



Deer Park Road Management Company, LP

1195 Bangtail Way
Steamboat Springs, CO 80487
970-457-4340
www.deerparkrd.com

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This brochure provides information about the qualifications and business practices of Deer Park Road Management Company, LP. If you have any questions about the contents of this brochure, please contact our Investor Relations Department at (970) 457-4340 or e-mail us at info@deerparkrd.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.

Deer Park Road Management, LP is an SEC registered investment adviser. This registration does not imply a certain level of skill or training. Additional information about Deer Park Road Management Company, LP is also available on the SEC’s website at www.adviserinfo.gov.

Item 2. Material Changes

This summary of material changes reflects updates made to the disclosures since our last annual filing on February 24, 2023.

Revisions were made to address the creation of a new fund, Deer Park Mortgage Opportunity Fund I and the creation of the Adviser’s Risk Management Committee, which is charged with identifying, assessing, monitoring and mitigating trading and investment risks.

This updated brochure also includes various changes not described in this Item to provide clarification and additional information.

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Item 4. Advisory Business

Deer Park Road Management Company, LP (“Deer Park” or the “Adviser”), a Delaware limited partnership, is an alternative investment adviser focused on the structured finance segment of the global fixed-income markets. Deer Park was founded in 2003 by Michael Craig-Scheckman, its current Chief Executive Officer and founder. Mr. Craig-Scheckman has been in the investment business for over 40 years and has over 30 years of experience in the distressed mortgage-backed and asset-backed securities field. Scott Burg joined the Adviser in 2010 and is currently the Chief Investment Officer and managing partner. Mr. Burg has over 20 years of experience in the MBS/ABS (each as defined below) market. Brad Craig has been with the Adviser since 2007 and currently serves as its Chief Operating Officer. Deer Park is owned and controlled by Michael Craig-Scheckman, Scott Burg and Brad Craig. Henry Murray has a non-voting ownership interest.

Deer Park aims to identify attractive investment opportunities primarily by exploiting trading and investment opportunities with a strong, but not exclusive, focus on mortgage-backed securities (“MBS”), asset-backed securities (“ABS”), corporate debt, and other credit investments. The Adviser has also taken equity positions in early stage and public companies that operate in the real estate, mortgage or mortgage service industry. Certain of these companies provide services to funds managed by the Adviser or its affiliates.

The Adviser employs a fundamental research approach on security selection in the MBS/ABS market. Specifically with regard to ABS, security selection is based on a valuation process that seeks to exploit the disparity between the intrinsic and market value of these securities, capitalizing on the traditionally inefficient MBS/ABS marketplace. Portfolios also include long and short positions in derivatives, corporate debt and equities. Investments in these securities are made and liquidated on an opportunistic basis from time to time depending on economic conditions.

As of December 31, 2023, Deer Park managed approximately \$3 billion of assets (calculated as net asset value of Funds managed by Deer Park as of December 31, 2023) on a discretionary basis, and Deer Park and its affiliate, Bangtail Management LP (“Bangtail”), together managed approximately \$3.1 billion of assets (calculated as net asset value of all Funds managed by the Adviser and its affiliates as of December 31, 2023) on a discretionary basis. The Adviser does not manage wrap fee programs. “Regulatory Assets Under Management,” as that term is defined by the SEC, were \$4 billion on a discretionary basis firmwide as of December 31, 2023, which includes committed capital.

The Adviser manages one hedge fund, a pooled investment vehicle that is operated as a closed-end private fund, two private funds, each with one investor (each, a “Fund of One” and together with the hedge fund and the closed-end fund, the “Private Funds”), and serves as a sub-adviser of one registered mutual fund (“Mutual Fund” and together with the Private Funds, the “Clients” or “Fund”). The hedge fund, STS Master Fund Ltd. (“STS”), was formed in the Cayman Islands in 2016 as the “master fund” in a master-feeder structure where STS Partners Fund, LP, a Delaware limited partnership, is the “onshore feeder” and Ski Time Square Limited, a Cayman Island limited company, is the “offshore feeder.” Both feeders invest their assets in the master fund, STS. STS had \$2.8 billion of net assets as of December 31, 2023. Deer Park 1850 Fund, LP is a Fund of One that had \$666 million of net assets as of December 31, 2023, and 3 Points LP is a Fund of One that had \$273 million of net assets as of December 31, 2023.

The Mutual Fund is registered as an investment company under the Investment Company Act of 1940, as amended (the “Company Act”), and the Securities Act of 1933, as amended (the “Securities Act”). Deer Park serves as a sub-adviser to the Mutual Fund. The Mutual Fund is named the Deer Park Total Return Credit Fund (“DPFNX”) and had \$335 million in net assets as of December 31, 2023.

Deer Park manages the Mutual Fund to keep illiquid positions below a minimum threshold established by the Company Act and the Client.

Item 5. Fees and Compensation

The fees and expenses applicable to the Private Funds and the Mutual Fund are set forth in each Private Fund’s and Mutual Fund’s offering or constitutive documents. A summary of those fees and expenses follows. Fees and expenses on new private funds and other products are negotiable.

The Adviser or entities that the Adviser owns, controls or is under common control with (its “Affiliates”) are entitled to receive an annual incentive allocation (“Performance Allocation”) from certain Private Funds based on a percentage of the net realized and unrealized income and capital appreciation (the “Appreciation”), if any, of the capital accounts or net asset value (“NAV”) of the shares, as applicable. Compensation received by the Adviser from the Private Funds also includes “Management Fees” and some cases a carried interest.

The Adviser may, in its discretion, negotiate lower Management Fees or graduated Performance Allocations, or both, with individual investors or as a separate class or fund, in its sole discretion.

The Adviser has discretion to waive, and with investor consent, modify or change the amount or calculation method for the Management Fee or Performance Allocation with respect to any Private Fund, class or individual investor including affiliates or employees of the Adviser.

STS. The STS Performance Allocation received by the Adviser is generally subject to a hurdle rate with a declining, graduated rate once the hurdle rate is exceeded. The hurdle rate may be static or calculated by reference to a benchmark, depending on the class or specific Private Fund according to the methodology described in the governing documents for the class or Private Fund. The Adviser currently offers only Class I interests in its STS fund, which has a 1% annual management fee and no Performance Allocation on returns up to and including 5%, 50% Performance Allocation for returns greater than 5% and up to and including 9%, and 25% Performance Allocation for returns greater than 9%, subject to a high watermark. If no STS Performance Allocation is earned in a calculation period, then no amounts would be carried over to the next year or any succeeding years.

Deer Park Mortgage Opportunity Fund I. Each limited partner’s share of any distribution will be allocated and distributed as follows: first, 100% to the limited partner until it has received cumulative distributions equal to its aggregate unreturned capital contribution; second, 100% to the limited partner until it has received a 12% annual return, compounded annually, on its aggregate unreturned capital contributions; third, 50% to the limited partner and 50% to the general partner (an Affiliate of the Adviser) until the general partner has received cumulative distributions equal to 20% of the aggregate amounts distributed; thereafter, 80% to the limited partner and 20% to the general partner.

Monthly Management Fees in the Funds are based on the previous month's net asset value plus beginning of the month capital activity (whether contributions or redemptions), or based on the current month's net asset value, depending upon the application Funds' governing document. In each case Management Fees are paid quarterly, in arrears. Management Fee rates generally range between 1.0% and 2.0% per annum. Compensation received by the Adviser from the Mutual Fund comprises solely Management Fees and generally ranges from 1.125%-1.85%, subject to certain fee waivers and expense sharing agreements as more fully described in the Mutual Fund's Prospectus. Certain classes of the STS Private Fund pay no Management Fee in return for a higher Performance Allocation or a Performance Allocation with different tiers than those for Class I, and certain investors in Deer Park Mortgage Opportunity Fund I pay no Management Fee on account of having been STS Private Fund investors.

Please also see "*Item 12 – Brokerage Practices*" below for additional information regarding Deer Park's broker selection policies.

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

As discussed in Item 5, the Adviser or its Affiliates are entitled to receive Performance Allocations from the Private Funds. The Private Funds have different Performance Allocation calculations and different Management Fees, and they all differ from the Mutual Fund. Affiliates of the Adviser also make investments into a proprietary investment vehicle managed by Related Persons (as defined in Deer Park's Form ADV Part 1A) of Deer Park, some of which investments may also be purchased and held by Funds.

As a result of managing various Client and proprietary accounts on a side-by-side basis, the potential exists for the Adviser to seek to favor one of its Clients over another or itself over Clients in allocating investment opportunities or otherwise. Additionally, Performance Allocation arrangements may create an incentive for the Adviser or its Affiliates to make investments that are riskier or more speculative than would otherwise be the case if such an arrangement were not in effect, particularly in any period after losses have been suffered since losses from prior periods must be recovered before any Performance Allocation is payable. The Adviser may also invest more heavily in one of its Funds than in others, which may also serve as an incentive to favor one Client over another. Management Fees for certain Clients that are higher than others may create similar incentives.

Deer Park or its Affiliates operate multiple lines of business and engage in a wide variety of business transactions and business ventures. Deer Park has invested the assets of Client portfolios in companies, entities and other investments in which the Deer Park or its Affiliates (including proprietary accounts set up for principals of Deer Park or its Affiliates) hold a financial interest or derive other financial benefit, and Clients may make such investments at a different price, on different terms or with different conditions than Deer Park or its Affiliates. Deer Park has previously recommended, and will under circumstances appropriate for each Client, recommend that Clients purchase or sell an investment that is being sold or purchased, respectively, at the same time by Deer Park or an Affiliate. Under such circumstances Deer Park will have conflicts of interest in effecting transactions for its Clients, including transactions in which Deer Park or certain of its Affiliates may have a greater financial interest than their financial interest in a Client.

Allocation Policy

In general, the decision to aggregate and allocate investments among Clients, or to source and execute trades separately for any one Client, will be made on a fair and equitable basis. The effect of these activities may, however, operate to the advantage or disadvantage of any specific Client. For example, if the Adviser decides to purchase securities in a block trade for more than one Client, but there is not a quantity of the security available in the market sufficient to satisfy the investment amount desired for each Client, then each Client will be allocated less of the security or pay a higher price than if it had acted alone. In this circumstance, the Adviser may not be able to execute an investment decision for each Client as effectively as it could have if it acted on behalf of each Client alone. The Adviser may also execute trades that are not aggregated but rather are executed for one Client even where such security is suitable for other Clients. This may occur when the portfolio managers of one Client source a bond that is illiquid or not available in sufficient quantity to allocate to other Clients, when existing positions of the other Clients are being added to, when a Client does not have sufficient cash to participate in a minimum size, to avoid creating an odd lot that would have adverse liquidity characteristics, or in other circumstances.

There may be a conflict of interest in the allocation of investment opportunities among Clients, including proprietary accounts and other investment vehicles managed currently or in the future by the Adviser. The Adviser, its employees, and its Affiliates manage Clients that may have investment objectives, programs, strategies and positions substantially similar to or in conflict with those of other Clients, or that may compete with or have interests adverse to other Clients. Such conflicts could affect the prices and availability of securities in which each Client is invested. In addition, the Adviser may, because of differing investment objectives, programs, strategies or other factors, cause Clients to take different and even opposite positions in a particular security or other transaction or take different positions within an issuer's capital structure, or may give advice or take action with respect to the investments held by, and transactions of, a Client that may differ from the advice given or the timing or nature of any action taken with respect to the investments held by, and transactions of, another Client due to a variety of reasons, including, without limitation, differences between the recommendations or research of the portfolio managers of the Client and the portfolio managers of the other Client, or differences between the investment strategy, financing terms, regulatory treatment and tax treatment of one Client and other Clients.

The ability to allocate a portion of a trade to a proprietary investment vehicle creates a conflict of interest for the Adviser in that the Adviser will profit disproportionately if the trade is profitable. In order to mitigate this risk, the Adviser has instituted policies and procedures to safeguard against unfair allocations. These procedures include a requirement that the portfolio manager ensure that Clients participating in a bulk trade with a proprietary account receive a full allotment before the proprietary account receives an allocation.

In some cases, participation in specific opportunities may be appropriate, at times, for one or more Clients that may or may not have similar trading objectives. In such cases, the Adviser may have conflicts of interest with respect to the allocation of investments among the Clients, as well as the aggregation of trade orders, where the Adviser, to the extent legally permissible, is authorized to combine purchase or sale orders on behalf of a Client together with orders on behalf of other Clients managed by the Adviser or any of its Affiliates. To address this conflict of interest and minimize potential adverse effects to Clients, the Adviser has adopted policies and procedures

regarding allocations of trades. Pursuant to these policies and procedures, each of the Adviser's portfolio managers, associate portfolio managers and senior analysts (collectively, the "Traders" and individually, a "Trader") with responsibility for one or more Clients may, in his or her discretion, share information and source and execute trades jointly or may source and execute trades separately, each for Clients for which such Trader has responsibility. Similarly, each Trader may, in his or her discretion, execute block trades for multiple Clients over which such Trader has responsibility or for one Client and not others. The decision whether to aggregate trades or place a particular security in one Client and not in another will be based on a number of factors, including but not limited to: which Trader sourced the trade, different investment guidelines or yield targets, different cash positions, expected cash flows, expected withdrawals and capital contributions, existing positions in the subject security, or risk parameters and sizing constraints. Accordingly, each Client may have substantially different portfolios and investment returns as compared to any other Client. The Adviser and each of its Traders 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 Client solely because the Adviser or its Traders purchase or sell the same security for another Client. This may occur where such security or transaction is sourced or recommended by the portfolio managers of one Client and such recommendation is not allocated to another Client. Similarly, the portfolio managers with responsibility for a Client may source or recommend a security or transaction that is not allocated to other Clients. This may also occur if the security or transaction does not appear to be suitable, practicable or desirable for any specific Client. Conflicts of interest may also arise when the Adviser makes decisions on behalf of a Client with respect to matters where the interests of the Adviser or one or more Clients differs from the interests of a Client in which the Adviser or an Affiliate holds an interest.

The Adviser may cause Clients to purchase the same securities but at different times for several reasons. Because some Clients may have a different hold period target than other Clients, their analysis and confirmatory due diligence may take longer or be shorter than that of another Client. It is often not possible to determine in the early stages of analysis the correct allocations among different Clients, and follow-on allocations may substantially differ at times. Also, different Clients may have a tendency to sell during general market downturns (during which other Clients might be buying the same securities, because of differing investment goals). In some cases, a Client may pay a higher price for certain securities than those of other Clients.

The Adviser has in the past been aware, and in the future may become aware, of business opportunities in which a Client has not or will not be given an opportunity to participate. The Adviser may refer such business opportunities to its Affiliates or others and may receive a commission or other compensation in connection therewith.

In certain cases, Clients may be competing for scarce or illiquid securities. For example, a Trader of one Client and the Trader of another Client may identify desirable but otherwise scarce or illiquid portfolio investments and purchase those securities for one or the other Client. In this case, a Client may not have the opportunity to purchase that specific security for its portfolio.

The Adviser also manages a proprietary account that invests in securities that are also purchased or held by Client. This creates the potential that the Adviser will seek to allocate to itself a security that it believes will be profitable, which could disadvantage Clients.

Item 7. Types of Clients

The Adviser and its Affiliates serve as the management company, investment adviser or sub-adviser for pooled investment vehicles. The pooled investment vehicles are typically structured as domestic limited partnerships, offshore exempted companies, or offshore exempted limited partnerships. They can take the form of a “master-feeder” structure where investors invest in a feeder fund that invests exclusively in a master fund that is managed by the Adviser or can be stand-alone vehicles.

Generally, limited partnership interests in any domestic limited partnerships are offered on a private placement basis, and in reliance on Section 3(c)(7) of the Company Act, to persons who generally are “accredited investors” as defined under the Securities Act, and “qualified purchasers” as defined under the Company Act, and who are subject to certain other conditions that are set forth in the offering documents for the applicable Fund. Shares in offshore Funds are generally offered to persons (x) who are not “U.S. Persons” as defined under Regulation S of the Securities Act, or who are tax-exempt U.S. Persons (or entities substantially comprised of tax-exempt U.S. Persons) on a private placement basis and in reliance on Section 3(c)(7) as described above; and (y) who are subject to certain other conditions that are set forth in the offering documents for the applicable Private Funds.

Investors in the Private Funds include some or all of the following: institutional investors, pension and profit-sharing plans, trusts, estates, charitable organizations, high net worth individuals, corporations or business entities other than those listed previously, private investment funds or other entities. Minimum initial investments in Private Funds vary but can be as high as \$3 million, subject to reduction in the discretion of the Adviser. Certain of the Private Funds are structured as standalone private investment vehicles, each for a single institutional investor. The Mutual Fund is registered under the Company Act and the Securities Act. The Mutual Fund is advised by advisers that are not affiliated with Deer Park. These unaffiliated advisers contract with Deer Park to manage the investments of the Mutual Fund as a sub-adviser. The Adviser may manage separate accounts for institutional advisers from time to time. The Adviser does not manage wrap fee accounts.

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

In this section, the term “Adviser” is used in reference to activities undertaken by the Adviser on behalf of its Clients, including their underlying investors. The risks undertaken by the Adviser should be read to include risks undertaken by each investor in the Firm’s products except where indicated otherwise.

INVESTMENT STRATEGY

The Adviser employs a strong but not exclusive focus on distressed securities (including MBS and ABS, corporate debt and other credit instruments). The Adviser utilizes a value-oriented approach to source and manage a portfolio of opportunistic credit and other investments which the Manager anticipates will provide commensurate risk-adjusted returns and cash flows. Such MBS include residential mortgage backed securities (“RMBS”) and commercial mortgage backed securities (“CMBS”) that are rated below investment grade, or not rated. The Adviser also invests in other

types of asset-backed or debt securities as well as equity securities and derivatives. These investments generally present a higher risk of default than securities rated as investment grade, but which the Adviser believes are undervalued. By using proprietary fundamental analysis and modeling key variables, the Adviser seeks investments expected to provide steady and substantial cash flows. The Adviser's Risk Management Committee is part of the investment oversight process and is charged with identifying, assessing, monitoring and mitigating trading and investment risks. The Risk Management Committee sets hedging parameters for the portfolios, and therefore its decisions will impact the instruments used, and the extent to which they are used for hedging purposes in any portfolios managed by the Adviser.

The Adviser will typically invest in fixed and floating rate securities, and securities that bear no interest. Investments include, among other permitted investments, deep value, high cash flow, short duration RMBS. The Adviser invests without restriction as to issuer capitalization, country, credit quality and maturity (for fixed income securities).

The Adviser invests in discounted and deeply discounted, asset-backed debt, predominately backed by real estate, which the Adviser anticipates will provide steady and substantial cash flows. Although the Adviser actively trades Client portfolios on an opportunistic basis, the Adviser's philosophy is based on buying securities that the Adviser is comfortable holding to term. The Adviser focuses on investing in securities backed by real estate or mortgages but will also take significant positions in equity and exchange-traded fund ("ETF") securities (some of which are backed by gold, silver and/or mining companies), debt securities backed by corporate credit, derivatives and securities backed by other collateral, including, but not limited to, automobiles, boats, planes and credit cards.

The Adviser utilizes a fundamental strategy conducted through a "bottom-up" analysis to analyze the credit profile and relative value of certain credit instruments and equities, combined with a "top-down" view of opportunities, to identify instruments valued at less than "intrinsic" value. As a result of such analysis, the Funds will take long risk, short risk and other positions on an issuer's capital structure to seek to exploit perceived mispricing based on issuer specific valuation matrices, which examine several metrics such as enterprise value, debt to equity ratios, return on equity and asset coverage.

Mutual Fund Clients of the Adviser have the option to redeem their investments on a daily basis, while Private Fund interest holders have more limited redemption terms. Securities purchased for Private Fund Clients are likely to have more limited liquidity characteristics than the Mutual Fund, which has limitations on the percentage of illiquid securities it can hold.

The Adviser invests in derivatives, including, without limitation, swaps, options and credit default swaps, for both hedging and speculative purposes. Subject to Client restrictions on the use of leverage, derivatives or hedging strategies in general, the Adviser currently employs high levels of derivatives for certain Clients in response to market conditions, and this high level of derivatives may persist for a substantial period. From time to time, the Adviser employs investment in commodities for hedging and speculative purposes. Due to the highly sensitive nature of derivative pricing, high levels of derivatives may entail a high level of risk.

The Adviser seeks to derive portfolio returns through fundamental analysis and security selection. However, depending on Client guidelines and regulatory restrictions, the Adviser will incur leverage from time to time for the purpose of enhancing returns or hedging against volatility in Client portfolios. Leverage is defined differently for each Fund according to the terms of the governing documents for each Fund. (for example, “as cash borrowed over the Fund’s Net Asset Value,” “borrowed funds and other means of financing in regard to one or more securities, or otherwise”).

Although the Adviser primarily follows a buy and hold approach to sourcing and managing the securities in the portfolios, the Adviser also uses a number of other investment strategies and techniques depending on market conditions and Client restrictions, including, without limitation, hedging, directional allocation, credit default swaps, short-term trading and other investment techniques and strategies to capitalize on market movements. The Adviser takes long positions and short positions in portfolio securities. The Adviser also takes long or short positions in derivative instruments such as credit default swaps and options for hedging and speculative purposes. Current income is not a significant criterion in the selection of most investments, but the Adviser attempts to generate cash flow (including both the payment of interest and return of principal) each month.

The Adviser will follow a general policy of seeking to spread a Fund’s capital among a number of investments; however, each Fund’s portfolio will not necessarily be diversified within the spectrum of investments described above. A Fund will not utilize a set formula to determine how its assets are allocated among different classes of investments.

Artificial Intelligence Engines and Machine Learning (collectively “AI”)

AI is used as an umbrella term that encompasses a broad spectrum of different technologies and applications. The Adviser may use AI for investment research and to support back office functions. When relying on AI, there are certain risks involved, including data quality, copyright and trade secret violations, confidentiality breaches, unauthorized access or malware risks, insider trading, breach of contract, cybersecurity, and privacy law violations. Data inputs and outputs are assessed and evaluated for data integrity, however, there is no assurance of accuracy.

RISK OF LOSS

General. Neither the General Partner nor the Adviser makes any guarantee or representation that the Funds’ investment objectives will be achieved or that their investment approaches will be successful. As is true of any investment, there is a risk that an investment in a Fund will be lost entirely or in part. In particular, there is a risk that the Funds may be wound up earlier than anticipated if they fail to meet their investment objectives or for any other reason in the discretion of the respective general partners.

Combination or “Layering” of Multiple Risks May Significantly Increase Risk of Loss. Although the various risks discussed herein are generally described separately, investors should consider the potential effects of the interplay of multiple risk factors. When more than one significant risk factor is present, the risk of loss to an investor may be significantly increased.

Long-Term Investments. Even if the Funds' investments prove successful, they may not produce a realized return to investors in excess of their cost basis for a number of years.

Overall Investment Risk. All securities investments risk the loss of capital. The nature of the securities to be purchased and traded by the Adviser and the investment techniques and strategies to be employed in an effort to increase profits may increase this risk. Many unforeseeable events, including but not limited to actions by government agencies and domestic and international political events, may cause sharp market fluctuations. Investors must be able to sustain substantial or total losses on the value of their investment.

Dependence on Key Personnel. The Adviser's ability to manage successfully the affairs of the Funds currently depends on the portfolio managers of the Funds. The Adviser relies extensively on the experience, relationships and expertise of these individuals. The performance of the Funds will depend to a large degree on the efforts of the individuals employed by, or engaged to act on behalf of, the Adviser, and competition among alternative investment managers is intense for the most highly skilled individuals. There can be no assurance that the portfolio managers will remain in the employ of the Adviser, or otherwise continue to be able to carry on their current duties throughout the term of the Funds. These individuals may have substantial responsibilities outside the management of the Funds. However, they intend to devote a significant portion of their professional time to the Funds, will have significant personal investment in the Funds (directly or indirectly) and/or significant financial incentives to maximize the value of the Funds' holdings, and, in any event, they will devote at least as much time as is reasonably necessary to carry on the business and affairs of the Funds.

Herding Risk. The substantial growth of the hedge fund industry, including banks and investment banks trading large, highly-leveraged positions of the same nature as those held by hedge funds, has augmented herding risks. Even if the Funds make investments that are not broadly followed by other funds or investment banks, such funds or investment banks may later discover opportunities in the same assets in which the Funds have already invested. Whatever the "fair price" of a security or a relationship, its trading price is sometimes radically altered or influenced by the market activity of traders executing parallel trading programs. This factor may create sudden losses and/or gains at unpredictable times. The negative impact of herding may be significant when markets are under stress and traders holding large leveraged positions seek to liquidate or cover positions simultaneously.

Market Turmoil. Asset-backed and mortgage-backed markets, including real estate markets, experienced unprecedented turmoil during the general financial and credit crisis of 2007-2009 (the "Financial Crisis"). During that time period, credit markets became illiquid, banks and other sources of credit ceased lending or significantly increased borrowing costs and equity and real estate markets lost substantial value. This market turmoil, coupled with direct government intervention in the markets through temporary bans on short selling and other actions, caused many private investment funds to suffer substantial losses. Losses by such funds, as well as losses in other portions of investors' investment portfolios and investors' liquidity needs, caused investors to request withdrawals from some of those funds. In the face of those withdrawal requests, many private investment funds were faced with two difficult choices: (i) sell their positions into illiquid markets at declining prices or (ii) implement restrictions on withdrawals (such as gates, liquidating accounts or vehicles, side pockets, designated investments and outright suspensions). The pressure

was particularly acute for investment funds that implement less liquid strategies. A return of this market turmoil, or new periods of turmoil that present similar stresses on private investment funds, could have a material adverse effect on the Adviser's performance.

Inflation. Inflation and rapid fluctuations in inflation rates, as has recently occurred in the U.S., have had in the past, and may in the future have, negative effects on economies and financial markets. Wage and price controls have been imposed at times in certain countries in an attempt to control inflation, which could significantly affect the operation of the issuers of securities or other investments in which the Funds invest. Governmental efforts to curb inflation often have negative effects on the level of economic activity. As such, inflation and rapid fluctuations in inflation rates can adversely affect the financial performance of the Funds. In addition, the market value of the Funds' investments may decline in times of higher inflation rates given that the most commonly used methodologies for valuing investments (e.g., discounted cash flow analysis) are sensitive to rising inflation and real interest rates. There can be no assurance that inflation will not continue to be a serious problem and have an adverse impact on the performance of Funds and their investments. Were significant inflation to continue, the effect on the Adviser's strategy could be materially adverse.

Monetary Policy and Governmental Intervention. Over the past decade, the U.S. Federal Reserve and global central banks have, in addition to other governmental actions to stabilize markets and seek to encourage economic growth, acted to hold interest rates at historic lows. Market turmoil relating to the COVID-19 pandemic prompted additional acts by U.S. and non-U.S. governments, central banks and other governmental entities, including further cuts to interest rates and other fiscal stimulus programs, and it is possible that additional measures will be implemented in the future. No assurances can be made that any such government intervention will be successful. More recently, central banks have taken and/or considered actions to counter increased rates of inflation, including by increasing interest rates. Such policies may have a significant effect on interest rates and the U.S. and global economy generally, which in turn may affect the performance of the Funds' investments or the ability of the Funds to realize their investment objectives. The implementation of such programs may also be delayed due to political factors that are changing rapidly.

Terrorist Action; Acts of War; Natural Disasters; Global Contagion. There is a risk of terrorist attacks in the U.S. and elsewhere or acts of war (including, for example, conflict between Russia and Ukraine as well as recent events in Israel), causing significant loss of life and property damage and disruptions in the local or global market. Economic and diplomatic sanctions may be in place or imposed on certain states and military action may be commenced. The occurrence of a natural disaster or epidemic could adversely affect and severely disrupt the business operations, economies and financial markets of many countries (even beyond the site of the natural disaster or epidemic). Such events have created, and continue to create, economic and political uncertainties and have contributed to global economic instability. Losses from such events are generally uninsurable. Ultimately, the potential impact of such events is unclear, but such events could have a material adverse effect on general economic conditions, market liquidity or the operations of the Adviser or a Fund.

Epidemics and Pandemics. Since 2003, the world has seen a number of outbreaks of new viral illnesses of varying severity, including Severe Acute Respiratory Syndrome (SARS), Middle East

Respiratory Syndrome (MERS), the H1N1 Flu (Swine Flu), and COVID-19. The responses to these outbreaks have varied as has their impact on human health, local economies and the global economy, and it is impossible at the outset of any such outbreak to estimate accurately what the ultimate impact of any such outbreak will be. Protective measures taken by governments and the private sector to mitigate the spread of such illness, including travel restrictions and outright bans, quarantines, and work-at-home arrangements, and the spread of any such illness within the offices of the Adviser and/or the Funds' service providers, could seriously impair the Adviser's and/or the Funds' service providers' operational capabilities, potentially harming the Funds' business and its operating results. The COVID-19 pandemic has caused significant volatility in the credit and equity markets, which, in turn, has resulted in significant losses to many private investment funds.

Illiquidity of Investments. Certain investments typically will be assets or instruments for which no (or only a limited) liquid market exists or that are subject to legal or other restrictions on transfer. Lack of liquidity can make it difficult or impossible for a Fund to purchase or sell securities or other assets at desired prices or in desired quantities, as a result of which, among other things, it may be economically unfeasible for a Fund to recognize profits on open positions or to close out open positions against which the market is moving. In such instances, sales of illiquid instruments might only be possible at a substantial discount. In addition, such instruments would be difficult to value, and illiquidity could disconnect market values from the historical pricing indicators used in a Fund's investment analysis and determination of fair value pricing for NAV, as the fewer transactions that take place the greater the risk of market values not reflecting true pricing relationships or fair value. Many of the securities in which a Fund invests will be illiquid and not traded in any public market. In addition, in times of extreme market disruption, there may be no market at all for one or more asset classes, potentially resulting in the inability to dispose of its assets for an indefinite period of time.

The Funds primarily invest in unlisted or unregistered securities. Because of the absence of any substantial trading market for these investments and, as to unregistered securities, the imposition of restrictions on resale, the Funds might take longer to liquidate these positions than would be the case for publicly traded securities and may not be able to do so at favorable prices or at the price at which the Funds carry the investment. Even though these securities may be resold in privately negotiated transactions, the prices on these sales could be less than those originally paid by the Funds. Moreover, the prices on these sales may be more or less than the most recent price at which the security was marked.

Conflicts of Interest. The Adviser and its officers and employees have several conflicts of interest as a result of the other activities in which they engage. For example, members of the Adviser's investment team may have conflicts of interest in allocating their time. Moreover, members of the Adviser's investment team are engaged in other business activities which consume some of their time and attention, including with respect to other accounts or other products managed by the Adviser, as well as business activities external to the Adviser. The professional staff of the Adviser will devote as much time to the Funds as such professionals deem appropriate to perform their duties in accordance with the investment management agreements. However, such persons may be committed to providing investment advisory and other services for other clients, and engage in other business ventures. As a result of these separate business activities, the Adviser has conflicts of interest in allocating management time, services and functions among the Funds, other advisory clients and other business ventures.

Leverage. The Funds may leverage their investments. Although the use of leverage may enhance returns and increase the number of investments that can be made, it may also substantially increase the risk of loss. Small hedging errors may be amplified by leverage into major duration imbalances that render a portfolio exposed to directional shifts in the yield curve and may lead to a total loss of the leveraged investment. Hedges may fail to track target investments due to uncorrelated changes in spreads between various instruments, resulting in large, unexpected losses. Additionally, the debt financing the Funds anticipate obtaining will provide for mandatory repayments on the occurrence of certain events. The performance of the Funds will be adversely affected if the Fund has to make mandatory repayments at a time when alternative financing is not available or only available on unfavorable terms. The Funds may be required to sell investments at times it would not otherwise choose to do so in order to make mandatory repayments. However, the Funds seek to maintain excess borrowing capacity in order to avoid the occurrence of mandatory repayments and to provide liquidity in the event that certain assets become subject to such repayments.

No restrictions have been imposed on the collateral and asset reuse arrangements that a Fund may employ as a means of reducing the cost of any counterparty providing leverage. A Fund may impose restrictions from time to time.

Financing Arrangements; Availability of Credit. As the Funds utilize leverage, they depend on the availability of credit in order to finance their portfolios. There can be no assurance that the Funds will be able to maintain adequate financing arrangements under all market circumstances. As a general matter, certain of the dealers that provide financing to the Funds can apply essentially discretionary margin, haircut, financing, security and collateral valuation policies. Changes by dealers in such financing policies, or the imposition of other credit limitations or restrictions, whether due to market circumstances or governmental, regulatory or judicial action, may result in large margin calls, loss of financing, forced liquidation of positions at disadvantageous prices, termination of swap and repurchase agreements and cross-defaults to agreements with other 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 at or about the same time.

Developments in Asset-Backed and Mortgage Credit Markets. Asset-backed and mortgage credit market illiquidity may make the analysis of issuer and servicer credit-worthiness problematic. For example, many highly rated issuers depend on the asset-backed and mortgage credit markets to finance their longer-term debt obligations at short-term rates. Ordinarily, this is a routine and ongoing refinancing process. However, during the Financial Crisis poor performance of subprime home equity loans and other asset-backed securities led to market turmoil and resulted in price volatility and ratings downgrades, a situation which may recur. As such, the credit worthiness and viability of the servicers of such mortgages are significant risks, and it is difficult if not impossible to predict the default rates on the assets underlying RMBS and MBS acquired by the Funds. Illiquidity and unpredictability in these markets make it difficult to determine whether such servicers have sufficient capital and adequate staffing levels to fulfill their servicing obligations and the extent to which such servicers are subject to regulatory risks and risk of error. A credit event or other failure by a servicer could result in losses to the Funds.

General Real Estate Considerations. Transactions in the real estate sector are subject to varying degrees of risk. Values are affected by a number of factors, including changes in the general

economic climate, local conditions (such as an oversupply of space or a reduction in demand for space), the quality of management, competition based on rental rates, attractiveness and location of the properties, financial condition of tenants, buyers and sellers of properties, quality of property maintenance, insurance and management services and changes in operating costs. Values are also affected by such factors as government regulations (including those governing usage, improvements, zoning and taxes), interest rate levels and the availability of financing and potential liability under changing environmental and other laws. While direct real estate investment is not intended to be the focus of the Adviser, these factors may influence the value of the real estate underlying the securities in which the Adviser invests.

General Credit Market Risks. The Funds attempt to take advantage of dislocations in the credit markets stemming from a number of factors, including uncertainty with regard to the level and timing of delinquencies and losses on many types of mortgage loans. If the cash flows on the loans underlying RMBS or CMBS are not realized according to the Adviser's expectations due to defaults on the underlying assets, the Funds' strategy will fail. The identification of attractive investment opportunities in credit markets is difficult and involves a significant degree of uncertainty. The credit markets, and the RMBS and CMBS markets in particular, are, in general, highly susceptible to interest-rate movements, government interference, economic news and investor sentiment. The Funds' profit potential may be adversely impacted by increases in market volatility.

Lack of an Active Trading Market. The discount rate used to calculate value is derived from trades executed under normal market conditions in the security to be priced or securities that are similar to the security in structure or issue date or both. However, trades in these securities occur infrequently, and, when they occur, execution prices may not be published widely to market participants, including the Funds. Moreover, many trades occur at prices that do not reflect normal market conditions. These may include sales by a distressed seller forced to liquidate its portfolio under duress, sales of small or odd lot securities where the price does not reflect what a round lot seller could expect to receive or other circumstances.

The trading data used to determine the discount rate used in a pricing model is generally available to pricing agencies. However, the interpretation of this data and the motives for certain trades, whether they are under normal market conditions or executed under financial duress, may lead different market participants in general and different outside pricing services in specific to different conclusions about the discount rate to use in their pricing model. Different discount rates will lead different outside pricing sources to publish different prices for the same security as of the same date, in some cases significantly different. As a result, the value assigned to a security by the Funds may be less than or greater than the value that would have been assigned to such security had the Funds used a different outside pricing vendor.

Concerns Regarding the Downgrade of the U.S. Credit Rating. On August 5, 2011, Standard & Poor's lowered its long-term sovereign credit rating on the United States from AAA to AA+. While U.S. lawmakers reached agreement to raise the federal debt ceiling on August 2, 2011, the downgrade reflected the view of Standard & Poor's that the fiscal consolidation plan within that agreement fell short of what would be necessary to stabilize the U.S. government's medium-term debt dynamics. This downgrade, or any further downgrade in the future, could have material adverse impacts on financial markets and economic conditions in the U.S. and throughout the

world, and, in turn, the market's anticipation of these impacts could have a material adverse effect on the Funds' financial condition and liquidity. Because of the unprecedented nature of negative credit rating actions with respect to U.S. government obligations, the ultimate impacts on global markets and the Funds' business, financial condition and liquidity are unpredictable and may not be immediately apparent following any such downgrade.

Unlisted or Restricted Securities; Limited Liquidity. Although the Adviser does invest in listed securities, the Adviser primarily invests in unlisted or unregistered securities. The Adviser also invests in restricted securities, particularly for the Private Funds. Because of the absence of any substantial trading market for these investments and, as to unregistered securities, the imposition of restrictions on resale, the Adviser would take longer to liquidate these positions than would be the case for publicly-traded securities and may not be able to do so at favorable prices or at a price at which the applicable Fund carries the investment. Even though these securities may be resold in privately negotiated transactions, the prices on these sales could be less than those originally paid by the Adviser or than the most recent price at which the security was marked. In addition, issuers whose securities are not publicly traded may not be subject to public disclosure and other investor protection requirements applicable to publicly-traded securities. Further, illiquid securities pose valuation difficulties that could result in greater fluctuations in value than would otherwise be the case with more liquid securities.

Investment-Grade and Non or Lower-Rated Securities. The Funds' investment portfolios may include both investment-grade and non or lower-rated securities (sometimes referred to as "high-yield" or "junk" bonds). Analysis of the creditworthiness of non and lower-rated debt is complex. Non and lower-rated securities are often more susceptible to real or perceived adverse economic and competitive industry conditions than higher-grade debt. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may decrease the value and liquidity of non and lower-rated securities, especially given the typically, thinly traded market in such securities.

Rating agencies may fail to make timely or accurate changes to credit ratings to reflect credit events occurring since a security was rated, so that outstanding ratings may not reflect the issuer's current credit standing.

Distressed Securities. Certain Funds purchase securities and other obligations of companies that are experiencing significant financial or business distress, including companies in weak and/or deteriorating financial condition, experiencing poor operating results, needing substantial capital investment, perhaps having negative net worth, facing special competitive or product obsolescence problems or involved in bankruptcy or other reorganization and liquidation proceedings. Although such purchases may result in significant returns, they involve a substantial degree of risk and may not show any return for a considerable period of time. In fact, many of these instruments ordinarily remain unpaid unless and until such companies reorganize and/or emerge from bankruptcy proceedings and, as a result, may have to be held for an extended period of time. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies or sovereign issuers experiencing significant business and financial distress is unusually high.

There is no assurance that the Adviser will correctly evaluate the nature and magnitude of the various factors that could affect the prospects for a successful reorganization or similar action. The completion of debt and/or equity exchange offers, restructurings, reorganizations, mergers, takeover offers and other transactions can be prevented or delayed, or the terms changed, by a variety of factors. If a proposed transaction appears likely not to be completed or in fact is not completed or is delayed, the market price of the investments purchased by certain Funds may decline sharply and result in losses which could have a material adverse effect on the performance of certain Funds. Under such circumstances, the returns generated from such investments may not compensate investors adequately for the risks assumed, which could have a material adverse effect on the performance of certain Funds. Additionally, it is frequently difficult to obtain accurate information as to the condition of such entities. Securities issued by distressed companies or sovereign issuers may have a limited trading market, resulting in limited liquidity. As a result, certain Funds may have difficulties in valuing or liquidating positions. The market prices of such securities are also subject to abrupt and erratic market movements and above-average price volatility, and the spread between the bid and offer prices of such securities may be greater than those prevailing in other securities markets. It may take a number of years for the market price of such securities to reflect their intrinsic value.

Troubled company and other asset-based investments require active monitoring and may, at times, require participation in business strategy or reorganization proceedings by the Adviser. To the extent that the Adviser becomes involved in such proceedings, the Funds may have a more active participation in the affairs of the issuer than that assumed generally by an investor. In addition, involvement by the Adviser in an issuer's reorganization proceedings could result in the imposition of restrictions limiting the Funds' ability to liquidate their positions in issuers. Further, when trading distressed securities, litigation is sometimes required. Such litigation can be time-consuming and expensive and can frequently lead to unpredicted delays or losses.

Debt acquired by the Funds that is rated below "investment grade" or is unrated faces ongoing uncertainties and exposure to adverse business, financial or economic conditions and the issuer's failure to make timely interest and principal payments. The market values of certain of these debt securities may reflect individual corporate developments. It is likely that a major economic recession could have a materially adverse impact on the value of such securities. In addition, adverse publicity and investor perceptions, whether or not based on fundamental analysis, may also decrease the value and liquidity of these debt securities.

"Principal Only" and "Interest Only" Securities. The Funds invest in derivative RMBS such as principal only securities ("POs") and interest only securities ("IOs") which are more exposed to mortgage repayments and which therefore generally involve a greater amount of risk than traditional debt securities. Small changes in the repayment rates can significantly impact the cash flow and the market value of these securities.

The risk of faster than anticipated prepayments can significantly impact the cash flow and the market value of IOs. The risk of faster than anticipated prepayments generally adversely affects IOs, "super floaters" and premium priced RMBS. The risk of slower than anticipated prepayments generally adversely affects POs and floating-rate securities (subject to interest rate caps, support tranches and discount priced RMBS). Faster than anticipated prepayments threaten IOs with the risk that the underlying mortgages will be prepaid causing the IOs to cease paying any further

interest and to become worthless. Slower than anticipated prepayments threaten POs with being outstanding for an unexpectedly long period and at an increasingly below-market interest rate.

Inverse IOs, in addition to the aforementioned risks of traditional IOs, have coupon payments that vary inversely with short-term interest rates. Small rises in short-term interest rates may dramatically reduce or stop mortgage interest payments to these securities and thereby impair or extinguish their value.

Liquidity Risk. Liquidity risk exists when particular investments would be difficult to purchase or sell, possibly preventing the Adviser from selling such illiquid securities at an advantageous time or price, or possibly disposing of other investments at unfavorable times or prices in order to satisfy its requests for redemptions from investors in STS, Funds of One or the Mutual Fund. Investors in STS may not be able to dispose of their interests except by means of the redemption privilege and may, in certain circumstances and with their consent, receive securities rather than cash in exchange for their interests. Redemptions may be subject to an overall limit of the investor's investment in a Fund on any redemption date, and redemptions are subject to additional restrictions as set forth herein and in the offering documents of STS or the terms of a Fund of One. Additionally, certain classes of investors have greater or different redemption privileges than others and investors in STS have different redemption and liquidity terms than investors in the Funds of One, and therefore, in times of market stress and otherwise, such investor or investors would be able to redeem their interests at times when others cannot.

Pricing RMBS and other Structured Products. The Funds determine the fair value of all securities in their portfolios using various different techniques. The availability and practicality of valuation techniques and observable inputs can vary greatly from security to security and is affected by a wide variety of factors including, the type of security, size of the tranche outstanding and held by a Fund, availability of reliable trade information and other characteristics particular to the security. In many, but not all, instances, computer models ("Models") are developed as an aid in determining valuation based on historical inputs, future projections and other market based data.

Models are not, however, used to value all RMBS and MBS held by the Funds. RMBS and MBS positions may be priced by third party brokers or other outside pricing sources that may not run a Model in the manner described herein. Additionally, net asset value may be priced using the Adviser's internal prices. The Adviser will generally not "model" all of the securities that it values because the securities may not have sufficient information available to make appropriate modeling assumptions, the securities may be too small or for other reasons.

RMBS and MBS and other structured products are, however, often priced with the aid of sophisticated computer programs that predict the future cash flows of the security and discount those cash flows back to a net present value. The Models are developed to project the flow of cash into the deal from its collateral and out of the deal to its vendors and debtholders. In order to project the future cash flow, assumptions must be used to project the performance of the collateral including defaults, delinquencies, foreclosure rate, loss severities and other variables. These assumptions are derived from a study of the past performance of the security (as released by the securities "trustee") and from a study of the performance of securities similar in either structure or issue date or both. Once a cash flow is generated by the Model, a discount rate is used to calculate a net present value, which is then used to determine price and the market value of the security held

by the portfolio. The discount rate is the rate of interest that the market uses to clear trades in the security or in securities that are similar to the security either in structure, issue date or both. The discount rate is determined by reviewing trades in both the subject security and similar securities executed in the relevant time frame and in relevant amounts under normal market circumstances.

The data relating to the past performance of the collateral underlying the securities that is used to determine the assumptions that are used to run the pricing Models is available to all market participants for most RMBS and MBS held by the Funds. For these securities, there is a large amount of historical data available for the security and other securities of a similar character. However, while this data is “observable” within the meaning of Accounting Standards Codification Topic No. 820 (“ASC 820”), market participants in general and outside pricing vendors in specific, will have differing views on the import of the data and may come to significantly different conclusions relating to the assumptions used in their Model. Different assumptions will lead different outside pricing sources to publish different prices for the same security as of the same date, in some cases significantly different. As a result, the value assigned to a security by the Funds may be less than or greater than the value that would have been assigned to such security had the Funds used a different outside pricing vendor.

Internal Pricing; Valuation Risk. The Funds primarily utilize marks obtained from outside pricing vendors, including SitusAMC, Interactive Data Corporation and others, to price a security. The Adviser is permitted to assign its internal valuation to the portfolio and may use its internal prices for any security in the portfolio. It may do this because the outside pricing vendors are not always in a position to provide current, reliable pricing for certain securities in which the Funds are interested or the Adviser does not agree with the pricing received. The Adviser will use its best judgment in assigning internal valuation to securities for purposes of calculating net asset value and reviewing the prices of external pricing sources. Prices determined by external pricing sources or by the Adviser may use inputs that are unobservable and significant to the overall fair value measurement. Values quoted by different independent sources (such as third-party pricing agencies and broker/dealers) are subject to material variation. As such, the inputs used by the Adviser may differ from the inputs used by outside pricing vendors and other market participants. In such a case, the Funds may continue to use the price from the external pricing source or may choose to change to another external pricing source or to the Adviser. This may result in the prices used by the Funds to calculate net asset value to differ, in some cases significantly, from the prices assigned to the same or similar securities by the outside pricing vendors, the Adviser or other market participants. As a result, the value assigned to a security by the outside pricing vendor used by the Funds may be less than or greater than the value that would have been assigned to such security had the Adviser used the data reported by a third-party pricing vendor.

Valuation of the Funds’ Investments. Valuation of the Funds’ securities and other investments may involve uncertainties and the exercise of judgment, and if such valuations should prove to be incorrect, the net asset value the Funds. Independent pricing information at times may not be available regarding certain of the Funds’ securities and other investments. Valuation determinations will be made in good faith in accordance with the Funds’ organizational documents.

The Funds may have some of its assets in investments, which by their very nature may be extremely difficult to value. The Funds invest mostly in securities categorized as Level 2 or Level

3 under ASC 820, which establishes a fair value hierarchy that categorizes the inputs to valuation techniques used to measure fair value into three levels. The fair value hierarchy gives the highest, or first, priority to quoted prices in active markets for identical assets or liabilities (Level 1 Inputs); the second priority to inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2 Inputs); and the lowest priority to unobservable inputs (Level 3 Inputs). Many of the securities purchased by the Funds will be priced by data models that utilize internal and/or external assumptions. There can be no guarantee that such model-based pricing will be accurate or reliable.

To the extent that the value assigned by the Funds to any such investment differs from the actual value, the net asset value of Interests may be understated or overstated, as the case may be. In light of the foregoing, there is a risk that: (i) an investment in the Funds by a new limited partner (or an additional investment by an existing limited partner) could dilute the value of such investments for the other limited partners if the designated value of such investments is higher than the value designated by the Funds; and (ii) a new limited partner (or an existing limited partner that makes an additional investment) could pay more than it might otherwise if the actual value of such investments is lower than the value designated by the Funds.

Reliance on Valuation Information From Employees and Third Parties. In order to price or value the assets and liabilities of the Funds, the Adviser may rely on information provided by its employees or outside parties, and such persons may provide inaccurate, incomplete, out of date or otherwise unreliable information. In the case of employees who receive compensation based on the performance of certain investments, such employees may be motivated to provide incorrect valuation information in order to receive increased compensation. Additionally, there is a risk that traders may convey inaccurate trade information to pricing vendors or to the Adviser. The Adviser and the Funds will implement procedures to safeguard against the use of inaccurate information. For example, the Adviser will challenge external prices where it believes that the price from the external price source does not take into account important information or disagrees with the external price. Additionally, the Adviser's Pricing Committee will review all external and internal prices. Nonetheless, the Adviser and the Funds may be unable to detect every error contained in the valuation information. To the extent the information received by the Funds is inaccurate or unreliable, the valuation of the Funds' assets and liabilities may be inaccurate.

Inaccurate valuations may prevent the Funds from effectively managing their investment portfolio and risks and may affect the diversification and risk management of the Funds' portfolios.

Investments Subject to Gapping Risk. Certain of the Funds' investments may be subject to a material and abrupt adjustment to their valuation (a "gapping" net asset value) due to litigation with a binary outcome, changes in assumptions relating to the underlying collateral of the securities, macro-economic factors and other reasons. The outcome of litigation or other significant events is usually unpredictable, and such proceedings or actions may continue without resolution for long periods of time. While the market prices of such investments may be affected by the perceived change in probability of a certain outcome, until there is a final resolution, there is a material potential uncertainty in the net asset values as currently determined. Additionally, many of the Funds' portfolio investments are generally sensitive to changes in the assumptions regarding performance of the pool of mortgages collateralizing the security in response to fundamental or macro-economic factors. The change in these assumptions can unfold over long

periods of time or can change suddenly over relatively short periods of time. Market participants may incorporate such changes slowly over time, or suddenly, over relatively short periods of time. When buyers and sellers incorporate such changes over short periods of time, there may potentially be a material and abrupt adjustment to net asset value that can also cause a “gapping” net asset value.

Possible Effect of Substantial Redemptions. Substantial redemptions of capital in a Fund could require such Fund to liquidate its positions more rapidly than otherwise desired in order to raise the cash necessary to fund the redemptions. Illiquidity in certain securities could make it difficult for a Fund to liquidate positions on favorable terms, which could result in losses or a decrease in the NAV of such Fund. Substantial redemption activity in any one Fund, could also affect the value of the securities, and thus NAV, of the other Funds managed by the Adviser.

Asset-Backed Securities/Mortgage-Backed Securities. The Adviser invests primarily in MBS, a type of ABS, and other ABS. ABS, including MBS, are obligations or debt securities that entitle the holders thereof to receive payments that depend primarily on the cash flow from underlying financial assets. Holders of the ABS, including MBS, bear various risks, including credit risks, liquidity risks, interest rate risks, market risks, operations risks, structural risks and legal risks. In addition, concentration of ABS of a particular type, such as MBS, as well as concentrations of ABS issued or guaranteed by affiliated obligors, serviced by the same servicer or backed by underlying collateral located in a specific geographic region, may subject the investors to additional risk. Investing in MBS/ABS involves the general risks typically associated with investing in traditional fixed-income securities (including interest rate and credit risk), and certain additional risks and special considerations, including the risk of principal prepayment and defaults as well as the risk of investing in real estate and other asset-backed categories. MBS/ABS generally provide for the payment of interest and principal on the MBS/ABS on a frequent basis, and there also exists the possibility that principal may be prepaid at any time due to, among other reasons, prepayments on the underlying mortgage loans or other assets. As a result of prepayments, the Adviser may reinvest assets at an inopportune time, which may expose the Funds to a lower rate of return. The rate of prepayments on underlying mortgages or other assets affects the price and volatility of an MBS/ABS and may have the effect of shortening or extending the effective maturity beyond what was anticipated. Further, different types of MBS/ABS are subject to varying degrees of prepayment risk. The rate of principal payments on mortgage loans is influenced by a wide variety of economic, geographic, social and other factors, including general economic conditions, the level of prevailing interest rates, the availability of alternative financing and homeowner mobility. Finally, the risks of investing in such instruments reflect the risks of investing in real estate securing the underlying loans, including the effect of local and other economic conditions, the ability of tenants to make payments and the ability to attract and retain tenants. Increasing rates of delinquencies, foreclosures and other losses on mortgages could, in turn, adversely affect certain securities in which the Adviser invests. During periods of market disruption, investments in the credit markets have historically incurred, and are likely in the future to incur, major losses.

Residential Mortgage-Backed Securities. The Funds’ portfolios will be concentrated in RMBS. Investing in RMBS involves the general risks typically associated with investing in traditional fixed-income securities (including interest rate and credit risk), as well as additional risks particular to the mortgages underlying such RMBS. RMBS generally provide for the payment of

interest and principal on a monthly basis, and there also exists the possibility, particularly with respect to RMBS, that principal may be prepaid at any time due to, among other reasons, prepayments on the underlying mortgage loans or other assets. The rate of prepayments on underlying mortgages affects the price and volatility of RMBS and may have the effect of shortening or extending the effective maturity beyond what was anticipated. Further, different types of RMBS are subject to varying degrees of prepayment risk. Finally, the risks of investing in such instruments reflect the risks of investing in real estate securing the underlying loans, including the effect of local and other economic conditions, the ability of tenants to make payments and the ability to attract and retain tenants.

Prepayments of the mortgage loans underlying RMBS may be affected by any number of factors. In general, any factors that increase the attractiveness of selling a mortgaged property or refinancing a mortgage loan or enhance a borrower's ability to sell or refinance, could be expected to cause the rate of prepayment in respect of such mortgage loans to accelerate. In addition, any factors that increase the likelihood of default under a mortgage loan or increase the likelihood of a foreclosure or other liquidation could be expected to cause the rate of prepayment in respect of such mortgage loans to accelerate.

Portfolios of RMBS may be backed by residential mortgage loans located in only a few states or regions and be subject to geographic risks relating to such areas.

In addition, there have been and continue to be severe disruptions in the mortgage market in the U.S. Many of the residential mortgages originated in recent years were sold to the capital markets through securitizations, resulting in the originators of these mortgages transferring the originators' exposure to the credit risk of the mortgage borrowers to the investors in these securitizations. As a result, it is reasonable to assume that the originators could have financial incentives to maximize the amount of loans originated irrespective of the credit quality of the borrowers.

The underwriting standards for "sub-prime" and "Alt-A" loans are more flexible than the standards generally used by lenders for borrowers with unblemished credit histories with regard to the borrower's credit standing and repayment ability. Borrowers who qualify generally have impaired credit histories, which may include a record of major derogatory credit items such as outstanding judgments or prior bankruptcies. In addition, they may not have the documentation required to qualify for a standard mortgage loan. A sharp increase in the rate of delinquencies amongst subprime, Alt-A and some prime loans began in 2007 and contributed to the general crisis in the credit and general financial markets. A significant amount of RMBS continue to trade at prices that represent a substantial discount to their outstanding principal amount.

The underwriting guidelines pursuant to which the RMBS were originated do not prohibit a borrower from obtaining, at the time of origination of the first-lien mortgage loan, additional financing which is subordinate to that first-lien mortgage loan. High loan-to-value ratios may make it more difficult for a borrower to make payments under the related mortgage loans. Historically, periods of falling U.S. housing values have been accompanied by widespread defaults on home mortgages and the related RMBS. In such cases, several residential mortgage loan originators have experienced serious financial difficulties and, in some cases, bankruptcy.

Numerous laws, regulations and rules apply to the lenders and servicers of mortgage loans. Enforcement actions and other litigation have been brought against numerous mortgage lenders and servicers, resulting in materially increased restrictions on their activities and an environment that may make it more difficult for creditors to collect or foreclose on mortgages in their portfolios. In addition, numerous laws, regulations and rules related to the servicing of mortgage loans, including foreclosure actions, have been proposed and/or enacted recently by federal, state and local governmental authorities, and certain major mortgage loan originators have recently voluntarily imposed moratoriums on foreclosures to reassess whether the foreclosure process has been properly followed. Such laws, regulations and rules, as well as voluntary foreclosure moratoriums, may delay the foreclosure process, reduce payments by borrowers or increase reimbursable servicing expenses, all of which are likely to result in delays and reductions in the payments on the RMBS to be made to the Funds. The Funds and other similarly-situated investors bear the risk that such, and future, developments will result in losses on their investments, whether due to delayed or reduced distributions or reduced market value.

Moreover, the RMBS market has been historically opaque meaning that trades in RMBS are not widely reported or known by other market participants, including the Funds. Tranche size can be very small which means that few if any trades in a particular security may occur during a period in which the Funds must value the position for purposes of determining net asset value. Those trades that do occur may not be reliable indications of market activity because of the size of the trade, circumstances under which the trade was executed, or other reasons. This will create difficulty in valuing positions at any point in time. The Adviser will use its best judgment in pricing securities and reviewing the pricing of independent third party pricing sources. It is possible, however, that valuations could be higher or lower than those used to determine net asset value or those ultimately received in a sale of the security.

During periods of market disruption, investments in the credit markets have historically incurred, and are likely in the future to incur, major losses.

Commercial Mortgage-Backed Securities CMBS represent interests in (or are secured by) commercial mortgage loans. CMBS are directly affected by payments, defaults and losses on the underlying commercial mortgage loans.

Mortgage loans on commercial properties often are structured so that a substantial portion of the loan principal is not amortized over the loan term but rather is payable at maturity (as a “balloon payment”). Consequently, repayment of the loan principal often depends upon the future availability of refinancing from existing or alternative lenders and/or upon the current value and salability of the real estate.

Commercial mortgage loans underlying CMBS are generally secured by income producing property, such as multi-family housing or commercial property. The ability of a borrower to repay a loan secured by an income producing property typically depends primarily upon the successful operation of the property rather than upon the existence of independent income or assets of the borrower. In the case of certain commercial mortgage loans, repayment of loans secured by commercial and multi-family properties depends upon the ability of the related real estate project to generate income sufficient to pay debt service, operating expenses and leasing commissions and to make necessary repairs, tenant improvements and capital improvements, and in the case of loans

that do not fully amortize over their terms, to retain sufficient value to permit the borrower to pay off the loan at maturity through a sale or refinancing of the mortgaged property. In general, incremental risks of delinquency, foreclosure and loss with respect to an underlying commercial mortgage loan pool may be greater than those associated with residential mortgage loan pools.

CMBS may be backed by an underlying mortgage pool of only a few mortgage loans. Commercial real estate lending generally is viewed as exposing a lender (and the related CMBS) to a greater risk of loss than certain other forms of lending because it typically involves making larger loans to single borrowers or groups of related borrowers. Commercial mortgage-backed transactions resemble traditional non-recourse secured loans.

The value of the income producing property underlying CMBS is directly related to the net operating income derived from such property. If a commercial mortgage loan is in default, foreclosure on such commercial mortgage loan is usually a lengthy and difficult process and may involve significant expenses. Furthermore, the market for defaulted commercial mortgage loans or foreclosed properties is very limited.

Additional risks may be presented by the type and use of the particular commercial property underlying the CMBS acquired. Many of such properties are regulated or subject to contractual arrangements which could be terminated, in each case, substantially reducing the value of the property.

A commercial property may not be readily convertible to an alternative use if the operation of such property for its original purpose becomes unprofitable.

CMBS purchased by the Adviser may from time to time be backed by mortgage loans with disproportionately large aggregate principal amounts secured by properties in only a few states or regions. Such CMBS are highly susceptible to geographic as well as overall market risk.

Certain of the mortgage loans underlying the CMBS are made to borrowers organized outside of the United States and/or secured by property located outside the United States. The bankruptcy and foreclosure procedures under the laws of such countries may be materially less protective of the CMBS holder than those applicable in the United States.

Most commercial mortgage loans underlying CMBS are effectively nonrecourse 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 CMBS are likely to be adversely affected. The ultimate extent of the loss, if any, to the subordinated classes of CMBS 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. Foreclosure can be costly and delayed by litigation and/or bankruptcy. Factors such as the property's location, the legal status of title to the property, its physical condition and financial performance, environmental risks and governmental disclosure requirements with respect to the condition of the property may make a third-party unwilling to purchase the property at a foreclosure sale or to pay a price sufficient to satisfy the obligations with respect to the related CMBS. Revenues from the assets

underlying such CMBS may be retained by the borrower, and the return on investment may be used to make payments to others, maintain insurance coverage, pay taxes or pay maintenance costs. Such diverted revenue is generally not recoverable without a court-appointed receiver to control collateral cash flow.

Certain of the risks described above under “*Residential Mortgage-Backed Securities*” above also apply to CMBS because of their impact on real estate, servicers and originators generally.

Mortgage Default Rates. The default rate on the mortgages underlying RMBS and MBS to be acquired by the Adviser can rise quickly and dramatically, as was the case during the Financial Crisis. The Funds may invest in mortgage credit instruments which the Adviser believes to be undervalued, only to see such values erode further. It is not possible to predict when, if ever, the mortgage market will return to historical default rates.

Reliance on Mortgage Underwriters and Servicers. The likelihood of RMBS or MBS being paid is based entirely on payments being made on the underlying mortgages (the default rate) and the loss severity rate on foreclosed mortgages. The quality of the servicing, which will include modifying underlying mortgages in an effort to rehabilitate and resell them as well as foreclosing on the underlying collateral, can materially affect the amounts due on the Funds’ investments, and the performance of the Funds. The Adviser must rely on third parties to service the mortgages underlying the RMBS and MBS held by the Funds, and the Adviser will have no control over such services.

Collateralized Loan Obligation Investment-Related Risks. The market value of collateralized loan obligations (“CLOs”) will generally fluctuate with, among other things, the financial condition of the obligors on the underlying debt obligations or, with respect to synthetic securities, of the obligors on or issuers of the reference obligations, general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. Prospective investors must understand that certain investments (e.g., bank loans and high-yield and mezzanine debt securities) may constitute all or a significant portion of the underlying securities held by a CLO, synthetic security or other investments and that CLOs are therefore subject to risks particular to such securities.

CLOs are subject to credit, liquidity and interest rate risks. In particular, investment-grade CLOs will have greater liquidity risk than investment-grade governmental or corporate bonds. There is no established, liquid secondary market for many of the CLO securities the Adviser purchases. The lack of such an established, liquid secondary market may have an adverse effect on the market value of such CLO securities and the Adviser’s ability to sell them. Further, CLOs will be subject to certain transfer restrictions that will further restrict liquidity. Therefore, no assurance can be given that if the Adviser wished to dispose of a particular CLO, it could dispose of such an investment at the previously prevailing market price. In fact, the CLO market saw significant disruptions and reduced liquidity in the Financial Crisis and the Adviser expects to see further disruptions in this market.

In early 2020, the COVID-19 pandemic caused a swift and sudden downturn in the global economy. This resulted in a dramatic deterioration in the financial condition of many companies and obligors, which may continue or return in the future. Negative economic trends, either

globally, nationally or in specific geographic areas of the United States, could result in an increase in loan defaults and delinquencies. There is a material possibility that economic activity will be volatile or will slow significantly, and the underlying securities held by CLOs will likely be significantly and negatively impacted by such conditions.

The performance of CLOs will be adversely affected by macroeconomic factors, including: (i) general economic conditions affecting capital markets and participants therein; (ii) economic downturns and uncertainties affecting economies and capital markets worldwide; (iii) the effects of, and disruptions and uncertainties resulting from, terrorist attacks; (iv) recent concern about financial performance, accounting and other issues relating to various publicly traded companies; (v) recent and proposed changes in accounting and reporting standards and bankruptcy legislation; and (vi) legislative and regulatory actions by the U.S. federal government or any U.S. regulatory body.

The pandemic has also adversely affected the functioning of financial markets, including credit markets generally and the leveraged loan market specifically, which have experienced significant declines, high volatility and reductions in liquidity. This volatility, if it continues, could have an adverse impact on obligors of the underlying securities and on those obligors' businesses and results of operations. All of these circumstances could have an adverse impact on the value of the underlying securities, the ability of obligors to make timely payments on the underlying securities, the value and liquidity of CLOs, and the ability for CLOs to acquire and sell collateral and/or make payments or distributions on issued notes. These conditions may continue or worsen and may lead to ratings downgrades and defaults on the underlying securities and on CLOs, which may in turn affect their value and reduce or eliminate their liquidity. Any decrease in market value of the underlying securities that could be obtained upon their sale could ultimately affect the CLO issuer's ability to pay in full or redeem its issued notes.

Collateralized Debt Obligation Investment-Related Risk. The market value of collateralized debt obligations ("CDOs") fluctuates with, among other things, the financial conditions of the obligors on the underlying debt obligations or, with respect to Synthetic Securities (as defined below), of the obligors on or issuers of the Reference Obligations (as defined below), general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. A "Synthetic Security" is any derivative financial instrument with respect to a debt instrument, in the form of a swap transaction or other form of derivative purchased or entered into, by the Funds with or from a synthetic security counterparty, which investment contains similar probability of default, recovery upon default (or a specific percentage thereof) and expected loss characteristics as those of the related Reference Obligation (without taking account of such considerations as they relate to the counterparty), but which will contain maturity, interest rate and other non-credit characteristics that may be different from the Reference Obligation to which the credit risk of the Synthetic Security relates. "Reference Obligation" means a debt security or other obligation upon which a Synthetic Security is based. "Reference Obligor" means the obligor on a Reference Obligation. Prospective investors must understand that certain securities may constitute all or a significant portion of the underlying securities held by a CDO or Synthetic Security and that CDOs are therefore subject to risks particular to such securities.

CDOs are subject to credit, liquidity and interest rate risks. There is no established, liquid secondary market for many CDO securities, and CDOs may be subject to certain transfer restrictions. The lack of such an established, liquid secondary market and the restrictions on transfer may have an adverse effect on the market value of such CDO securities and a market participant's ability to sell them. For example, in recent years, the liquidity of many CDO securities has been substantially reduced compared to prior periods. No assurance can be given that, if a market participant were to dispose of a particular CDO it holds, it could dispose of such investment at the previously prevailing market price.

The performance of CDOs will be adversely affected by macroeconomic factors, including (i) general economic conditions affecting capital markets and participants therein; (ii) the economic downturns and uncertainties affecting economies and capital markets worldwide; (iii) recent concern about financial performance, accounting and other issues relating to various publicly traded companies and (iv) recent and proposed changes in accounting and reporting standards and bankruptcy legislation.

If a court in a lawsuit brought by an unpaid creditor or representative of creditors of a U.S. issuer of a CDO were to find that the issuer did not receive fair consideration or reasonably equivalent value for incurring the indebtedness constituting the CDO and, after giving to such indebtedness, the issuer (i) was insolvent; (ii) was engaged in a business for which the remaining assets of such issuer constituted unreasonably small capital; or (iii) intended to incur, or believed that it could incur, debts beyond its ability to pay such debts as they matured, such court could determine to invalidate, in whole or in part, such indebtedness as a fraudulent conveyance, to subordinate such indebtedness to existing or future creditors of the issuer or to recover amounts previously paid by the issuer in satisfaction of such indebtedness. In addition, in the event of the insolvency of an issuer of a CDO, payments made on such CDO could 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 a CDO are voidable, whether as fraudulent conveyances or preferences, such payments can be recaptured.

Debt Securities in General. Debt securities in general are subject to interest rate, market and credit risk. Interest rate risk relates to changes in a security's value as a result of changes in interest rates generally. The prices of fixed-income securities are inversely affected by changes in interest rates. In general, the values of fixed-income securities increase when prevailing interest rates fall and decrease when interest rates rise. If held to maturity, the market value fluctuations of such securities during their term will not affect the ultimate return realized, but nevertheless incur the opportunity costs of allocating capital to fixed-income securities without obtaining any more than a market interest rate. Because they incorporate a resetting of interest rates, adjustable rate securities are less likely than fixed-income securities of comparable quality and maturity to increase or decrease significantly in value when market interest rates fall or rise, respectively.

Market risk relates to the changes in interest rates as well as perception as to the credit strategy of a particular issuer or type of security. Credit risk relates to the ability of the issuer to make payments of principal and interest. The values of income securities may be affected by changes in the credit rating or financial condition of the issuing entities. Income securities denominated in foreign currencies are also subject to the risk of a decline in the value of the denominating currency relative to the U.S. dollar.

The RMBS and MBS in which the Funds invest may trade at a significant discount to their principal as well as to the price at which the Funds acquired such securities.

Additionally, the Funds may take positions in debt securities which rank junior to other outstanding securities and obligations of an issuer, all or a significant portion of which may be secured on substantially all of that issuer's assets. The Funds may take positions in debt securities which are not protected by financial covenants or limitations on additional indebtedness. In addition, evaluating credit risk for debt securities of issuers in some jurisdictions involves uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult.

Derivative Instruments. The derivative investments in which the Funds may invest are subject to comprehensive statutes, regulations and margin requirements. In particular, certain provisions of the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), which was signed into law in July 2010, requires certain standardized derivatives to be executed on a regulated market and cleared through a central counterparty, which may result in increased margin requirements and costs. The Dodd-Frank Act also established minimum margin requirements on certain uncleared derivatives which may result in the Funds and their counterparties posting higher margin amounts for uncleared derivatives.

Distressed Securities. The Adviser purchases securities and other obligations of companies that are experiencing significant financial or business distress, including companies in weak and/or deteriorating financial condition, experiencing poor operating results, needing substantial capital investment, perhaps having negative net worth, facing special competitive or product obsolescence problems or involved in bankruptcy or other reorganization and liquidation proceedings. Although such purchases may result in significant returns, they involve a substantial degree of risk and may not show any return for a considerable period of time. In fact, many of these instruments ordinarily remain unpaid unless and until such companies reorganize and/or emerge from bankruptcy proceedings and, as a result, may have to be held for an extended period of time. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies or sovereign issuers experiencing significant business and financial distress is unusually high.

There is no assurance that the Adviser will correctly evaluate the nature and magnitude of the various factors that could affect the prospects for a successful reorganization or similar action. The completion of debt and/or equity exchange offers, restructurings, reorganizations, mergers, takeover offers and other transactions can be prevented or delayed, or the terms changed, by a variety of factors. If a proposed transaction appears likely not to be completed or in fact is not completed or is delayed, the market price of the investments purchased by the Adviser may decline sharply and result in losses which could have a material adverse effect on the performance realized by investors. Under such circumstances, the returns generated from such investments may not compensate investors adequately for the risks assumed, which could have a material adverse effect on their performance. Additionally, it is frequently difficult to obtain accurate information as to the condition of such entities. Securities issued by distressed companies or sovereign issuers may have a limited trading market, resulting in limited liquidity. As a result, the Adviser may have difficulties in valuing or liquidating positions. The market prices of such securities are also subject to abrupt and erratic market movements and above-average price volatility, and the spread between

the bid and offer prices of such securities may be greater than those prevailing in other securities markets. It may take a number of years for the market price of such securities to reflect their intrinsic value.

Troubled company and other asset-based investments require active monitoring and may, at times, require participation in business strategy or reorganization proceedings by the Adviser. To the extent that the Adviser becomes involved in such proceedings, it may have a more active participation in the affairs of the issuer than that assumed generally by an investor. In addition, involvement by the Adviser in an issuer's reorganization proceedings could result in the imposition of restrictions limiting the Adviser's ability to liquidate its position in the issuer. Further, when trading distressed securities, litigation is sometimes required. Such litigation can be time-consuming and expensive and can frequently lead to unpredicted delays or losses.

Debt acquired by the Adviser that is rated below "investment grade" or is unrated faces ongoing uncertainties and exposure to adverse business, financial or economic conditions and the issuer's failure to make timely interest and principal payments. The market values of certain of these debt securities may reflect individual corporate developments. It is likely that a major economic recession could have a materially adverse impact on the value of such securities. In addition, adverse publicity and investor perceptions, whether or not based on fundamental analysis, may also decrease the value and liquidity of these debt securities.

Short Sales. Short sales by the Adviser create opportunities but, at the same time, involve special risk considerations and may be considered a speculative technique. Short sales theoretically involve unlimited loss potential, as the market price of securities sold short may increase continuously, although the Adviser may mitigate such losses by replacing the securities sold short before the market price has increased significantly. Under adverse market conditions the Adviser might have difficulty purchasing securities to meet its short sale delivery obligations and might have to sell portfolio securities to raise the capital necessary to meet its short sale obligations at a time when fundamental investment considerations would not favor such sales. Short sales may be used with the intent of hedging against the risk of declines in the market value of the Adviser's long portfolio, but there can be no assurance that such hedging operations will be successful.

The U.S. government and certain non-U.S. jurisdictions have at times taken measures to impose restrictions on the ability of investors to enter into short sales, including a complete prohibition on taking short positions in respect of certain issuers. Such restrictions may negatively affect the ability of the Adviser to implement its strategies. It cannot be determined how future regulations may limit the Adviser's ability to engage in short selling and how such limitations may impact performance.

Risks of Execution of Investment Strategies. The Adviser will invest in a number of securities and obligations that entail substantial inherent risks. Although the Adviser will attempt to manage those risks through careful research, ongoing monitoring of investments and appropriate hedging techniques, there can be no assurance that the securities and other instruments purchased by the Adviser will in fact increase in value or that significant losses will not be incurred.

Hedging. For certain Clients, the Adviser may utilize financial instruments to hedge the interest rate on certain of the Funds' liabilities or assets. The success of the Adviser's hedging strategy

will depend, in part, upon the Adviser'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 portfolio investments being hedged. Since the characteristics of many securities change as markets change or time passes, the success of the hedging strategy will also be subject to the Adviser's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. While some Funds may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for such Fund than if it had not engaged in such hedging transactions. For a variety of reasons, the Adviser may not seek to establish a perfect correlation between the hedging instruments utilized and the portfolio holdings being hedged. Such an imperfect correlation may prevent some Funds from achieving the intended hedge or expose such Fund to risk of loss. The Adviser may not hedge against a particular risk, including, without limitation, because it does not regard the probability of the risk occurring to be sufficiently high as to justify the cost of the hedge, or because it does not foresee the occurrence of the risk. The use of certain hedging strategies may also become difficult or impractical due to factors including, without limitation, increased hedging costs, reduced availability of hedging counterparties and reduced market liquidity. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of the Fund's portfolio holdings. Hedging also involves other risks, including the possible default by the counterparty to the transaction and illiquidity of an agreement in the event that the need arises to close the agreement before its forward date. With regard to the risk of failure or default by the counterparty to such a transaction, a Fund will have contractual remedies pursuant to the agreements related to the transaction (which may or may not be meaningful depending on the financial position of the defaulting counterparty).

Currency Risks. A portion of the Adviser's assets are generally invested in securities denominated in various currencies and in other financial instruments, the price of which is determined with reference to such currencies. The account of investors will generally be valued in U.S. dollars. To the extent unhedged, the value of investors' net assets will fluctuate with U.S. dollars exchange rates as well as with price changes of their investments in the various local markets and currencies. Forward currency contracts and options are utilized to hedge against currency fluctuations, but there can be no assurance that such hedging transactions will be effective.

Foreign Currencies and Investments. The Funds may make investments outside the United States. With any investment in a foreign country, there exist certain economic, political and social risks that might not be found in a similar investment in the United States. The Funds' assets generally are denominated in the currency of the jurisdiction in which investments are located. Any fluctuation in currency exchange rates or costs of conversion and any changes in exchange control regulations will affect the value of investments in foreign assets. Moreover, a Fund may incur costs when converting from one currency to another. In addition, laws, regulations and conditions in foreign countries may impose restrictions or risks that would not exist in the United States and may require financing and structuring alternatives that differ from those customarily used in the United States. Foreign countries also may impose taxes on a Fund. As a general matter, investments in foreign countries pose numerous risks, some of which do not exist in the case of investments in the United States. The Adviser analyzes risks in the applicable foreign countries before making such investments, but no assurance can be given that a political or economic climate, or particular legal or regulatory risks, might not adversely affect an investment by a Fund.

Interest Rate Risk. A change in interest rates can have a significant effect on any portfolio of fixed income assets. To the extent that the cash flow from a fixed income security is known in advance, the present value (i.e., discounted value) of that cash flow decreases as interest rates increase; to the extent that the cash flow is contingent, the dollar value of the payment may be linked to then-prevailing interest rates. RMBS may react very differently from other fixed income securities: their durations can vary dramatically as interest rates move, making them more difficult to hedge, and some may be “negatively convex,” meaning that price increases may be limited in relation to price declines. Some securities can have unusually high durations (rising dramatically in price when rates fall, and falling dramatically in price when rates rise); others can have highly negative durations (falling dramatically in price when rates fall, and rising dramatically in price when rates rise). For example, most RMBS, especially most fixed-rate RMBS and most RMBS backed by fixed rate mortgage loans, decline in value when long-term interest rates increase. Even in the case of agency RMBS, the guarantees provided by government-sponsored enterprises do not protect a Fund from declines in market value caused by changes in interest rates. In the case of RMBS backed by adjustable rate mortgages (“ARMs”), increases in interest rates can lead to increases in delinquencies and defaults as borrowers become less able to make their mortgage payments following interest payment resets. At the same time, an increase in short-term interest rates would increase the amount of interest owed on a Fund’s reverse repurchase agreements. Conversely, during periods of low interest rates, borrowers are likely to refinance their existing loans. This typically results in increased prepayments, which could result in a Fund receiving payments of principal of its RMBS investments earlier than anticipated, and the Fund may not be able to reinvest those funds in investments with similar yields.

In addition, RMBS investments may be structured to use interest rate hedges and other financing techniques to reduce the risk of interest rate mismatches and exposures. This typically exposes the RMBS issuer to counterparty risk as well as to the risk that the hedging strategy or other financing technique is ineffective. If a swap counterparty defaults and cannot be replaced, amounts available to make payments on the related RMBS may be reduced (including as the result of a termination payment payable to the counterparty, if applicable), and the issuer may not have sufficient available funds on distribution dates to make required payments of interest or principal on RMBS. Likewise, if the hedging strategy is ineffective, the issuer may not have sufficient available funds on distribution dates to make required payments of interest or principal on RMBS. In particular during periods of changing interest rates, a failed hedging strategy with respect to an RMBS investment by a Fund, whether due to ineffectiveness or a counterparty default, could cause a Fund’s business to be materially and adversely affected or result in significant losses for a Fund.

High-Yield Securities. The Adviser invests in “high-yield” bonds and preferred securities which are rated in the lower rating categories by the various credit rating agencies or in comparable non-rated or unrated securities. Securities that are in the lower rating categories or unrated are subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be predominantly speculative with respect to the issuer’s capacity to pay interest and repay principal. They are also generally considered to be subject to greater risk than securities with higher ratings in the case of deterioration of general economic conditions. Because investors generally perceive that there are greater risks associated with the lower-rated or unrated securities, the yields and prices of such securities fluctuate more than those for higher-rated securities. The market for lower-rated or unrated securities is thinner and less active than that for higher-rated securities, which can adversely affect the prices at which these securities can be sold. In addition,

adverse publicity, and investor perceptions about lower-rated or unrated securities, whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of these securities.

“Principal Only” and “Interest Only” Securities. The Adviser invests in derivative MBS such as principal only securities (“POs”) and interest only securities (“IOs”) which are more exposed to mortgage repayments, and which therefore generally involve a greater amount of risk than traditional debt securities. Small changes in the repayment rates can significantly impact the cash flow and the market value of these securities.

The risk of faster than anticipated prepayments can significantly impact the cash flow and the market value of IOs. The risk of faster than anticipated prepayments generally adversely affects IOs, “super floaters” and premium priced MBS. The risk of slower than anticipated prepayments generally adversely affects POs and floating-rate securities (subject to interest rate caps, support tranches and discount priced MBS). Faster than anticipated prepayments threaten IOs with the risk that the underlying mortgages will be prepaid causing the IOs to cease paying any further interest and to become worthless. Slower than anticipated prepayments threaten POs with being outstanding for an unexpectedly long period and at an increasingly below-market interest rate.

Inverse IOs, in addition to the aforementioned risks of traditional IOs, have coupon payments that vary inversely with short-term interest rates. Small rises in short-term interest rates may dramatically reduce or stop mortgage interest payments to these securities and thereby impair or extinguish their value.

Credit Default Swap Agreements. The Adviser’s investment program includes credit default swap agreements. The “buyer” in a credit default contract is obligated to pay the “seller” a periodic stream of payments over the term of the contract in return for a contingent payment upon the occurrence of a credit event with respect to an underlying reference obligation. Generally, a credit event means bankruptcy, failure to pay or obligation acceleration. If a credit event occurs, the seller typically must pay the contingent payment to the buyer, which is typically the “par value” (full notional value less any recovery) of the reference obligation. The contingent payment may be a cash settlement or physical delivery of the reference obligation in return for payment of the face amount of the obligation. The Adviser may be either the buyer or seller in the transaction. If the Adviser is a buyer and no credit event occurs, the Adviser may lose its investment (or premium) and recover nothing. However, if a credit event occurs, the buyer typically receives full notional value less any recovery for a reference obligation that may have little or no value. As a seller, the Adviser receives a fixed rate of income throughout the term of the contract, which typically is between one month and five years, provided that no credit event occurs. If a credit event occurs, the seller may pay the buyer the full notional value less any recovery of the reference obligations.

Credit default swaps involve greater risks than if the Adviser had invested in the reference obligation directly. In addition to general market risks, credit default swaps are subject to liquidity risk and credit risk. A buyer also may lose its investment and recover nothing should no credit event occur. If a credit event were to occur, the value of the reference obligation received by the seller, coupled with the periodic payments previously received, may be less than the full notional value (less any recovery) it pays to the buyer, resulting in a loss of value.

Given the recent sharp increases in volume of credit derivatives trading in the market, settlement of such contracts may also be delayed beyond the time frame originally anticipated by counterparties. Such delays may adversely impact the Adviser's ability to otherwise productively deploy any capital that is committed with respect to such contracts.

Credit default swaps have synthetic leverage, meaning that their value is highly sensitive to changes in the value of the underlying debt. In other words, credit default swap values move significantly more than traditional bond prices in response to credit market fluctuations. Accordingly, the disproportionate impact of the credit default swap exposure may cause the Adviser's investment program to take on the profile of a much more highly leveraged investment program and change its focus from long credit to short derivative for a period of time. Because of the inherent synthetic leverage, a credit default swap position can amplify profits and losses and increase volatility.

Options. The Adviser buys and sells (writes) both call options and put options on either a covered or an uncovered basis. The value of options is materially affected by market volatility. Were the Adviser to incorrectly forecast near-term market volatility, substantial losses could be incurred on the options. The seller of an uncovered call option bears the risk of an increase in the market price of the underlying security above the exercise price, which risk is theoretically unlimited. OTC options also involve counterparty solvency risk.

Futures Contracts. The Adviser may trade futures contracts, primarily for hedging purposes. Trading in futures contracts is a specialized activity that may entail greater than ordinary investment risks. Futures markets are volatile and are influenced by factors, such as changing supply and demand relationships, governmental programs and policies, national and international political and economic events and changes in interest rates. In addition, because of the low margin deposit normally required in futures trading, a high degree of embedded leverage is typical of a futures trading account. Consequently, a relatively small price movement in a futures contract may result in substantial losses to the Trader. Futures trading may also be illiquid because certain futures exchanges do not permit trading in a particular type of future beyond certain set limits. If prices fluctuate during a single day's trading beyond those limits, which conditions have in the past sometimes lasted for several days in certain contracts, the Adviser could be prevented from promptly liquidating unfavorable positions and thus be subject to substantial losses.

Options on Futures and Commodities. A large number of options on futures contracts and physical commodities have been approved for trading on and off exchanges. Each such option is a right, purchased for a certain price, to either buy or sell the underlying futures contract or physical commodity during a certain period of time for a fixed price. Such trading involves risks substantially similar to those involved in trading futures and forward contracts in that options are speculative and highly leveraged. Specific market movements of the instruments underlying an option cannot accurately be predicted. The purchaser of an option is subject to the risk of losing the entire purchase price of the option. The writer of an option is subject to the risk of loss resulting from the difference between the premium received for the option, the strike price of the option and the price of the instrument underlying the option which the writer must purchase or deliver upon exercise of the option.

The Adviser will not register with the CFTC as a commodity pool operator, but instead treats each Fund as an exempt commodity pool pursuant to CFTC Rule 4.13(a)(3) on the basis that futures, forwards and swaps make up a *de minimis* portion of such Fund's portfolio. Consequently, a Fund's trading of futures, forwards and swaps will be limited, and such Fund will not be required by CFTC rules to deliver to a disclosure document or a certified annual report complying with CFTC regulations.

Forward Trading. The Adviser may enter into deliverable forward contracts for the trading of certain commodity interests, such as currencies, with U.S. and foreign banks. A forward contract is a contractual obligation to buy or sell a specified quantity of a commodity at or before a specified date in the future at a specified price and, therefore, is similar to a futures contract. However, deliverable forward contracts are not traded on exchanges and, as a result, are not afforded the regulatory protections provided by such exchanges; rather, banks and dealers act as principals in such markets. The CFTC regulates non-deliverable forwards (including many deliverable forwards where the parties do not take delivery). Changes in the forward markets may entail increased costs and result in burdensome reporting requirements. There are no limitations on daily price moves in such forward contracts. The principals who deal in the forward contract market are not required to continue to make markets in such contracts. There have been periods during which certain participants in forward markets have refused to quote prices for forward contracts or have quoted prices with unusually wide spreads between the prices at which they are prepared to buy and those at which they are prepared to sell. With respect to foreign currency forward trading in particular, the imposition of credit controls by governmental authorities might limit such forward trading to less than that which the Adviser would otherwise recommend.

Counterparty and Settlement Risk. Due to the nature of some of the investments which the Adviser makes, the Adviser relies on the ability of the counterparty to a transaction to perform its obligations. In the event that any such party fails to complete its obligations for any reason, investors often suffer losses.

The Adviser will also bear the risk of settlement default by clearing houses and exchanges. The Adviser effects transactions in OTC or "interdealer" markets with financial institutions or counterparties, including banks and brokerage firms. The participants in such markets are typically not subject to the same level of credit evaluation and regulatory oversight as are members of "exchange-based" markets. This exposes the Adviser to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing investors to suffer a loss. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement or where the Adviser has concentrated its transactions with a single or small group of counterparties. The Adviser is not restricted from dealing with any particular counterparty or in the size of the exposure which the Adviser may provide to a given counterparty. The Adviser's evaluation of the creditworthiness of counterparties may not prove sufficient. The inability to make complete and "foolproof" evaluations of the financial capabilities of the counterparties and the absence of a regulated market to facilitate settlement increases the investor's risk. Even if the Adviser does not actually lose capital on deposit with a given broker or counterparty, financial difficulties incurred by such entity could cause material losses by impeding the Adviser's ability to execute the transactions necessary to limit losses or capitalize on market opportunities. Even if the Adviser does not actually lose capital on

deposit with a given broker or counterparty, financial difficulties incurred by such entity could cause material losses by impeding the Adviser's ability to execute the transactions necessary to limit losses or capitalize on market opportunities.

Any default by a counterparty or on settlement could have a material adverse effect. While central clearing of certain standardized derivatives trades has brought more stability and lower counterparty risk to derivatives markets, not all of the Adviser's trades will be subject to a clearing requirement because the trades are grandfathered or because they are bespoke, or because they are within a class that is not currently subject to mandatory clearing.

Custody Risk. Institutions, such as brokerage firms, banks and broker-dealers, generally have custody of portfolio assets managed by the Adviser and often hold such assets in "street name." The Adviser is subject to the risk that these firms and other brokers, counterparties or clearinghouses with which it deals may default on their obligations. Any default by any of such parties could result in material losses to the investor. Bankruptcy or fraud at one of these institutions could also impair the operational capabilities or the capital position of the Adviser. In addition, securities and other assets deposited with custodians or brokers may not be clearly identified as being assets of the Adviser, causing the Adviser to be exposed to a credit risk with regard to such parties. The Adviser generally will only be an unsecured creditor of its trading counterparties in the event of bankruptcy or administration of such counterparties. In some jurisdictions, the Adviser may also only be an unsecured creditor of its brokers in the event of bankruptcy or administration of such brokers. The Adviser attempts to limit its brokerage and custody transactions to well-capitalized and established banks and brokerage firms in an effort to mitigate such risks, but the collapse in 2008 of the seemingly well-capitalized and established banks demonstrates the limits on the effectiveness of this approach in avoiding counterparty losses.

Side Letters; Differential Access to Information; Differential Business Terms. In Private Funds managed by the Adviser, side letters or agreements with specific investors may be reached under which such investors may be granted preferential fee or liquidity terms, or other terms of such Private Fund may be waived or modified. Additionally, terms and conditions of the Funds of One have been directly negotiated with each applicable investor. As a result, certain investors obtain additional benefits which other investors will not receive. Since the Funds of One invests in many of the same securities as other Private Funds managed by the Adviser, there is the possibility that the Fund of One client could liquidate its holdings ahead of other Clients of the Adviser. Except as required by applicable law, in general, notification of other investors of such arrangements is not required nor is the Private Fund required to offer such additional and/or different rights and/or terms to any or all of the other investors.

Financial Relationships between the Adviser and Private Fund Clients. The Adviser has entered into financial relationships with certain Private Fund investors. These relationships include an investor in one Fund providing seed capital for a new line of business and retaining a financial interest in an affiliate of the Adviser. Such financial relationships create a conflict in that the Adviser is incented to provide preferential treatment to such investor. The Adviser has instituted policies and procedures to mitigate this risk including its Code of Ethics.

Financial Relationships between the Adviser and Service Providers. The Adviser, its affiliates, and proprietary accounts of the Adviser have made equity investments, both through its Clients'

and proprietary accounts, in companies that provide services to the Funds. These companies may provide some or all of the assets purchased by the Funds or provide services that are integral to the operation of the Funds. These relationships create a conflict in that the Adviser is incented to benefit the service to the detriment of the Funds in order to help the company increase its profits. The Adviser has instituted policies and procedures to mitigate this risk including its Code of Ethics.

Lack of Exclusivity. Deer Park Road Management Company, LP and its affiliated entities are exposed to a number of actual and potential conflicts of interest. Any such conflict of interest could have a material adverse effect on the Adviser's Clients and investors therein. However, the existence of an actual or potential conflict of interest does not mean that it will be acted upon to the detriment of investors. When a conflict of interest arises, the Adviser will endeavor to ensure that the conflict is resolved fairly and in an equitable manner that is consistent with its fiduciary duties. The Adviser has in place policies and procedures that it believes are reasonably designed to identify and resolve actual and potential conflicts of interest. For purposes of this section, the "Deer Park Entities" include: (a) any other person or entity controlling, controlled by or under common control with the Adviser and (b) a director, partner, stockholder, agent, officer or employee of such Deer Park entities.

Unless the context clearly indicates otherwise, references in this section to conflicts of interest that may apply to the Adviser should be understood to apply to the Adviser and the Deer Park Entities.

The Adviser and the Deer Park Entities are each under no obligation to devote their full time (or any material part of their time) to any single Client or Fund but are only required to devote such time and attention to the affairs as each may deem appropriate. The portfolio managers of the Adviser, who are responsible for the management of a Client's investment portfolio, provide investment advisory, management and/or financial consulting services to other Clients of the Adviser. In addition, the Adviser serves in a similar capacity for several Clients, some of which have similar strategies. The compensation earned by the Adviser, its management team and its portfolio managers with respect to each of its Clients may be significantly higher or lower than that which they earn with respect to managing any other client, and such differences may (but are not required to) result from the relative performance results of a Client. The payments to be received by the Adviser from any one Client may exceed the level of compensation received by other persons in the securities industry who perform services similar to those which will be performed by the Adviser and the Deer Park Entities on behalf of its Clients. The Adviser and the Deer Park Entities and personnel will not be restricted from forming additional investment funds or vehicles, from entering into other investment advisory relationships or from engaging in other business activities, even if such activities may be in competition with its other Clients and/or may involve substantial time and resources of the Adviser and the Deer Park Entities or personnel. These activities could be viewed as creating a conflict of interest in that the time and effort of the Adviser and the Deer Park Entities and personnel are not and will not be devoted exclusively to the business of any single Client but will be allocated between the management of all Client assets.

Portfolio Company Directorships. Certain Deer Park employees, including portfolio managers, serve on boards of directors or in other management capacities at companies (including public companies) in which a Fund invests, either directly or indirectly. In their capacity as directors of portfolio companies, these employees will be subject to fiduciary and other duties to the portfolio companies on whose boards they serve, which duties may on occasion conflict with the interests

of one or more of the Funds. For example, a Fund's ability to sell the publicly traded securities of a portfolio company may be limited if the applicable Deer Park party is in possession of material nonpublic information relating to such portfolio company. The employees may receive compensation from portfolio companies, which may include cash or a meaningful equity position in such companies. Any compensation received or earned by Deer Park parties from their service on a board of directors or in a different management capacity at a portfolio company will be contributed to a Fund that holds equity in such company.

Cybersecurity Risk. The Funds depend on the Adviser to develop and implement appropriate systems for their activities. The Funds will rely extensively on computer programs and systems to conduct their investment business. In addition, certain operations will interface with or depend on systems operated by third parties, and the Funds or the Adviser may not be in a position to verify the risks or reliability of such third-party systems. These programs or systems may be subject to certain defects, failures or interruptions. Any such defect, failure or interruption could have a material adverse effect on the Funds.

The Adviser and any service providers hired by the Adviser to provide services to Clients, including counterparties and electronic communication networks, are susceptible to operational and information security risks. While third-party service providers have procedures in place with respect to information security, their technologies may become the target of cyberattacks or information security breaches that could result in the unauthorized gathering, monitoring, release, misuse, loss or destruction of the Adviser's or the Funds' confidential and other information, or otherwise disrupt the operations of the Funds or those of any third-party service providers. Disruptions or failures in the physical infrastructure or operating systems that third-party service providers, or cyberattacks or security breaches of the networks, systems, or devices that third-party service providers use to service the Adviser's or the Funds' operations, could disrupt and impact the service providers' and the Adviser's or the Funds' operations, potentially resulting in financial losses, the inability to process transactions, inability to calculate valuations, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs. The third-party service providers' policies and procedures with respect to information security have been established to seek to identify and mitigate the types of risk to which the Adviser, the Funds, and the third-party service providers are subject. As with any risk management system, there are inherent limitations to these policies and procedures as there may exist, or develop in the future, risks that have not been anticipated or identified. There can be no assurance that the Adviser, the Funds or the third-party service providers will not suffer losses relating to cyberattacks or other information security breaches in the future.

The Funds will depend on the Adviser to develop the appropriate systems and procedures to control operational risk. Operational risks arising from mistakes made in the confirmation or settlement of transactions, from transactions not being properly booked or other similar disruption may cause the Funds to suffer financial loss, business disruption, liability to clients or third parties, regulatory intervention or reputational damage. The Funds will rely heavily on the Adviser's financial, accounting and other data processing systems. The ability of these systems to accommodate an increasing volume of transactions could also constrain the Adviser's ability to properly manage the portfolios of the Funds.

Institutions, such as brokerage firms or banks, have custody of some of the Funds' assets and may hold such assets in "street name." Bankruptcy or fraud at one of these institutions could impair the operational capabilities or the capital position of the Funds if the Funds' assets become subject to any legal proceeding. Prior financial crises have challenged the financial stability of a number of established financial institutions. For example, in early 2023, as a result of an inadequate liquidity position and material risk of insolvency, government regulators closed certain banks and appointed the FDIC as receiver.

Changes in Accounting Rules. Generally, accounting rules (including ASC 820) applicable to investment funds and various assets in which they invest are evolving. Such changes may adversely affect the Funds. For example, the evolution of rules governing the determination of the fair value of assets to the extent such rules become more stringent would tend to increase the cost and/or reduce the availability of third-party determinations of fair value. This may in turn increase the costs associated with selling assets or affect their liquidity due to inability to obtain a third-party determination of fair value.

ASC Topic 820 Classification. Determining fair value is often difficult and inexact (particularly when it involves the valuation of longer-term and illiquid investments or investments that are subject to legal or other restrictions on transfer). In the absence of actual sale transactions, it is difficult for the Adviser to determine or assess the reliability of the fair values it has placed on particular investments. As described herein, the provisions of ASC 820 require a three-level fair value hierarchy in which the inputs to valuation techniques used to measure fair value of securities are categorized based on the degree to which pricing inputs are observable and the extent of subjectivity required to value the instrument.

The availability of valuation techniques and observable inputs can vary greatly from security to security and is affected by a wide variety of factors including, the type of security, liquidity of the market in which the security normally trades, and other characteristics particular to the security. To the extent that valuation is based, in significant part, on models that use inputs that are unobservable in the market, the security will be designated Level 3. A high degree of judgment is exercised by the Funds in determining fair value for securities categorized in Level 2 or Level 3. The degree of judgment is greatest in the case of securities categorized as Level 3. The Adviser's judgement is critical in making these valuation determinations and may differ, perhaps materially, from the value which others may place on such securities.

All of the Funds' securities will be classified according to this hierarchy. Although the Adviser will attempt to use consistent and fair valuation criteria, the process of determining what is observable and what is unobservable for purposes of the hierarchy requires significant judgment. Thus, the Adviser may classify a security as Level 2 or Level 3 when another firm or agent may have classified such security differently.

Nevertheless, the classification of the instrument used for valuation purposes does not affect the actual volatility or illiquidity of the instrument. Thus, the value of an investment could significantly or completely decline regardless of whether the investment was classified as a Level 2 or Level 3 security.

Item 9. Disciplinary History

On June 4, 2019, Deer Park and Mr. Burg entered into an order (the “Order”) with the SEC. Without admitting or denying the findings in the Order, the SEC found that from at least October 2012 through December 2015 (the “Relevant Period”) the Adviser’s policies failed to address sufficiently how to conform its valuations with Generally Accepted Accounting Principles (“GAAP”). Further, the SEC found that the Adviser’s policies were not reasonably designed for its business practices, given its use of valuation models and pricing vendors and the potential conflict of interest arising from Traders’ ability to determine the fair value of a portion of the positions they manage.

The Order also states that the Adviser failed to implement its existing policy. In accordance with GAAP, the Adviser’s valuation policy included a requirement to maximize the use of relevant observable inputs, however, during the Relevant Period the Adviser failed to ensure that certain RMBS were valued in accordance with GAAP. Specifically, the Adviser may have undervalued certain assets by failing to maximize relevant observable inputs, such as trade prices. The SEC found that Mr. Burg was a cause of the Adviser’s failure to implement the valuation policy that required maximizing observable inputs. The SEC censured the Adviser and ordered the Adviser and Mr. Burg to cease and desist from committing or causing any violations of Section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder. The SEC fined the Adviser \$5 million and Mr. Burg \$250,000.

To the best of the Adviser’s knowledge, there are no other legal or disciplinary events that would be material to an advisory client or prospective advisory client’s evaluation of the Adviser’s advisory business or the integrity of the Adviser’s managements.

As part of the Adviser’s routine compliance training and monitoring program, all employees are asked to certify upon hire, and annually thereafter, whether they have been the subject of any disciplinary actions.

Item 10. Other Financial Industry Activities and Affiliations

Deer Park is an exempt commodity pool operator and commodities trading adviser.

Deer Park is an affiliate of Bangtail, a separate investment adviser that is registered with the SEC. Bangtail serves as adviser to a private fund. Both companies share office space and have separate but substantially similar policies and procedures, and utilize the same personnel and systems. Fees and expenses of the clients of each firm are treated separately. It is not anticipated that transactions of either adviser will be allocated to the other.

Neither the Adviser, its affiliates nor any of its management personnel or employees: 1) are registered as a broker/dealer or a registered representative of a broker/dealer; or 2) have any application pending to register as a broker/dealer or a registered representative of a broker/dealer.

The Adviser, its affiliates or any employees, officers, members, principals or directors of the Adviser or its affiliates may earn transaction fees, investment banking fees, break-up fees, advisory fees (including management fees received from portfolio investments), monitoring fees, directors’ fees or other similar fees (collectively, “Ancillary Fees”). Each quarterly installment of the

Management Fee borne by the Fund investors participating in the investment to which any such fees relate will be reduced by such investor's pro rata share of Ancillary Fees received by the Adviser; provided, however, that the Management Fee will not be reduced in circumstances set forth in the governing documents of the Funds (e.g., not in excess of the Management Fees earned in that period).

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

Deer Park has adopted a Code of Ethics (the "Code") expressing the Adviser's commitment to ethical conduct. Deer Park has a fiduciary duty to its Clients, which means that it must put the interests of its Clients ahead of its own interests. It is the Policy of Deer Park that all Employees must:

- Observe high standards of commercial honor and just and equitable principles of trade in all their dealings on behalf of the Adviser.
- Comport themselves in a manner consistent with the standard of conduct as set forth in this Code.
- Comply with all federal securities laws and other applicable laws and regulations.
- Report all personal securities transactions and holdings to the Adviser as provided below.
- Report any violations of this Code to the Chief Compliance Officer of the Adviser.
- Certify to the Adviser on an annual basis acknowledgement of the policies and procedures referred to in this Code and agreement to abide by them.

The Adviser's Code of Ethics also places restrictions on the personal trading activities of employees. The Code of Ethics requires employees to register all personal trading accounts (and certain trading accounts in which the employee has a substantial interest or over which the employee has discretion) with the Adviser's Compliance Department. Employees are required to report all transactions in securities and all positions in securities to the Compliance Department within 10 days after becoming an employee of the Adviser and thereafter at least once per calendar year. Employees are also required to report on a quarterly basis to the Compliance Department all transactions in securities within 30 days after the end of each calendar quarter. Additionally, the Code of Ethics requires that all employees receive written approval from the Chief Compliance Officer prior to investing in any limited or restricted securities offerings and/or MBS/ABS transactions.

The Adviser maintains an approved list of securities that Employees may purchase and sell for their personal accounts. Employees are prohibited from purchasing securities (or derivatives thereof) that are not on this list, with the exception of certain broad-based ETFs, managed accounts by independent third-party investment advisers and other securities.

The Adviser requires that all individuals must act in accordance with all applicable federal and state regulations governing registered investment advisory practices. The Code of Ethics includes the Adviser's policy prohibiting the use of material non-public information. Any individual not in observance of the above may be subject to discipline or termination.

An affiliate of the Adviser acts as general partner to the Private Funds that are managed by the Adviser. Additionally, Affiliates and employees of the Adviser have invested substantial amounts in the Private Funds and therefore have a financial interest in the Private Funds. Investments made by the Adviser and its employees are generally made on the same terms as other investors in the Funds; however, fees, investment minimums and redemption restrictions may be waived or reduced for them. We do not believe that this arrangement presents any material conflicts of interest because our financial interests are aligned with the interests of Clients. *Deer Park's Code of Ethics may be obtained by Clients or prospective Clients upon request.*

Item 12. Brokerage Practices

The Adviser has full, discretionary authority to manage the investment of the Clients. Including the authority to make decisions with respect to which securities are bought and sold, the amount and price of those securities, the brokers or dealers to be used for a particular transaction, and the commissions or mark-ups and markdowns paid. The Adviser need not solicit competitive bids or offers for any particular security. Accordingly, if the Adviser determines in good faith that the price paid for a security is reasonable relative to the value of such security, it may pay a price higher than or receive a price lower than another broker or dealer may have charged.

Best Execution. It is the obligation of all investment advisers to obtain “Best Execution” of securities transactions for their clients. Best Execution is not defined in securities laws or regulations, but it is generally understood to require the adviser to obtain the most favorable total cost or proceeds in a securities transaction for its clients under the circumstances. The Adviser’s duty is not necessarily to find the best price or lowest cost, but rather to achieve the best qualitative execution for the client. In doing this, the Adviser may take into consideration such factors as knowledge of the counterparty, speed of execution, confidentiality, market depth, capital commitment and recent order flow. A periodic and systematic assessment of execution services is important to the Adviser meeting its Best Execution obligation.

Best Execution in fixed income markets is difficult to exactly define. Limited transparency, liquidity, size and other factors relating to the market for MBS and ABS securities make trading these instruments difficult and not subject to an exacting review of trading alternatives on either a pre-trade or post-trade basis.

Cross Trades. Section 206(3) of the Investment Advisers Act of 1940, as amended, contains strict rules related to several types of transactions between different clients of an investment adviser. An adviser that arranges for a security to be purchased from or sold to a client from its own account – as opposed to purchasing or selling the security in the secondary markets – is engaging in a “Principal Trade.” An “Agency Cross Trade” occurs when an adviser arranges for a trade to be executed between a client and another party, and a “Cross Trade” occurs when an adviser effects a trade between accounts of two or more of its advisory clients but does not charge a fee for effecting the transaction.

Principal Trades, Agency Cross Trades and Cross Trades can benefit clients in a number of ways, including, but not limited to: 1) enabling the transfer of securities among clients without having to expose the security to the market; 2) eliminating counterparty risk; and 3) providing the Adviser with added flexibility when dealing with an illiquid asset. Although Principal Trades, Agency

Cross Trades and Cross Trades can be appropriate in many circumstances, they can also create the potential for conflicts of interest for the Adviser (i.e. the better price an adviser obtains for the selling client, the worse it can be for the purchasing client).

As is consistent with its duty to seek to obtain best execution, occasionally the Adviser may execute cross trades for Client accounts. Deer Park utilizes “cross” trades when it specifically deems the practice to be advantageous for each participant. In no instance does Deer Park receive additional compensation when crossing trades for Client accounts. Deer Park will seek to ensure that the terms of the transaction, including the consideration to be paid or received, are fair and reasonable, and the transaction is done for the sole benefit of the Clients.

The Adviser will not effect Principal or Agency Cross Trades involving ERISA clients.

Trade Errors. The Adviser may, on occasion, experience “Trade Errors” with respect to trades made on behalf of Clients. A Trade Error occurs when a transaction is not executed according to the Adviser’s intent and instructions. Trade Errors can result from a variety of situations, including, but not limited to, when the wrong security is purchased or sold, when the wrong amount is purchased or sold, when a security is purchased when it was meant to be sold or vice versa or when the same trade is executed twice. Not all errors are properly classified as Trade Errors. Certain errors in booking transactions are not considered Trade Errors, nor are mistakes in calculating NAV for a Fund. If an error is identified and corrected before any Client books or settles the position in their account or incurs a loss as a result, the error is not considered a Trade Error. If the error occurs as a result of the actions of a third party (such as a broker/dealer) then it is not considered a Trade Error. Clients will be reimbursed for any material loss realized as a result of a Trade Error. Any gains will be for the benefit of the Account. The Adviser may take such other action as is reasonable under the circumstances.

Soft Dollars. In selecting any broker-dealer and in determining the reasonableness of brokerage commissions charged, the Adviser may take into account the fact that a broker-dealer has furnished or will furnish the Adviser or its Affiliates, without charge, with statistical, research or other information or services which may enhance its services generally, whether or not such services, in any particular instance, are of any benefit to the Adviser’s Clients. Such services may take the form of research services, special execution capabilities, clearance, settlement, net price, online pricing, block trading and block positioning capabilities, economic and market information, portfolio strategy advice, industry and company comments, technical data, recommendations and general reports. Accordingly, the Clients may be deemed to be paying for research and such other services with “soft” or commission dollars. The Adviser will only enter into such “soft dollar” arrangements where it reasonably believes that they will be within the “safe harbor” of Section 28(e) of the Securities Exchange Act of 1934, as amended.

The Adviser does not currently pay and does not anticipate the need or desire to pay, for research or other services with “soft dollar” arrangements. Nonetheless, in the future, the Adviser may choose to pay for research or other services through “soft dollar” arrangements. In such case, even though the Adviser believes that a Client will benefit from many of the services obtained with “soft” dollars generated by trades, each affected Client will likely pay higher transaction costs than it would in the absence of such arrangements and may not benefit from all of these “soft dollar” services or one Client may benefit disproportionately to other Clients. Furthermore, the Adviser and

its Affiliates and other funds or accounts that they may manage may also derive substantial direct or indirect benefits from these services, particularly to the extent that any of them uses “soft” or commission dollars to pay for expenses that it would otherwise be required to pay itself.

If the Adviser does choose to pay for research or other services through “soft dollar” arrangements, broker-dealers may provide research and brokerage services directly or by paying service providers engaged by the Adviser. In connection with any receipt of products or services under “soft dollar” arrangements, the Adviser will determine in good faith that the amount of commissions charged is reasonable in relation to the value of the products or services provided by the broker-dealer. Where a product or service provided has both “eligible” uses under Section 28(e), i.e., uses related to the Adviser’s investment decision-making process, but also has other uses, then the Adviser will make a reasonable allocation between the eligible and non-eligible uses and use soft dollars only for the eligible portion.

It should be noted that the investment information received from broker-dealers, irrespective of whether such investment information was received complimentary or through “soft dollar” arrangements, may be used by the Adviser or its Affiliates in servicing various Clients regardless of the amount of “soft dollar” commissions contributed by that Client. The Adviser believes that such an allocation of brokerage business will help each Client to obtain research and execution capabilities and will provide other benefits to the Clients.

The Adviser may, but is not obligated to, enter into arrangements under which certain direct expenses of a Client are paid with soft dollars. The Adviser will enter into such arrangements where it believes that it is administratively or operationally expedient to do so or where the Adviser believes it is more favorable to than an arrangement under which a Client pays for the products or services in question with cash. However, such arrangements make it more difficult for investors to evaluate the cost structure of a fund because the costs of such products or services are not broken out separately.

In addition to any “soft dollar” arrangements that the Adviser enters into with broker-dealers, broker-dealers may provide certain research or other products or services to all of their customers, including the Adviser, without being requested to do so. Similarly, broker-dealers may refer investors to the Adviser. The Adviser may take advantage of the products or services provided rather than producing or paying for them from another provider. Similarly, the Adviser may accept investor referrals from broker-dealers in appropriate circumstances. In these situations, the Adviser receives a benefit because it does not have to pay for the products or services, such as research, or because it will receive additional compensation if a Client accepts new investments.

The Adviser has an incentive to recommend broker-dealers based on benefits that it receives from broker-dealers, whether or not pursuant to “soft dollar” arrangements, rather than the interests of a Fund in receiving the most favorable execution. Any products or services that the Adviser receives from broker-dealers may be used in connection with its management of more than one Client.

The Adviser assumes no responsibility for the actions or omissions of any broker-dealer or dealer selected by the Adviser in good faith.

Item 13. Review of Accounts

Client accounts are reviewed on an as-needed basis, but no less frequently than monthly. Reviews are undertaken by Michael Craig-Scheckman and/or Scott Burg. All investors in the Private Funds receive monthly reports from the Administrator and regular performance updates and commentary from the Adviser. The monthly updates consist of statistical information and a market specific narrative.

Information on each Private Fund is also made available to investors through the Adviser's password protected website. In addition, tax reports and annual audited financial statements are issued relating to the relevant Private Fund within 120 days of the end such Private Fund's fiscal year.

Item 14. Client Referrals and Other Compensation

Deer Park does not receive any economic benefit from anyone other than its Clients for providing investment advice or advisory services to its Clients.

The Adviser and its affiliates have entered into agreements with placement agents with respect to investors introduced to a Private Fund managed by the Adviser providing for the placement agent to receive a portion of the Adviser's fee with respect to investors introduced. Any amounts paid to a placement agent will reduce the amount of fees paid to the Adviser from the Private Fund; the fees paid to placement agents will not increase fees paid by any Private Fund investor.

Item 15. Custody

The Adviser is deemed to have custody over the funds and securities of each Private Fund. The Adviser is subject to SEC rule 206(4)-2 under the Investment Advisers Act of 1940, as amended. However, it is not required to comply, or is deemed to have complied, with certain requirements of the rule because it complies with the so-called "Pooled Vehicle Audit Exception." This exception requires that each Private Fund be subject to audit at least annually by an independent public accountant that is registered and subject to regular inspection, by the Public Company Accounting Oversight Board, and requires that each Private Fund distributes its audited financial statements to all investors within 120 days of the end of the Private Fund's fiscal year.

Item 16. Investment Discretion

As noted in Item 4, the Adviser or an Affiliate of the Adviser has been appointed the investment manager, investment adviser, the sub-adviser or the general partner with full discretion with respect to investment decisions on behalf of and trading in the Clients' accounts, or sub-accounts.

Investment guidelines and restrictions are set forth in respective Investment Management Agreements and/or offering documents for each Client. When selecting securities or determining amounts, the Adviser observes the investment policies, limitations and restrictions imposed by the Client.

Item 17. Voting Client Securities

The Investment Advisers Act of 1940, as amended, requires investment advisers that have proxy voting authority to: (i) adopt policies and procedures for voting proxies in the best interest of the client; (ii) describe the procedures to clients; and (iii) inform clients how they may obtain information about how the adviser has actually voted their proxies.

Since we invest almost exclusively in fixed income securities (as opposed to equities), we rarely receive proxies to vote.

The general policy is to vote proxy proposals, amendments, consents or resolutions relating to securities, including interests in pooled investment vehicles, if any (collectively, “proxies”), in a manner that serves the best interests of the Clients, as determined by the Adviser in its discretion, taking into account the following factors: (i) the views of management; (ii) the impact on the value of the investments; (iii) the continued or increased availability of portfolio information; and (iv) industry and business practices. In addition, the Adviser may not vote proxies in certain situations where the associated costs outweigh the anticipated benefits to Clients.

If a material conflict of interest exists between the interests of the Adviser and those of the relevant Client with respect to any issue to be voted on, the Adviser will base its voting decision exclusively on the Adviser’s judgment of what will best serve the financial interests of the Client that beneficially owns the securities that are the subject of the vote.

Investors in a Private Fund may request a copy of the Policies and the proxy voting record relating to the relevant Private Fund by contacting the Adviser.

Item 18. Financial Information

Deer Park is not required to attach a balance sheet to this brochure because it does not require the prepayment of more than \$1,200 in fees per client, six months or more in advance.

Deer Park has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to Clients and has never been the subject of a bankruptcy proceeding.