converted into the underlying common stock). The investment value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors may also have an effect on the convertible security’s investment value. The conversion value of a convertible security is determined by the market price of the underlying common stock. If the conversion value is low relative to the investment value, the price of the convertible security is governed principally by its investment value. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the price of the convertible security will be increasingly influenced by its conversion value. A convertible security generally will sell at a premium over its conversion value by the extent to which investors place value on the right to acquire the underlying common stock while holding a fixed-income security. Generally, the amount of the premium decreases as the convertible security approaches maturity.

A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security’s governing instrument. If a convertible security held by clients is called for redemption, clients will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party. Any of these actions could have an adverse effect on client’s ability to achieve its investment objective.

### **Lower-Rated or Unrated Financial Instruments**

Lower rated or unrated financial instruments may have a higher yield than financial instruments rated “A1” or better by Moody’s or “AA” or better by Standard & Poor’s but are more likely to react to developments affecting market and credit risk than such higher rated financial instruments, which primarily react to movements in the general level of interest rates. Lower rated or unrated financial instruments are generally subject to a greater default risk than such higher rated financial instruments.

The capacity of issuers of lower-rated or unrated securities to pay interest and repay principal is more susceptible to real or perceived adverse economic conditions than investment grade securities, although the market values of lower-rated or unrated convertible securities tend to react less to fluctuations in interest rate levels than do higher-rated convertible securities. The market for lower-rated or unrated convertible securities may be thinner, and less active, than for higher-rated securities, which can adversely affect the prices at which such convertible securities can be sold. Investing in lower-rated or unrated convertible securities can increase the risk to investors of losing all or a substantial portion of their investment.

### **Leveraged or Non-investment Grade Loans**

The CLOs invest primarily in Leveraged Loans, subject to the terms of the CLO Indenture or management agreement. Leveraged Loans may be considered higher risk than other types of

investments because they have historically experienced greater default rates than other asset classes. As a result, Clients may suffer a loss of some or all of an investment.

The CLO Indenture or management agreement often places significant restrictions on the Firm's ability to manage CLO portfolios. The Firm is subject to compliance with guidelines contained in the investment management agreement or related Indenture. During certain periods or in certain specified circumstances, the Firm may not be able to effect purchases or sales which it would otherwise choose to effect in the best economic interests of CLO portfolios, in the absence of such guidelines.

The Firm performs its own independent credit analysis. Subject to CLO guidelines, the Firm takes rating agency assessments into account in reaching its judgment concerning the CLO portfolios. Credit ratings of borrowers represent the opinions of the rating agencies regarding the likelihood of payment of certain obligations when due but are not a guarantee of the creditworthiness of obligors/issuers or the repayment of (or payment of interest on) a credit instrument. In addition, rating agencies may fail to make timely changes in credit ratings in response to subsequent events, so that the current financial condition of an obligor/issuer at any given time may be better or worse than what the current rating indicates. Therefore, the ratings assigned to an obligor/issuer or its loan by a rating agency may not fully reflect the true risks of purchasing or being synthetically exposed to the credits in a CLO portfolio.

Leveraged loans are subject to settlement periods/closings in excess of the securities standard of trade date plus three days. Leveraged Loan settlement periods/closings can extend to trade date plus seven days or more depending upon a number of factors which may not be in the control of the Firm. Counterparties to a Leveraged Loan trade, including the CLOs, are subject to ongoing market risk to the extent that lengthy settlement periods occur. Moreover, the settlement of leveraged loan trades can be a manual process prolonging the settlements increasing operational risk. Further, during the prolonged settlements, the underlying credit outlook or the terms of the loan may have evolved in accordance with the terms of the underlying credit agreement (i.e., LIBOR rates, pre-payments, etc.). The Firm constructs portfolios consistent with the CLO investment guidelines by giving pro forma effect to accruals of all expected cash inflows and the settlement of committed purchases and sales. Portfolio metrics, however, may be reported by the Trustee on a settlement date, and not a trade date, basis. There is no assurance that any such pro forma cash levels will be timely realized and portfolio commitments may exceed such pro forma levels.

### **Exchange-Traded Funds**

Clients may invest in ETFs. An ETF trades like common stock and represents a portfolio of financial instruments. The risks of owning an ETF generally reflect the risks of owning the underlying financial instruments they are designed to represent, although lack of liquidity in an ETF could result in it being more volatile and ETFs have management fees that increase their costs. ETFs are also subject to other risks, including: (a) the risk that their prices may not correlate perfectly with changes in the underlying financial instruments; and (b) the risk of possible trading halts due to market conditions or other reasons that, in the view of the exchange upon which an

ETF trades, would make trading in the ETF inadvisable. An exchange-traded sector fund may also be adversely affected by the performance of that specific sector or group of industries on which it is based.

### **Investments in Initial Public Offerings**

Clients may invest in initial public offerings. Such investments offer the opportunity for significant appreciation; however, they are speculative and involve a high degree of risk. It is characteristic of the initial public offerings market that certain companies may be extremely successful, while a much higher percentage of newly public companies fail. Thus, the risk of investing in initial public offerings is substantially greater than investing in the stock market as a whole.

### **Investments in Special Purpose Acquisition Companies**

Special purpose acquisition companies ("SPACs") are subject to significant "event risk." That is, a SPAC's success depends on its ability to identify and close a transaction within a relatively short period delimited in its charter. If a SPAC fails to close a transaction within that period it is typically required to liquidate and dissolve. Upon such dissolution the holders of common stock receive a fixed distribution from a trust established to hold initial public offering proceeds, and the warrants will expire worthless. Therefore, clients may expect from time to time to suffer complete losses of its investments in certain SPAC warrants.

### **Swap Agreements**

The Firm may cause a client to enter into swap agreements. These agreements are individually negotiated and can be structured to include exposure to a variety of different types of investments, asset classes or market factors. Depending on their structure, swap agreements may increase or decrease a client exposure to, for example, equity securities. Swap agreements can take many different forms and are known by a variety of names. The Firm is not limited to any particular form of swap agreement if consistent with the applicable client investment objective. Whether the Firm's use of swap agreements, on behalf of its clients, will be successful will depend on the Firm's ability to select appropriate transactions for clients. Swap transactions may be highly illiquid and may increase or decrease the volatility of a client portfolio. Moreover, a client bears the risk of loss of the amount expected to be received under a swap agreement in the event of the default or insolvency of its counterparty. A client also bears the risk of loss related to swap agreements, for example, for breaches of such agreements or the failure of clients to post or maintain required collateral. Many swap markets are relatively new and still developing. It is possible that developments in the swap markets, including potential government regulation, could adversely affect the Firm's ability to terminate existing swap transactions or to realize amounts to be received under such transactions.

### **Credit Default Swaps**

The client may enter into credit default swaps. Credit default swaps can be used to implement the Firm's view that a particular credit, or group of credits, will experience credit improvement or

deterioration. In the case of expected credit improvement, the client may sell credit default protection in which it receives a premium to take on the risk. In such an instance, the obligation of the client to make payments upon the occurrence of a credit event creates leveraged exposure to the credit risk of the referenced entity. The client may also buy credit default protection with respect to a referenced entity if, in the judgment of the Firm, there is a likelihood of credit deterioration. In such instance, the client will pay a premium regardless of whether there is a credit event. The credit default swap market in high-yield securities is comparatively new and rapidly evolving compared to the credit default swap market for more seasoned and liquid investment-grade securities, creating the risk that the newer markets will be less liquid, and making it potentially more difficult to exit or enter into a particular credit default swap transaction. The market for credit default swaps has been materially restricted by the Dodd-Frank Act.

### **Total Return Swaps**

Clients may enter into total return swaps (“TRSs”). A TRS is a financial contract in which one party (the “protection buyer”) effectively holds a short position on the reference asset, paying to the other party (the “protection seller”) distributions on a reference asset to the extent distributions are paid to holders of such reference asset plus any capital appreciation on the reference asset. The protection seller effectively holds a long position on the reference asset and pays a “floating rate” (which may, in fact, be a fixed or floating periodic interest rate) plus capital losses on the reference asset to the protection buyer. A TRS allows a protection seller to derive certain economic benefits of ownership without the protection seller actually having to own the reference asset or put the reference asset on its balance sheet. Conversely, because a protection buyer receives a periodic payment that is different from distributions on the reference asset plus any capital losses attributable to the reference asset, a TRS provides the protection buyer with protection from certain economic risks of ownership of the reference asset.

Clients will be the protection seller under a TRS. No payments will generally be exchanged between clients and the counterparty before the termination date of the TRS.

A TRS is a contract pursuant to which the client’s counterparty agrees to make certain payments. If the credit quality of the client’s counterparty in a TRS deteriorates, the counterparty may default on its obligation to make payment to the client under the TRS. The Firm expects to mitigate counterparty risk by effecting swap transactions with nationally recognized swap counterparties with an investment grade rating, as judged by Moody’s, Standard & Poor’s or the Fitch Rating Service. Unless the counterparty is required to collateralize its obligations to the client and actually does so, the client may be treated as a general unsecured creditor in the event of the insolvency of the counterparty. Consequently, the performance of the client’s portfolio is dependent not only on the credit quality of the reference assets and the performance of the TRS, but also on the credit quality of the counterparties. Additionally, clients may face only a few counterparties in TRS transactions. This concentration increases clients’ exposure to risks relating to such counterparties.

It is possible that the counterparties will not be required to collateralize their obligations to the client, but that the client will be required to collateralize the client’s obligations to its counterparties under the TRSs. If the client is required to post collateral to its counterparties, this will reduce the

amount of cash available for other investments. The amount to be posted may vary from time to time due to the performance of the reference assets or the TRSs with a particular counterparty or may vary due to other factors. Under a TRS, the client has a contractual relationship only with its counterparty, and not with any reference asset or obligor in respect of a reference asset. The client will therefore not obtain any benefit from any collateral supporting a reference asset and will not have the benefit of remedies normally available to the holder of a reference asset. The client only has rights against its counterparty in accordance with the TRS and will not have any recourse against the issuer of a reference asset.

### **Commodity Interests are Volatile**

Commodity interest contracts are highly volatile and are subject to occasional rapid and substantial fluctuations. The profitability of clients may depend on the ability of the Firm to predict these fluctuations accurately. Price movements for commodity interests are influenced by, among other things: (i) changes in interest rates; (ii) governmental, agricultural, trade, fiscal, monetary and exchange control programs and policies; (iii) weather and climate conditions; (iv) changing supply and demand relationships; (v) changes in balances of payments and trade; (vi) rates of inflation; (vii) currency devaluations and revaluations; (viii) political and economic events; and (ix) changes in philosophies and emotions of market participants. In addition, governments from time to time intervene, directly and by regulation, in certain markets, often with the intent to influence prices directly. The effects of governmental intervention may be particularly significant at certain times in certain markets, and this intervention may cause these markets to move rapidly.

### **Derivative Instruments Generally**

The Firm may use futures, options, swaps and other derivatives for investment purposes, for efficient portfolio management and to enhance investment performance. The Firm's ability to use these strategies may be limited by market conditions, regulatory limits and tax considerations. Use of these strategies involves certain special risks, including: (i) dependence on the Firm's ability to predict movements in the price of securities and movements in interest rates; (ii) imperfect correlation between movements in the securities or currency on which a futures or options contract is based and movements in the securities or currencies; (iii) the absence of a liquid market for any particular instrument at any particular time; (iv) the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty (see "*Counterparty Risk*" below); (v) possible impediments to effective portfolio management or the ability to meet repurchase requests or other short-term obligations because of the percentage of the client's assets segregated to cover its obligations; and (vi) the degree of leverage inherent in futures trading, *i.e.*, the low margin deposits normally required in futures trading means that futures trading may be highly leveraged. Accordingly, a relatively small price movement in a futures contract may result in an immediate and substantial loss to the client.

These financial instruments may produce an unusually or unexpectedly high amount of losses. In addition, clients may, in the future, take advantage of opportunities with respect to certain other derivative financial instruments that are not presently contemplated for use or that are currently not available, but that may be developed, to the extent such opportunities are both consistent with



the client's investment objective and believed by the Firm to be legally permissible. Special risks may apply in the future that cannot be determined at this time. The regulatory and tax environment for derivative financial instruments in which clients may participate is evolving, and changes in the regulation or taxation of such financial instruments may have a material adverse effect on clients.

Derivatives are highly specialized financial instruments that require investment techniques and risk analyses that are often different from those associated with the underlying securities to which they relate. The use of a derivative requires an understanding not only of the underlying instrument but also of the derivative itself, without the benefit of observing the performance of the derivative under all possible market conditions.

Liquidity risk exists when a particular derivative is difficult to purchase or sell. If a derivative transaction is particularly large or if the relevant market is illiquid (as may be 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.

Because the markets for certain derivatives are relatively new and still developing, suitable derivatives transactions may not be available in all circumstances. Upon the expiration of a particular contract, the Firm may wish to retain the client's position in the derivative by entering into a similar contract, but may be unable to do so if the counterparty to the original contract is unwilling to enter into the new contract and no other suitable counterparty can be found. The Firm's ability to use derivatives may also be limited by certain regulatory and tax considerations.

The success of any hedging or other derivative transactions generally will depend on the ability to correctly predict market changes, the degree of correlation between price movements of a derivative financial instrument, the position being hedged, the creditworthiness of the counterparty and other factors. As a result, if the Firm enters into a transaction on behalf of clients in order to reduce exposure to market risks, the transaction may result in poorer overall investment performance than if it had not been executed. Such transactions may also limit the opportunity for gain if the value of a hedged position increases.

## **Futures Contracts**

Transactions in futures contracts carry a high degree of risk. Though the futures contract may require a much smaller amount of margin to be provided in comparison to the economic exposure which the futures contract provides to the relevant investment, index, rates, currency or physical commodity, investment in a futures contract creates a "gearing" or "leverage" effect. This means that a small margin payment can lead to enhanced losses as well as enhanced gains. It also means that a relatively small movement in the underlying reference investment, index, rate, currency or physical commodity can lead to a much larger proportional movement in the value of the futures contract. This may be to the financial benefit of clients as well as its detriment.

Futures positions may be illiquid because, for example, many commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits". Under such daily limits, during a single trading day no

trades may be executed at prices beyond the daily limits. Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. Futures contract prices on various commodities or financial instruments occasionally have moved the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent a client from promptly liquidating unfavorable positions and subject a client to substantial losses. In addition, the Firm may not be able to execute futures contract trades at favorable prices if trading volume in such contracts is low. It is also possible that an exchange or a regulator may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract or order that trading in a particular contract be conducted for liquidation only. In addition, various exchanges impose speculative position limits on the number of positions that may be held in particular commodities. Trading in commodity futures contracts and options are highly specialized activities that may entail greater than ordinary investment or trading risks. Furthermore, low margin or premiums normally required in such trading may provide a large amount of leverage, and a relatively small change in the price of a security or contract can produce a disproportionately larger profit or loss.

The CFTC and US commodities exchanges have established limits (referred to as “speculative position limits”) on the maximum net long or net short speculative positions that any person may hold or control in any particular futures or options contracts traded on US commodities exchanges. All accounts managed and controlled by an investment adviser and its principals will be combined (that is, aggregated) for position limit purposes. The possibility exists that from time to time the positions held or controlled by the Firm may have to be modified or liquidated to avoid exceeding applicable position limits, even though the positions attributable to a client do not themselves trigger the position limits, which could result in substantial costs and losses to the client.

Futures are highly volatile and are subject to occasional rapid and substantial fluctuations. The profitability of a client may depend on the ability of the Firm to predict these fluctuations accurately.

### **Stock Index Futures**

The price of stock index futures contracts may not correlate perfectly with the movement in the underlying stock index because of certain market distortions. First, all participants in the futures market are subject to margin deposit and maintenance requirements. Rather than meeting additional margin deposit requirements, shareholders may close futures contracts through offsetting transactions that would distort the normal relationship between the index and futures markets. Secondly, from the point of view of speculators, the deposit requirements in the futures market are less onerous than margin requirements in the securities market. Therefore, increased participation by speculators in the futures market also may cause price distortions. Successful use of stock index futures contracts is subject to the Firm’s ability to correctly predict movements in the direction of the market.

## **Forward Contracts and Currency Transactions**

A client may trade in forward foreign exchange contracts between currencies of different countries and multi-national currency units and options on currencies and on currency futures contracts for hedging or speculation. With respect to forward currency contracts, this is accomplished through contractual agreements generally to purchase or sell one specified currency for another currency at a specified future date and price determined at the inception of the contract. Forward contracts and options thereon, unlike futures contracts, are generally not traded on exchanges and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. However, certain forward currency exchange contracts are regulated as swaps by the CFTC and have recently begun being voluntarily traded on swap execution facilities. To the extent the client is treated as a “US person” or if the client’s swap counterparty is a US person (for the purposes of the CFTC’s swap regulations), some of these contracts may be required to be centrally cleared by a regulated US clearing house and may be required to be traded on regulated exchanges in the future. Interbank forward and “cash” trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. For example, there are no requirements with respect to record-keeping, financial responsibility or segregation of customer funds or positions. In contrast to exchange-traded futures contracts, interbank traded instruments rely on the dealer or counterparty being contracted with to fulfill its contract. As a result, trading in interbank foreign exchange contracts may be subject to more risks than futures or options trading on regulated exchanges, including, but not limited to, the risk of default due to the failure of a counterparty with which the client has a forward contract. Although the Firm will seek to trade with reliable counterparties, failure by a counterparty to fulfill its contractual obligation could expose the client to unanticipated losses. The principals who deal in the interbank forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any currency market traded by the Firm due to unusually high trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward trading to less than that which the Firm would otherwise recommend, to the possible detriment of the client. Market illiquidity or disruption could result in major losses to the client.

## **Call Options**

There are risks associated with the sale and purchase of call options. The seller (writer) of a call option which is covered (e.g., the writer holds the underlying Security) assumes the risk of a decline in the market price of the underlying Security below the purchase price of the underlying Security offset by the gain of the premium received if the option expires out of the money, and gives up the opportunity for gain on the underlying Security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying Security above the exercise price of the option. The buyer of a call option assumes the risk of losing the premium if the option expires out of the money.

## **Put Options**

There are risks associated with the sale and purchase of put options. The seller (writer) of a put option which is covered (e.g., the writer has a short position in the underlying Security) assumes the risk of an increase in the market price of the underlying Security above the sale price of the short position of the underlying Security offset by the premium if the option expires out of the money, and thus the gain in the premium, and the option seller gives up the opportunity for gain on the underlying Security below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying Security to zero. The buyer of a put option assumes the risk of losing the premium if the option expires out of the money.

## **Stock Index Options**

A client may purchase and sell call and put options on stock indices listed on securities exchanges or traded in the OTC market. A stock index fluctuates with changes in the market values of the stocks included in the index. Because the value of an index option depends upon movements in the level of the index rather than the price of a particular stock, whether the client will realize gains or losses from the purchase or writing of options on indices depends upon movements in the level of stock prices in the stock market generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of particular stocks. Accordingly, successful use of options on stock indices will be subject to the Firm's ability to correctly predict movements in the direction of the stock market generally or of particular industries or market segments. This requires different skills and techniques than predicting changes in the price of individual stocks.

## **OTC Derivatives**

A client may enter into OTC derivative agreements ("OTC Derivative Agreements"). These agreements are individually negotiated and can be structured to include exposure to a variety of different types of investments, asset classes or market factors. Depending on their structure, OTC Derivative Agreements may increase or decrease the client's exposure to, for example, equity securities. OTC Derivative Agreements can take many different forms and are known by a variety of names. The client is not limited to any particular form of OTC Derivative Agreement if consistent with the client's investment objective. Whether the client's use of OTC Derivative Agreements will be successful will depend on the Firm's ability to select appropriate transactions for the client. Derivative transactions may be highly illiquid and may increase or decrease the volatility of the client's portfolio. Moreover, the client bears the risk of loss of the amount expected to be received under an OTC Derivative Agreement in the event of the default or insolvency of its counterparty. The client will also bear the risk of loss related to OTC Derivative Agreements, for example, for breaches of such agreements or the failure of the client to post or maintain required collateral. Many derivative markets are relatively new and still developing. It is possible that developments in the derivative markets, including potential government regulation, could adversely affect the client's ability to terminate existing derivative transactions or to realize amounts to be received under such transactions.

## **Other Derivative Financial Instruments**

A client may enter into other derivative financial instruments, such as credit derivatives. It may take advantage of opportunities with respect to certain other derivative financial instruments that are not presently contemplated for use or that are currently not available, but that may be developed, to the extent such opportunities are both consistent with client investment objectives and legally permissible. Special risks may apply to securities that a client invests in that cannot be determined at this time or until such securities are developed or invested by the client. For example, risks with respect to credit derivatives may include determining whether an event will trigger payment under the contract and whether such payment will offset the loss or payment due under another instrument. In the past, buyers and sellers of credit derivatives have found that a trigger event in one contract may not match the trigger event in another contract, exposing the buyer or the seller to further risk. Other swaps, options, and other derivative financial instruments may be subject to various types of risks, including market risk, regulatory risk, tax risk, liquidity risk, the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty, legal risk, and operations risk. In addition, as new derivative financial instruments are developed, documentation may not be standardized, leading to potential disputes or misunderstanding with counterparties.

## **Repurchase and Reverse Repurchase Agreements**

A client may enter into repurchase and reverse repurchase agreements. When the client enters into a repurchase agreement, it “sells” securities to a broker-dealer or financial institution and agrees to repurchase such securities on a mutually agreed date for the price paid by the broker-dealer or financial institution, plus interest at a negotiated rate. In a reverse repurchase transaction, the client “buys” securities issued from a broker-dealer or financial institution, subject to the obligation of the broker-dealer or financial institution to repurchase such securities at the price paid by the client, plus interest at a negotiated rate. The use of repurchase and reverse repurchase agreements by client involves certain risks. For example, if the seller of securities to the client under a reverse repurchase agreement defaults on its obligation to repurchase the underlying securities, as a result of its bankruptcy or otherwise, the Firm will seek to dispose of such securities, which action could involve costs or delays. If the seller becomes insolvent and subject to liquidation or reorganization under applicable bankruptcy or other laws, the client’s ability to dispose of the underlying securities may be restricted. It is possible, in a bankruptcy or liquidation scenario, that the client may not be able to substantiate its interest in the underlying securities. Finally, if a seller defaults on its obligation to repurchase securities under a reverse repurchase agreement, the client may suffer a loss to the extent that it is forced to liquidate its position in the market, and proceeds from the sale of the underlying securities are less than the repurchase price agreed to by the defaulting seller. Similar elements of risk arise in the event of the bankruptcy or insolvency of the buyer.

## **Off-Exchange Transactions**

A client may enter into off-exchange transactions, including spot, forward and option contracts. A client may also engage in swap transactions that are not executed on a swap execution facility or cleared by a clearing house, consisting primarily of an exchange of a fixed price for an average

floating price of a set quantity of a particular financial instrument or commodity or fixed income instrument over an agreed period of time and even purchase cash securities or commodities if market conditions are believed to be warranted. Off-exchange contracts are not currently regulated, and such contracts are not guaranteed by an exchange or clearing house. Consequently, trading in these contracts is subject to more risks than future or options trading on regulated exchanges, including, but not limited to, the risk that a counterparty will default on an obligation. The counterparties will typically not be required to post collateral. Off-exchange transactions are also subject to legal risks, such as the legal incapacity of a counterparty to enter into a particular contract or the declaration of a class of contracts as being illegal or unenforceable.

**IT IS CRITICAL THAT INVESTORS REFER TO THE APPLICABLE GOVERNING DOCUMENTS FOR A COMPLETE UNDERSTANDING OF THE MATERIAL RISKS INVOLVED IN AN INVESTMENT IN THE FUNDS AND MANAGED ACCOUNTS, INCLUDING THE RISK OF FINANCIAL LOSS. THE INFORMATION CONTAINED HEREIN IS A SUMMARY ONLY AND IS QUALIFIED IN ITS ENTIRETY BY SUCH DOCUMENT.**

**ITEM 9**  
**DISCIPLINARY INFORMATION**

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

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

**A. Broker-Dealer Registration Status**

Neither the Firm nor its management persons, is registered as a broker-dealer and the Firm does not have any application pending to register with the SEC as a broker-dealer. The Firm utilizes the sales team of its affiliate, Man Investments Inc. ("MII"), to assist in the marketing of its investment services. MII is a limited purpose broker-dealer registered with the SEC and a member of Financial Industry Regulatory Authority, Inc. ("FINRA"). MII acts as solicitor, selling agent and/or investor servicing agent for certain the Firm clients and Funds for which it may be compensated as agreed between the Firm and MII.

**B. Futures Commission Merchant, Commodity Pool Operator or Commodity Trading Adviser Registration Status**

The Firm is registered as a commodity pool operator with the Commodity Futures Trading Commission ("CFTC") and is a member of the National Futures Association ("NFA").

**C. Material Relationships or Arrangements with Industry Participants**

The Firm is affiliated, under common ownership and shares offices with the following New York based entities: Man Solutions LLC ("MS LLC"), an investment adviser registered with the SEC and a commodity pool operator and commodity trading advisor registered with the CFTC and a member of the NFA, Silvermine Capital Management LLC an investment adviser registered with the SEC and Man Investments Inc., a limited purpose broker dealer registered with the SEC and member of FINRA which provides marketing and placement agent services to affiliated entities.

In addition, the Firm is affiliated and under common ownership with Numeric Investors LLC, based in Boston, MA with an office in New York, NY which is an investment adviser registered with the SEC, a commodity pool operator registered with the CFTC and a member of the NFA and Man Global Private Markets (USA) Inc., an investment adviser registered with the SEC based in Charlotte, NC with an office in New York, NY. The Firm is also affiliated with Varagon Capital Partners, L.P. and VCC Advisors, LLC, investment advisers registered with the SEC based in New York, NY with offices in Chicago, IL, and Wellesley, MA, none of these offices are shared with other affiliates.

The Firm is also affiliated and under common ownership with the following London based entities which are authorized and regulated by the Financial Conduct Authority: GLG Partners LP, an investment adviser registered with the SEC, a commodity pool operator registered with the CFTC and a member of the NFA; AHL Partners LLP, an investment adviser registered with the SEC, a commodity pool operator and commodity trading advisor registered with the CFTC and a member of the NFA; Man Solutions Limited ("MSL"), an investment adviser



registered with the SEC, a commodity pool operator registered with the CFTC and a member of the NFA; Man Global Private Markets (UK) Limited, an investment adviser registered with the SEC; and Man Fund Management UK Limited.

The Firm is also affiliated and under common ownership with Man Investments (Hong Kong) Limited, licensed by the Hong Kong Securities and Futures Commission; Man Investments Australia Limited, an investment adviser registered with the SEC and licensed by the Australian Securities and Investments Commission based in Australia; Man Asset Management (Ireland) Limited an investment adviser regulated by the Central Bank of Ireland; and Man Asset Management (Cayman) Limited, a manager regulated by the Cayman Islands Monetary Authority.

MS LLC and MSL (together, “Man Solutions”) are affiliated investment advisers which provide investment advisory services primarily focused on multi strategies including customized portfolios to their clients across strategies managed by affiliates, including the Firm, as well as third party managers. In addition, from time-to-time the Firm provides sub-advisory or other investment management services to clients of Man Solutions.

In addition, from time-to-time the Firm provides sub-advisory or other investment management services to clients of Man Solutions.

The Firm, its affiliates and its personnel serve as investment advisers and investment managers to multiple pooled investment vehicles and managed accounts. The Firm may manage accounts on behalf of its affiliates alongside its clients. The Firm, its affiliates and its personnel may take action or give advice with respect to certain clients and accounts that differs from the advice given to other clients and accounts. Specifically, there may be times whereby the advice given to clients and accounts is opposite of the advice given to other clients and accounts due to differences in investment strategy, redemptions/subscriptions or other factors. The Firm manages each client in accordance with its respective investment objectives and guidelines.

The Firm, its affiliates and its personnel will devote as much time to the activities of each client or account as they deem necessary and appropriate, and the amount of time devoted to different clients and accounts may vary.

#### **D. Material Conflicts of Interest Relating to Other Investment Advisers**

The Firm does not recommend or select other third-party investment advisers for its clients.

From time to time, certain affiliates including Affiliated Funds seed or invest in funds to which the Firm provide investment management services. The Firm may provide investment management services to certain funds in which the invested capital is exclusively or predominantly seed capital received from Firm affiliates; such arrangements may persist over a long period of time.

Certain personnel, including those who are part of certain Man centralized functions and those with specific investment management responsibilities, perform roles for the Firm and one or more affiliates of the Firm.

The Firm may provide aspects of its systems, know-how, analyses and certain models to its affiliates.

Potential and actual conflicts of interest may arise from the activities described herein. The Firm has established policies and procedures to monitor and to the extent possible resolve conflicts of interest and will endeavor to resolve conflicts with respect to investment opportunities in a manner it deems appropriate and equitable to the extent possible under the prevailing facts and circumstances.

The Firm may be subject to conflicts of interest from time to time in performing its respective duties to Funds and managed accounts. Any such conflict of interest could have a material adverse effect on clients.

When a conflict of interest arises the Firm will endeavor to ensure that the conflict is resolved or managed appropriately and fairly. Furthermore, the Firm has substantial incentives to see the assets of clients appreciate in value and merely because an actual or potential conflict of interest exists does not mean that it will be acted upon to the detriment of clients.

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

**A. Code of Ethics**

The Firm strives to adhere to the highest industry standards of conduct based on principles of professionalism, integrity, honesty and trust. Accordingly, the Firm has adopted a Global Code of Ethics (the “Code”) that is supplemented by additional policies and procedures that are designed to reinforce its institutional integrity, and to set forth procedures and limitations which govern, amongst other matters, the personal securities transactions of its employees. The Code was developed to promote the highest standards of behavior and to ensure compliance with all applicable regulations.

The Code applies to all Firm employees. The Code contains policies and procedures that, among other things:

- Require employees to observe fiduciary duties owed to clients;
- Prohibit employees from taking personal advantage of opportunities belonging to clients;
- Prohibit trading on the basis of material nonpublic information;
- Require employees to comply with anti-money laundering requirements;
- Place limitations on personal trading by employees and impose pre-clearance and reporting obligations with respect to such trading (with the exception of certain security types);
- Impose limitations on the giving or receiving of gifts and entertainment;
- Restrict employee outside business activities;
- Require employees to disclose family members’ business activities that may present a conflict;
- Require pre-clearance on political contributions; and
- Prohibit disclosure by employees of confidential information of the Firm and its clients.

Employee personal trades in securities covered by the Code are monitored by the Chief Compliance Officer or designee and governed by the procedures set forth in the Code. Employees may from time to time have proprietary investments in which clients advised or sub-advised by the Firm also take a position, may trade and invest simultaneously with such clients, and may take investment positions that are different from or opposite to the positions taken by such clients. In general, all personal securities transactions (except for unaffiliated US open-ended mutual funds, US Treasury securities, or other permitted investments listed in the Code) are subject to pre-clearance by the Chief Compliance Officer, or designee. A copy of the Firm's Code is available to clients and prospective clients upon request by contacting [CompUS@man.com](mailto:CompUS@man.com).

Furthermore, the Firm has adopted procedures to prevent and detect misuse of material nonpublic information. Specifically, the Firm's procedures prohibit any employee from trading securities, either personally or on behalf of others (such as client accounts advised or sub-advised by the Firm), while in possession of material nonpublic information, and prohibit employees from communicating material nonpublic information to others in violation of the law.

From time to time, as part of its business activities or otherwise, the Firm or its affiliates may come into possession of material non-public information concerning specific issuers. Under applicable laws and the Firm's policies and procedures, this may limit the Firm's flexibility to buy or sell securities of such issuers, or other financial instruments linked to such issuers.

The Firm's clients are subject to Man's Global Banned Weapons Policy, which is designed to ensure compliance with a number of conventions and relevant laws that have been implemented globally to ban the manufacture, supply and distribution of anti-personnel landmines, cluster munitions, biological weapons, chemical weapons, blinding laser weapons and non-detectable fragments. This may limit the Firm's flexibility to buy or sell securities of issuers that, among a range of other activities, are involved in banned weapons for its clients.

The Firm and its affiliates are subject to certain position limits, including commodities. Under applicable laws and internal procedures, this may limit the Firm's flexibility to buy certain futures contracts or derivatives thereon.

Related persons and personnel of the Firm and its affiliates (the "Advisory Affiliates") may invest in or have a financial interest in the Funds and may not invest in all such Funds. It is expected that the size of these investments or the financial interest will change over time. Potential conflicts may arise due to the fact that the Advisory Affiliates may have investments or financial interests in some Funds but not in others or may have different levels of investments or financial interests in various Funds, and because the Funds may pay different levels of fees.

In addition, certain Advisory Affiliates may from time to time make personal investments in securities or financial instruments which may be appropriate for, may be held by, or may fall within client investment guidelines. Such Advisory Affiliates may buy, sell, or hold securities or other financial instruments for their own accounts while entering into different investment decisions for one or more clients. These activities may adversely affect the prices and availability of securities or financial instruments held by or potentially considered for one or more clients.

From time to time, the Firm or the Advisory Affiliates may form and manage additional pooled investment vehicles and advise other client accounts with similar or different investment strategies as the Funds or managed accounts currently advised or sub-advised by the Firm. It may be appropriate for more than one Fund or managed account advised by the Firm to trade in the same securities at the same time. The Firm has policies and procedures to manage the conflicts of interest in connection with such trades.

**B. Securities that the Investment Adviser or a Related Person Has a Material Financial Interest.**

**1. Cross Transactions and Principal Transactions**

Cross transactions may be effected on behalf of clients in connection with portfolio rebalancing or other situations such as cash flow events, among others. Such cross transactions may be arranged through a broker and effected at an independently verifiable contemporaneous mid-price where such can be ascertained. For cross trades involving securities which do not trade on an exchange or venue, to the extent possible, quotes are sourced from different brokers. Commissions may or may not be charged for cross trades. The Firm receives no fee or compensation in connection with such activity and seeks to comply with the requirements of the Advisers Act and/or other applicable law for cross trades whether agency or principal. A determination will be made as to whether a cross transaction is appropriate for a given client or in a given transaction and in accordance with any client or regulatory restrictions. Each cross transaction will be performed consistently with the Firm's policies and procedures.

To the extent that a cross transaction may be viewed as a principal transaction, the Firm will comply with the requirements of Section 206(3) of the Advisers Act with respect to any client or Fund, including that the Firm will notify the applicable client in writing of the transaction and obtain the client's consent.

The Firm does not consider transactions between clients that inadvertently match on an exchange or venue as a result of investment decisions taken by the Firm and where applicable, its affiliates as cross transactions or principal transactions.

**2. Allocation of Investment Opportunities**

The Firm provides discretionary investment advice and/or management services to Funds or client accounts (each an "Account") that may seek to invest in the same investment opportunities. In addition, the Firm affiliates provide investment advice to multiple client accounts that may seek to invest in the same investment opportunities as the Firm's clients. This will create potential conflicts and potential differences among Accounts, particularly where there is limited availability or limited liquidity for those investments. The Firm has developed policies and procedures that provide that investment opportunities will be allocated and purchase and sale decisions will be made among these Accounts in a manner that is considered to be reasonable and equitable and in a manner that is consistent with each Account's investment objectives and guidelines.

The Firm may determine that an investment opportunity or particular purchases or sales are appropriate for one or more Accounts, but not for other Accounts, or are appropriate for or available to certain Accounts but in different sizes, terms, or timing than is appropriate for others. The Firm will make allocations for Accounts of such investments with reference to numerous factors including, without limitation, the Firm's perception of the appropriate risks and rewards for each Account, investment objectives and guidelines of each Account, leverage of each

Account, the liquidity of the Account at the time of the investment and on a going-forward basis, risk parameters for each Account and regulatory restrictions affecting the client; in the case of new debt or equity offerings (initial or secondary) additional factors as determined by the Firm may be relevant, such as the size of the new offering and such other factors as are relevant in the judgment of the Firm. Although allocating orders among Accounts may create potential conflicts of interest because of the interests of the Firm, its affiliates or its employees or because the Firm may receive greater fees or compensation from one Account over another, the Firm will not make allocation decisions based on such interests or greater fees or compensation. Allocation among Accounts in any particular circumstance may be more or less advantageous to any one Account. In addition, transactions in investments by multiple Accounts may have the effect of diluting or otherwise impairing the values, prices or investment strategies of an individual Account, particularly, but not limited to, in small capitalization, emerging market, or less liquid strategies. Therefore, the amount, timing, structuring, or terms of an investment by some clients may differ from, and performance may be lower than, investments and performance of other clients.

With regards to the CLOs, the Firm and its affiliates often own or hold interests in the CLO Issuers but are not required to invest in all CLOs, and such ownership or holdings may vary, perhaps significantly, among CLOs. Such positions may be acquired either upon initial issuance or through secondary market transactions. There is no assurance that the size and nature of the Firm's investment will remain unchanged over time. There is no assurance that the Firm's interest will be aligned with all CLOs or the holders of a particular class of Notes. In particular, if at any time, Equity is held by the Firm, its employees or affiliates, the Firm may face a conflict when making investment decisions for the portfolio between the holders of the Rated Notes on the one hand and the owners of the Equity on the other. Further, because the Firm receives fees for managing CLO portfolios, when the value of the fees received exceed the value of its Equity investment, the Firm will face conflicts between its ownership interest as an Equity holder and its interest as a manager. In those instances where the Firm, its affiliates and their respective employees may have significant interests in a particular CLO, there is a potential conflict of interest for the Firm when making decisions regarding the allocation of trade opportunities. Accordingly, there may be an incentive to make favorable allocations to those CLOs where the Firm or Advisory Affiliates have a significant interest therein and will benefit from such favorable allocation decisions.

Additionally relating to the CLOs, the Firm may give priority to more recently launched CLOs, which have or are expected to have a substantial amount of cash to invest/ramp up (including warehousing vehicles) when allocating investment opportunities. The Firm may also give priority to CLOs which need to raise cash/ramp down/liquidate in the context of de-risking transactions. CLOs that receive such a priority relative to other CLOs include those which have been seeded by the Firm, its affiliates, or funds managed by such affiliates or are used to warehouse Leveraged Loan investments in anticipation of the launch of a potential CLO. Once the deal is considered "seasoned," the Firm will look to optimize the CLO's spread, rating, and diversity, as well as concentration tests and other covenants outlined in the CLO's indenture through purchases and sales. Subject to the requirements of each CLO's indenture, the Firm will generally allocate investment opportunities among the CLOs it manages in a manner that it believes, in its reasonable

judgment; to be appropriate given factors it believes to be relevant. Such factors may include CLO investment objectives, collateral quality, concentration limitations and interest, and asset coverage tests, liquidity, diversification, lender covenants and other limitations set forth in a CLO's indenture and the amount of free cash a CLO has available for investment.

In addition, the Firm may acquire securities or other financial instruments of an issuer for one Account that are senior or junior to securities or financial instruments of the same issuer held by, or acquired for, another Account (*e.g.*, one Account may acquire senior debt while another Account may acquire subordinated debt). Furthermore, the Firm may pursue investment strategies for certain Accounts that may have different objectives and in some cases may conflict with the investment strategies of other Accounts. The Firm recognizes that conflicts may arise under such circumstances and will endeavor to treat all Accounts fairly and equitably.

### 3. **Valuation**

Each managed account is responsible for its own valuation of assets which typically a third-party custodian may provide. To the extent requested, the Firm will provide managed account clients with information that may assist in the valuation of assets. However, the Firm will not be responsible for the valuation of managed account assets.

For the Funds, valuation policies and procedures have been established that seek to establish a consistent framework and methodology for the determination, validation, approval, regular monitoring and review of pricing all positions of each Fund. The Fund's directors have appointed an Independent Pricing Committee (the "IPC") to undertake certain services concerning the valuation policies and procedures relating to each Fund. The IPC is an independent body set up to: (i) establish a pricing matrix (a table which lays out a pricing source for certain assets and liabilities) which the directors will decide whether to adopt for the Fund and if so will thereafter be used by the administrator to calculate the value of the assets and liabilities held by the Fund; and (ii) establish the prices of any positions held in the Fund that do not have an independently ascertainable value as per the pricing matrix. In addition, the IPC provides general governance and oversight of the valuation process.

CLOs are closed end cash flow vehicles and, subject to the governing documentation, valuation of the CLOs is generally not used for the purpose of subscriptions, redemptions, fee calculations or distributions. To the extent that valuation is required in connection with the operation of the CLOs, the Trustee is responsible for valuation, in accordance with the terms of the Indenture.

### C. **Investing in Securities that the Investment Adviser or a Related Person Recommends to Clients**

The Code of Ethics places restrictions on personal trades by employees, including that they disclose their personal securities holdings and transactions to the Firm on a periodic basis, and requires that employees pre-clear certain types of personal securities transactions. Subject to certain exceptions, the Firm's employees may not engage in personal securities trading without

pre-clearance. Accordingly, under certain circumstances, the Firm, its affiliates and its employees may invest on behalf of themselves in securities and other instruments that would be appropriate for, held by, or may fall within the investment guidelines of clients.

The Firm, its affiliates and its employees may give advice or take action for their own accounts that may differ from, conflict with or be adverse to advice given or action taken for clients. These activities may adversely affect the prices and availability of other securities or instruments held by or potentially considered for one or more clients. Potential conflicts also may arise due to the fact that the Firm and its personnel may have investments in some Funds but not in others or may have different levels of investments in the various Funds.

The Firm has established policies and procedures to monitor and resolve conflicts with respect to investment opportunities in a manner it deems fair and equitable, including the restrictions placed on personal trading in the Code of Ethics, as described above, and controls regarding employee transactions for actual or perceived conflicts of interest, including those conflicts that may arise as a result of personal trades in the same or similar securities made at or about the same time as client trades.

#### **D. Conflicts of Interest Created by Contemporaneous Trading**

The Firm manages investments on behalf of a number of Accounts. Certain Accounts have investment strategies that are similar to or overlap and may, therefore, participate with each other in investments. It is the policy of the Firm to allocate investment opportunities among all Accounts fairly, to the extent practical and in accordance with each Account's applicable investment strategies, over a period of time. The Firm will have no obligation to purchase or sell a security for, enter into a transaction on behalf of, or provide an investment opportunity to any Account solely because the Firm purchases or sells the same security for, enters into a transaction on behalf of, or provides an opportunity to another Account if, in its reasonable opinion, such security, transaction or investment opportunity does not appear to be suitable, practical or desirable for the Account.

Allocations of initial public offerings or other limited offerings ("Limited Offering") by the Firm will be made in a fair and equitable manner among eligible Accounts. Allocations will be made among Accounts eligible to participate in a Limited Offering taking into account factors such as long-term investment horizons, investment objectives and guidelines, different levels of investment for different strategies, the overall portfolio composition for each Account, and such other relevant factors. Eligibility to participate in a Limited Offering may include but is not limited to consideration of the following factors: (i) Accounts whose investment guidelines explicitly prohibit such investment, (ii) "restricted persons" under the FINRA New Issues Rule 5130 or an executive officer or director of a public company or a covered non-public company, or a person materially supported by such an executive officer or director, as contemplated under FINRA New Issues Rule 5131, (iii) suitability requirements, (iv) account investment strategy and risk profile, and (v) size of the offering, and (vi) available investable capital.



The Firm or its affiliates may take inconsistent positions in the same security or trade in opposite directions as a result of rebalancing or different investment strategies. This will result in potential conflicts of interest. The Firm strives to ensure that all clients are treated fairly and equitably.

The Firm may offer a third party, client or investor the opportunity to co-invest in any transaction in which one or more managed accounts or Funds have made or will make an investment. Typically, this would occur in relation to privately placed and/or negotiated transactions, or transactions with a limited capacity or finite amount available and/or a relatively short time horizon in which to execute. In addition, from time to time, the Firm may offer a third party or others a specific investment opportunity that the Firm may have become aware of in the course of providing investment advisory services to its clients. In such cases, the Firm may decide that such investment opportunity does not fit within the client's investment strategy and therefore the Firm may offer the investment opportunity to third parties or others.

The Firm may not offer co-investment opportunities to all current or potential managed accounts or investors but will take into account such factors as it determines appropriate based on the current facts and circumstances of the co-investment opportunity. The allocation of any co-investment opportunity will be determined at the Firm's sole discretion. Consideration will be given to various factors including the ability of a potential co-investor to commit to invest in a short period of time, whether they have expressed an interest in participating in a co-investment opportunity and the alignment of a current investor's interest and the potential co-investor's goals and such other factors as the Firm deems relevant; these may include subjective determinations such as forming relationships and providing strategic benefits to investors. Please refer to Item 8.B under "Co-Investments" for additional information and risk disclosures pertaining to co-investments.

## ITEM 12 BROKERAGE PRACTICES

### A. **Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions**

The Firm will place orders for the execution of transactions for Accounts via a centralized trading desk and in doing so, it will seek best execution in accordance with its Best Execution Policy which takes into account a number of factors which may include, among other things, commission rates (and other transactional charges), price, the broker's financial strength, ability to commit capital, stability and responsibility, reputation, reliability, overall past performance of services, research capability and coverage, responsiveness, as well as means of communication, quality of recommendations, deal calendar, ability to execute trades based on the characteristics of a particular trade, technology and trading systems, trading activity in a particular security, block trading and block positioning capabilities, nature and frequency of sales coverage, net price, depth of available services, arbitrage operations, bond capability and options operations, investment banking coverage, capacity of syndicate operations, access to certain markets, the availability of stocks to borrow for short trades, willingness to execute related or unrelated difficult transactions, order of call, back office, settlement processing and special execution capabilities, efficiency and speed of execution, and error resolution. Accordingly, while the centralized trading desk will endeavor to achieve best execution; it may not be the case that we will receive the best possible results on each and every transaction as there are a variety of factors, a number of which lie outside our control that may impact execution quality.

Rigid formulas are not used in selecting brokers but rather a combination of factors is considered. There is, however, no direct correlation between these factors and the allocations of brokerage for Accounts advised or sub-advised by the Firm. Because of the range of factors considered, it is possible that the Firm's clients may pay brokerage commissions in excess of that which another broker might have charged for effecting the same transaction. A good faith determination is made to ensure that the amount of commission is reasonable in relation to the broker's execution ability, and other factors. The Firm may at times participate in "give-ups" for certain OTC derivatives.

#### ***Centralized Trading and Financing Desk***

The Firm delegates its order handling and execution responsibilities to a centralized trading desk and cash management and related responsibilities to a centralized financing desk. In doing so the Firm ensures that the delegates comply with any Account restrictions as well as the Firm's policies and procedures relating to order handling and execution responsibilities. The Firm believes that such delegation is consistent with its obligations and is in the best interests of its Accounts.

## **1. Payment of Research**

The Firm does not pay for research or other products or services ("Research") through commissions and Research is not considered a factor when executing transactions for clients. The Firm does not currently engage in soft dollar arrangements.

The Firm, either directly or through its affiliate(s), engages the services of various external third-party research providers to assist it with its portfolio management activities. For certain of its clients, a research payment mechanism (funded either through a transactional or accounting payment method) is utilized to provide for the payment of Research. In some cases, and where permitted, Research may be funded by the Firm, or an affiliate or in the case of the Funds may be paid directly by such Fund.

Research includes information relating to one or several financial instruments or other assets; or the issuers or potential issuers of financial instruments; or the specific industry or market such that it informs views on financial instruments, assets or issuers within that sector and which:

- implicitly or explicitly recommends or suggest an investment strategy and provides a substantiated opinion as to the present or future value or price of such instruments or assets; or
- contains analysis and original insights and reaches a conclusion based on new or existing information that could be used to inform an investment strategy or capable of adding value to investment decisions.

Research payments will not be linked to the volume or value of transactions executed on behalf of clients. The organisation or facilitation of corporate access meetings is not considered a Research. The allocation of research payments is based on the Firm's reasonable assessment of the need for third party research consumption to enhance its portfolio management trading decisions. The allocation of research payments across clients is reviewed periodically.

The Firm's use of Research is within the "safe harbor" of Section 28(e) of the Securities Exchange Act of 1934 (as amended). During 2023, research services paid via an RPA generally included information on the economy, industries, groups of securities, individual companies, statistical information, political and legal developments affecting portfolio securities, technical market action, pricing and appraisal services, and bespoke risk measurement analysis. Such research services were received primarily in the form of written reports, telephone contacts, and meetings with research analysts or research-related staff. Research services may be provided by providers including sell side firms and third-party independent research providers.

If a product or service obtained provides both research and non-research assistance (i.e., a "mixed use item"), the Firm will make a good faith effort to determine the relative proportion of the product or service used to assist the Firm in carrying out its investment decision making responsibilities, and the relative proportion used for administrative or other non-research

purposes. The proportionate amount of the product or service that is used to assist the Firm in carrying out its investment decision making responsibilities will be paid via the methods mentioned above. A proportionate amount attributable to administrative or other non-research purposes will be paid for by the Firm from its own resources or by the Fund/client, where permitted. In making good faith allocations of costs between administrative benefits and research services, a conflict of interest may exist by reason of the Firm's allocation of the costs of such benefits and services between itself and its clients.

Where permitted, the Firm may share products and/or services with certain of its affiliates to be used in servicing such affiliate's clients. The Firm may also receive products and/or services from such affiliates that it will use in servicing its clients.

The Firm may execute securities transactions with multiple executing brokers, including the various prime brokers appointed for the Funds. Many of these brokers provide the Firm with access to proprietary research reports (such as standard investment research) which may be used for any or all accounts. This type of research is paid for in hard dollars by the Firm or its affiliate(s).

In accordance with regulatory requirements, Research may be used by the Firm in servicing some or all of its clients. Clients may receive the benefit, including disproportionate benefits, of economies of scale or price discounts in connection with Research. Nonetheless, the Firm believes that such investment information provides its clients with benefits by supplementing the research otherwise available to clients.

The Firm may share products and/or services with certain of its affiliates to be used in servicing such affiliate's clients. The Firm may also receive products and/or services from such affiliates that it will use in servicing its clients.

## **2. Brokerage for Client Referrals**

The Firm does not consider capital introduction and marketing assistance with respect to investors in the Funds when selecting or recommending broker-dealers for the Funds. However, the Firm's affiliate, MII, may be invited to capital introduction events as a result of the relationship the Firm and its affiliates have with such broker dealers.

## **3. Directed Brokerage**

Generally, the Firm does not engage in directed brokerage. However, in circumstances where it receives specific instructions from an Account regarding the use of specific brokers for account transactions, for example in relation to an approved brokers list, it will consider that it has discharged its best execution obligation when executing orders in accordance with those specific instructions. It is the client's responsibility to evaluate such brokers when providing such instruction.

Broker or counterparty restrictions imposed by clients may limit the ability for the Firm to take the steps designed to obtain the best possible result for the execution of those orders in respect of any element of the order covered by those instructions.

**B. Order Aggregation**

Account orders may be aggregated if, in the portfolio manager's or trader's reasonable judgment, such aggregation is reasonably likely to result in an overall economic benefit to Accounts based on an evaluation that they will be benefited by relatively better purchase or sale prices or beneficial timing of transactions, or a combination of these and other factors. It should be noted that only orders considered by a single portfolio manager or trader may be subject to aggregation. There may be times where more than one trader is placing an order for the same security and such orders are not aggregated. In many instances, the purchase or sale of financial instruments for an Account will be effected simultaneously with the purchase or sale of similar financial instruments for other Accounts. When an aggregated order is filled through multiple trades with the same broker at different prices on the same day, each participating Account will typically receive an average price with transaction costs allocated *pro rata* based on the size of each Account's participation in the order (or actual allocation such as in the case of a partial fill) as determined by the Firm. It should be noted that aggregated transactions may be made at slightly different prices, due to the volume of financial instruments purchased or sold. In the event of a partial fill, allocations will generally be made *pro rata* based on the initial order but may be modified on a basis that the Firm deems to be appropriate, including for example, in order to avoid odd lots or *de minimis* allocations among other factors. When aggregating orders, the Firm will seek to mitigate any potential disadvantage that order aggregation may have. However, there is no guarantee that a benefit will be derived from order aggregation and it is possible that clients may be disadvantaged as a result of order aggregation and *pro rata* trade allocation. Accounts with specific restrictions or instructions (e.g., approved brokers list or counterparty restrictions) may not be included in aggregated trades. Orders for Funds which are seeded by affiliates of the Firm or testing accounts will be subject to the same allocation procedures as those applicable to client accounts.

**C. Trade Error Policy and System Events Policy**

In the event that there is an error with respect to trades made on behalf of clients, a formalized process is in place for the resolution of such errors. The Firm will correct such error in accordance with its policies and procedures. If the Firm, in its sole discretion determines that a client should be reimbursed as a result of a trade error caused by the Firm, interest will generally not be paid on such losses. Please refer to Item 8.B under "Trade Error Risk" for additional information and risk disclosures pertaining to trade errors.

The Firm may invest in systematic investment strategies and/or utilize systematic trading systems. Such strategies and systems harness complex econometric and statistical theories, research and modelling such strategies may result in "a system event" (e.g., errors regarding trading systems, coding/programming/modelling, etc.). The Firm will correct such error in

accordance with its policies and procedures. Any losses or gains arising from system events shall be borne by the Fund or client. The Fund or client will benefit from any gains and bear any losses unless it otherwise determined by the Firm. Please refer to Item 8.B under “Model and Data Risk” for additional information and risk disclosures pertaining to system events.

**D. Loan Trading**

The prospectuses for the CLOs which are managed by the Firm specify investment guidelines regarding diversification, ratings and risk among other criteria, to be adhered to in the management of such CLOs.

The Firm transacts in leveraged loans in both the primary and in the secondary bank markets. In the primary market, the Firm deals directly with the syndicating bank; in the secondary market, CLOs or Funds buy and sell interests in leveraged loans from commercial banks and dealers acting as principals, paying a markup or bid-offer spread, not a commission, on such trades. Primary issuance is usually handled by a limited universe of banks who syndicate new issuance among a group of lenders or potential lenders that have indicated an interest in participating. Trading in the secondary market occurs through a bid and offer process. Accordingly, the Firm may not be in a position to select a dealer or bank in all cases. In such cases, the only bank or dealer making a market in a specific leveraged loan or offering the investment represents the only available market and thus is the “best” execution.

## ITEM 13 REVIEW OF ACCOUNTS

### A. **Frequency and Nature of Review of Client Accounts or Financial Plans**

The Firm's portfolio management team, including portfolio managers and analysts are primarily responsible for reviewing Accounts and do so individually or in a group, depending upon account needs and market conditions. The portfolio management teams, individually or in various groups, performs daily, weekly, or monthly reviews of all Accounts as they deem appropriate or as otherwise required. Reviews may be undertaken because of changes in market conditions; change of security positions; changes in investment objectives or policies; capital inflows/outflows; and other reasons. Various matters may be discussed during such reviews, (*e.g.*, performance of accounts in connection with investment objectives, portfolio construction, risk/reward, security positions, and investment opportunities). In addition to the reviews performed by the portfolio management teams, the Portfolio Risk team reviews portfolios for adherence with client guidelines on a daily basis.

### B. **Factors Prompting Review of Client Accounts Other than a Periodic Review**

A review of an Account may be triggered by changes in market conditions; change of security positions; changes in investment objectives or policies; capital inflows/outflows; and other reasons, including for reasons not yet identified by the portfolio management team.

### C. **Content and Frequency of Account Reports to Clients**

The requirements for frequency and content of reports will be set forth in the documents for each Account.

Investors in the Funds generally receive estimated and final monthly statements, as applicable, generally showing account values, changes in account values, account activity, asset allocation, currency exposure and performance. Investors in private funds also generally receive audited financial statements prepared within either 90 days or 120 days, depending on regulatory requirements, of the applicable fund's fiscal year end.

While all investors generally receive similar information, to the extent an investor receives information (that other investors have not received), which is in addition to information provided in a Fund's regular reports to investors, such information may provide such investor with greater insight into the Fund's activities. This may enhance such investor's ability to make investment decisions with respect to a Fund and possibly affect such investor's decision to request redemption from such Fund.

Affiliated investment advisers that invest in the Firm Funds will receive information with greater transparency on such Fund that may not otherwise be made available to other investors.



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

**A. Economic Benefits for Providing Services to Clients**

The Firm does not receive economic benefits from non-clients for providing investment advice and other advisory services.

**B. Compensation to Non-Supervised Persons for Client Referrals**

From time to time, the Firm and/or its affiliates may utilize third-party placement agents or solicitors that receive compensation, which may be borne either by the Firm or its affiliates or by the investor or client, for referring the client to the Firm or investors to the Funds. Compensation may be in the form of a percentage of management fees or performance fees, a flat fee or as otherwise agreed. The Firm or its affiliates may benefit from the arrangements where clients are referred directly to it and/or investors are referred directly to a Fund, since the management fees are generally based upon a percentage of such client's assets under management. Thus, the more assets the Firm or its affiliates has under management, the higher the management fee income. If applicable, any such arrangement with a third-party solicitor will comply with the Advisers Act.

MII, an affiliate of the Firm, acts as a solicitor for managed accounts and the selling agent and/or investor servicing agent for certain Funds. The Firm may pay a portion of its fees to MII for its services. MII may receive a percentage of a Fund's management fee to act as selling agent and or investor servicing agent. In addition, MII has entered into agreements with other broker-dealers and certain financial advisers to solicit interests in Funds and/or to provide ongoing investor services and account maintenance services to investors. Each such broker-dealer and financial adviser generally receives compensation based on the aggregate value of outstanding interests held by investors that receive services from such persons, fixed amounts or other agreed upon compensation. Such compensation generally will be paid by MII from the fees that it receives from a Fund or the Firm.

In addition, the Firm has entered into an agreement with its affiliate, Man Investments AG ("MIAG"), an entity based in Switzerland that is registered with the Swiss Financial Market Supervisory Authority, to market the Firm services in jurisdictions outside of the U.S. and Canada. the Firm Funds may also enter into a distribution agreement directly with MIAG to sell Fund interests to non-U.S. persons. MIAG may contract with other affiliates to market the Firm services and sell Fund interests in jurisdictions outside of the U.S and Canada.

## **ITEM 15**

### **CUSTODY**

The Firm is subject to Rule 206(4)-2 under the Advisers Act (the "Custody Rule"). In accordance with the Custody Rule each Fund complies with the provisions of the "Pooled Vehicle Annual Audit Exception" and is subject to audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and distributes its audited financial statements to all investors within 120 days of its fiscal year end.

The Firm generally does not have custody of the assets held by managed accounts. Should the Firm directly debit fees from managed account, the Firm may be deemed to have custody as a result of such authority. In these cases, in order to comply with the Custody Rule, managed accounts will receive statements directly from the managed account's qualified custodian(s) (as defined in the Custody Rule) on at least a quarterly basis. Managed account clients should carefully review those statements regarding the investment activities and fees for the account.

## **ITEM 16**

### **INVESTMENT DISCRETION**

In general, the Firm provides discretionary investment advice and/or management services to its clients. As such, the Firm has discretion regarding all decisions and is authorized to determine and direct execution of portfolio transactions within each client's specified investment objectives, restrictions and policies. However, the Firm's discretion is subject to limits imposed as described in the applicable offering document in the case of the Funds, as applicable, and investment management agreements or other relevant documents with each client advised or sub-advised by the Firm. The Firm may utilize investment management capabilities of GLG Partners LP and/or other affiliates in providing services to certain clients. the Firm utilizes centralized trading and finance desks to execute orders on behalf of its clients (as well as clients of its affiliates), and allocate trades, in the manner described in Item 11 herein. Accordingly, for purposes of the responses to Item 11, references to the Firm shall be deemed to include GLG Partners LP and/or other affiliates to the extent that GLG Partners LP and/or other affiliates provide investment management and/or trading capabilities with respect to clients of the Firm.

The Firm does not provide investment advice to the investors in its CLOs or Funds.

## ITEM 17

### VOTING CLIENT SECURITIES

#### A. Proxy Voting

The Firm has adopted policies and procedures to ensure that any proxy voted on behalf of clients is voted in a manner which is in the best interests of such clients.

Proxies may be voted for clients at the Firm's discretion, where the Firm have been specifically instructed by a client to vote proxies or where the Firm is required to vote a proxy for a client (each a 'Proxy Client'). In such cases, proxies will be evaluated and voted in the best interest of the relevant Proxy Client(s). It should be noted that there may be times whereby the Firm invests in the same securities/assets while managing different investment strategies and/or client accounts; accordingly, it may be appropriate in certain cases that such securities/assets are voted differently across different investment strategies and/or client accounts, based on their respective investment thesis and other portfolio considerations. the Firm will only vote proxies on securities currently held by clients. Proxies received for securities that are loaned, on contract for difference/swap or where there is no economic interest will generally not be voted.

The Firm will endeavour to identify material conflicts of interest, if any, which may arise between the Firm and one or more issuers of clients' portfolio securities, with respect to votes proposed by and/or affecting such issuer(s), in order to ensure that all votes are voted in the overall best interest of clients. the Firm has established a Stewardship Committee to be responsible for resolving proxy voting issues when deemed necessary; making proxy voting decisions where a material conflict of interest may exist; monitoring compliance with the Global Proxy Voting Policy; and setting new and/or modifying existing policy.

The Firm has appointed, and will appoint from time to time, one or more proxy voting service companies, to provide it with proxy voting services for certain Proxy Clients. Where applicable, the Firm will generally vote proxies for the relevant Proxy Clients in accordance with the Firm's Proxy Voting Policy guidelines, specifically instructed to vote otherwise by the Stewardship Committee, or such Proxy Client.

The Firm's Proxy Voting Policy uses the Glass Lewis standard policy as the base but applies a number of additional guidelines focused on ESG standards. These guidelines target specific areas where the Firm believes higher standards should be promoted.

Key areas	Proxy Voting Policy
<b>1. Board Gender Diversity</b>	<p>Vote against the chair of the Nomination committee wherein a company fails to meet legal requirements, nominate any women to the board, or meet the best practice standard prevalent in the market and has not disclosed any cogent explanation or plan to promote board gender diversity.</p> <p>At large cap companies, vote against the male members of the nominating and/or governance committee when there is less than 30% female representation on the board of directors.</p> <p>At small cap companies, vote against the male members of the nominating and/or governance committee when there is not at least one woman serving on the board.</p> <p>For Russell 1000 companies, vote against male members of the nominating/governance committee when the Diversity Disclosure rating is poor.</p> <p>For MSCI US companies, vote against the nominating/governance committee chair if there is no disclosure of Equal Employment Opportunity (“EEO-1”) reporting.</p>
<b>2. Human Rights</b>	<p>For MSCI world companies, vote against the board chair when the company is not a United Nations Global Compact participant or signatory, or the Human Rights Policy does not align with the United Nation’s Universal Declaration of Human Rights (Vote against the audit committee chair if the board chair is not up for a vote).</p>
<b>3. Board Tenure and Refreshment</b>	<p>Vote against members of the Nomination and/or Governance committees wherein the board has an average tenure of greater than 10 years and there have been no new nominees in the last 5 years.</p>
<b>4. Executive Compensation</b>	<p>Vote against executive compensation policies wherein a company has received a Pay-for-Performance grade of ‘D’ or ‘F’ and sustainability is not an explicit consideration when determining executive pay.*</p> <p>Vote against executive compensation policies if compensation is not</p>

	linked to climate change (Tier 1), environmental issues (Tier 2) or sustainability (Tier 3).
	* Only applies to Canada, USA, and Australia.
<b>5. Independent Auditor</b>	Vote against reappointment if the auditor has been serving for longer than 20 years.
<b>6. Reincorporation</b>	Vote against reincorporation proposals wherein a company will be reincorporating to a tax haven and / or reincorporating offshore for tax and / or governance avoidance or to the detriment of shareholders.
<b>7. Shareholder Proposals</b>	Generally support shareholder initiatives that request additional disclosure on behalf of a company or are otherwise socially-positive, and not conversely aimed at limiting disclosure or consideration of key issues.
<b>8. Climate policy overlay on Director Elections</b>	Vote against if the company lacks an ESG committee, has experienced environmental / climate-related controversies or concerns are identified in relation to reporting, GHG emissions or SBTi GHG emission targets, or other related controversies.

The Glass Lewis standard proxy voting guidelines can be found on Glass Lewis' website at: <https://www.glasslewis.com/voting-policies-current/>

Nevertheless, in voting proxies, the Firm takes into account what is the overall best economic interest of its Proxy Clients. the Firm maintains documentation memorializing the decision to vote a proxy in a manner different from what is stated in the relevant proxy voting guidelines.

The Firm may abstain from voting a proxy when it is determined that the cost of voting the proxy exceeds the expected benefit to the client. Documentation is maintained of all proxies that are not voted for Proxy Clients and the reasons therefor where the Firm has been instructed by the Proxy Client to vote.

Upon request, clients may receive a copy of the Firm's Global Proxy Voting Policy and/or information regarding the manner in which securities held in their account were voted by contacting the Firm at (212) 649-6600.

## **B. Class Actions and Securities Litigation**

The Firm only participates in class actions on behalf of its clients (as authorized) to the extent possible and practical and where it believes it is in the best interests of the clients to do so. There may exist circumstances where a recovery is possible but the Firm does not believe it is in the clients' best interest to so participate. It is currently expected that in substantially all situations where the Firm is authorized to file class actions on behalf of clients, the Firm will utilize the services of a third-party class actions service provider. Only current clients or Fund investors

will receive any proceeds received from class action recoveries. Investors that have fully redeemed will not receive any class action proceeds. The Firm may consider a *de minimus* amount with regards to distributing any proceeds received.

The Firm may from time to time receive notification of and/or determine (as authorized) to engage and/or participate in litigation or other legal proceedings regarding investments held by clients. The Firm may participate and/or engage in those lawsuits where the Firm has made the determination that the potential benefit to its client(s) outweighs the costs of participation in the litigation. Any monies recovered as a result of any such litigation will be allocated on a pro rata or other appropriate basis to client(s) which hold/held the investment at issue. the Firm will not be responsible for reimbursing any client(s) or investor(s) who may have been invested during the period that is the subject of any litigation but had redeemed or withdrawn such investment prior to such a recovery. The Firm may consider a *de minimus* amount with regards to distributing any proceeds received.

**ITEM 18**  
**FINANCIAL INFORMATION**

The Firm is not required to include a balance sheet for its most recent fiscal year, is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to clients, and has not been the subject of a bankruptcy petition at any time during the past ten years.