

# **Gramercy Funds Management LLC**

## **Brochure**

*March 30, 2024*

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This brochure provides information about the qualifications and business practices of Gramercy Funds Management LLC (“Gramercy” or the “Firm”), an investment adviser registered with the United States Securities and Exchange Commission (the “SEC”). If you have any questions about the contents of this brochure, please contact us at (203) 552-1900. The information in this brochure has not been approved or verified by the SEC or by any state securities authority.

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

Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

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## **Item 2. Material Changes**

There have been no material changes to the brochure since Gramercy's last annual update, which was filed on March 31, 2023. However, Items 4, 5, 8, and 13 have been updated to reflect more detailed disclosure with respect to the information set forth in each such Item. Gramercy has also made certain routine updates and clarifying changes to the brochure.

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## Item 4. Advisory Business

### History of the Firm

Gramercy is a dedicated emerging markets investment manager based in Greenwich, Connecticut with offices in London, Buenos Aires, Miami, West Palm Beach, and Mexico City, and dedicated lending platforms in Mexico, Turkey, Peru, Pan-Africa, Brazil, and Colombia. The Firm was founded in 1998 by Robert Koenigsberger, Managing Partner and Chief Investment Officer, and seeks to provide investors with a better approach to emerging markets, delivering attractive risk-adjusted returns supported by a transparent and robust institutional platform. Currently, the Firm manages assets across a range of alternative and long-only strategies across emerging markets asset classes including multi-asset, private credit, public credit, and special situations. Gramercy is a Signatory of The Principles for Responsible Investment (“**PRI**”), a Signatory to the Net Zero Asset Managers initiative (“**NZAMI**”) and a Supporter of the Task Force on Climate-Related Financial Disclosures (“**TCFD**”). Gramercy Ltd., an affiliate, is registered with United Kingdom Financial Conduct Authority (“**FCA**”).

### Ownership of the Firm

While the Firm’s actual ownership is indirectly held by Robert Koenigsberger, Scott Seaman, San Bernardino County Employees’ Retirement Association and Kudu Investment Management LLC, Dr. Mohamed A. El-Erian, Chair of Gramercy, has a substantial ownership in Gramercy via synthetic equity. In addition, most Gramercy employees are granted synthetic equity in the Firm.

### Assets under Management

As of December 31, 2023, Gramercy had approximately \$7,074,339,005 of regulatory assets under management, all of which was managed on a discretionary basis.

### Description of Advisory Services

For 26 years, Gramercy has provided investment advisory services and products to a variety of clients. Gramercy presently provides investment advisory services to domestic and offshore private investment vehicle clients (collectively, the “**Funds**”), as well as to separately managed accounts of institutional investors (e.g., pension plans, endowments, trusts) (collectively, the “**Managed Accounts**”). The Funds and the Managed Accounts focus primarily on emerging markets investment strategies.

Gramercy serves as the managing member of, or investment adviser to, each of its Funds. With respect to each of the Funds, Gramercy’s investment authority is set forth in the applicable governing documents. Gramercy also serves, from time to time, as the sub-adviser to certain investment vehicles, pursuant to which the scope of its investment authority is set forth in the sub-advisory agreements for such entities.

Additionally, Gramercy manages assets for clients in the form of Managed Accounts. Managed Account clients enter into investment management agreements that authorize Gramercy to make investment decisions on behalf of the relevant Managed Account on a fully discretionary basis, subject to any restrictions contained in the investment management agreement or as otherwise agreed to with the Managed Account.

Gramercy generally seeks to manage each Managed Account's assets based upon the Managed Account's particular investment guidelines, reporting requirements, desire to be an active investment participant, and other criteria. The Firm is capable of managing a portfolio according to complex, client-directed constraints and has developed an in-house compliance monitoring and reporting program to seek to ensure that it adheres to applicable guidelines.

Gramercy provides advice to client accounts based upon their particular investment objectives and strategies. Under certain circumstances, Gramercy may agree to tailor advisory services to the individual needs of clients, but not to investors in the Funds. Clients may impose restrictions on investing in certain securities or certain types of securities. Please see Item 16 below for a more detailed description of how advisory services may be tailored for specific clients.

In addition to the foregoing, Gramercy also provides advisory and consulting services to unaffiliated third party advisory clients ("**Third Party Advisory Clients**") related to, among other things, strategic initiatives, transaction structuring and support, liquidity and investment management, and other areas in which Gramercy may have expertise. The services provided to, and objectives and mandates of such clients are memorialized in the services agreements by and between Gramercy and such Third Party Advisory Clients. None of the reported regulatory assets under management relate to any services agreements with such Third Party Advisory Clients.

Gramercy does not participate in any wrap fee program.

## **Item 5. Fees and Compensation**

### **Asset-Based Compensation**

With respect to the Funds and Managed Accounts, Gramercy typically receives a management fee based upon a percentage of assets under management. For the Firm's alternative strategies, the management fee is generally between 1.0% to 2.0% per annum of the value of the client's assets under management, payable either monthly or quarterly as set forth in the applicable governing documents. For certain clients holding index-benchmarked long-only assets, management fees generally range from 0.30% to 1.25% per annum, payable monthly or quarterly.

Investment management fees are generally charged each month or quarter in arrears based on the total market value of the assets in the client account (including net unrealized appreciation or depreciation of investments and cash, cash-equivalents and accrued interest) on the last day of the month or quarter, as applicable. If a new client account is established during a month or quarter, or a client makes a contribution to its account during a month or quarter, the investment management fee is prorated based on the number of days remaining in the month or quarter, as

applicable. If a client's investment management agreement is terminated or a withdrawal or redemption is made from a client account during a month or quarter, the investment management fee payable to Gramercy is calculated based on the value of the assets on the termination date or withdrawal or redemption date, as applicable, and prorated based on the number of days during the quarter or month in which the investment management arrangement was in effect or such amount was in the account, as applicable.

Managed Accounts and Fund investors can and have, under limited circumstances based on the size of the account, negotiated management fees.

### Investment-Related Fees

Gramercy (or an affiliate of Gramercy) will, in certain circumstances, receive fees in connection with a Fund's investment activity, including, but not limited to, structuring fees, monitoring fees, advisory fees, loan origination fees, break-up fees or other similar fees (such fees, "**Investment-Related Fees**"). To the extent that Gramercy (or an affiliate) receives such Investment-Related Fees in connection with a Fund or Managed Account's investment activity, an amount equal to 100% of such client's *pro rata* portion of such Investment-Related Fees, net of any unreimbursed expenses incurred by Gramercy (or an affiliate) in connection with unconsummated transactions, will generally be applied to reduce the management fees payable to Gramercy (the "**Management Fee-Offset**"), subject to the specific terms set forth in the governing agreement(s) for such client. Notwithstanding the foregoing, certain compensation paid to Gramercy (or an affiliate) in consideration for bona fide loan servicing activities performed by Gramercy (or an affiliate), which are on terms that are comparable to rates customarily charged for similar services by third parties engaged in the same or substantially similar activities, as determined in Gramercy's (or an affiliate's) good faith discretion, will generally not be applied to any Management-Fee Offset. Any such Management-Fee Offset will be allocated among clients on the basis of capital committed by each client to the relevant investment. The management fee will not be reduced below zero for any calendar quarter, but any Management Fee-Offset reductions will be carried forward and applied to any future quarterly management fees, if necessary. Please also refer to the discussion *Credit Platforms and Other Ventures* in Item 8.

### Performance-Based Compensation

With respect to the Funds and Managed Accounts that employ alternative strategies, Gramercy (or an affiliate of Gramercy) is typically paid a performance-based fee or allocation. Such performance-based fee or allocation typically ranges from 10% to 20% of the annual capital appreciation of the client's account, calculated after management fees and expenses are applied. For certain Funds that employ illiquid investment strategies (e.g., private credit and special situations), Gramercy (or an affiliate) is typically paid such performance-based fee or allocation based upon the proceeds (i.e. income) realized upon the disposition of the investments of such Funds; subject to the return of capital contributions to investors and, often, subject to a preferred return to investors (as set forth in the Fund's governing documents), catch-up distributions and/or other performance hurdles. Gramercy generally is not paid a performance-based fee or allocation in respect of the Funds and Managed Accounts that employ index-benchmarked, long-only strategies.

Performance-based fees or allocations are, under limited circumstances, negotiated based on the size of the account.

The independent administrator for each of the Funds calculates and deducts the investment management fee and, if applicable, the performance-based compensation from client accounts by instructing the client's custodian.

### Fund Expenses

In addition to paying investment management fees and, if applicable, performance-based fees or other compensation, Fund clients are typically subject to other expenses, as more fully discussed and set forth in the applicable offering memorandum and governing documents for Fund clients, which may include, without limitation:

- legal, compliance, audit, tax preparation and internal and external accounting expenses (including third-party accounting services, portfolio management systems, accounting and risk reporting, and software licensing fees) of the Fund client;
- administrator fees and expenses;
- investment and potential investment expenses such as commissions, research fees and expenses (including research-related travel);
- computer hardware and software expenses, including, without limitation, Bloomberg terminals and subscriptions;
- interest on margin accounts and other indebtedness;
- borrowing charges on securities sold short;
- transaction fees, consulting and advisory fees, custodial fees, administrative expenses, clearing and settlement charges and similar fees and expenses associated with the Funds' operations and with the acquisition, disposition and settling of investments and potential investments;
- bank service fees;
- Fund client-related insurance costs (including D&O and E&O insurance costs);
- taxes, governmental charges, fees and duties payable by a Fund client;
- appraisal and valuation expenses;
- banking and consultant fees;
- sales expenses;
- costs and expenses associated with investor communications and reports and the delivery thereof to investors;
- expenses of regulatory compliance, filings and reporting (including, but not limited to, Form PF, compliance with the Alternative Investment Fund Managers Directive and blue sky compliance);
- expenses incurred in connection with pursuing, defending or participating in any litigation, arbitration, mediation or similar proceeding;
- salaries and expenses of independent directors;
- organizational expenses; and
- any other expenses reasonably related to the offering, business, operations and maintenance of the Fund client (as applicable), the analysis, sourcing, purchase, sale or transmittal of investments and/or transactions, whether or not the investments are consummated, the

fulfillment of the Fund client's purpose or as necessary to protect the interests of the Fund client from any potential or actual creditor or litigant.

Managed Accounts clients are subject to expenses reasonably related to the purchase, sale or transmittal of the client's assets and such other expenses as may be agreed with the client. Managed Account client assets may be invested in pooled investment vehicles. In these cases, the client will bear its pro rata share of the underlying fund's operating and other expenses, in addition to the expenses set forth above. Investor assets may be invested in a master-feeder structure. Feeder funds bear a pro rata share of the expenses associated with the related master fund. Please refer to Item 12 below for a discussion of Gramercy's brokerage practices.

### Services-Based Compensation

With respect to Third Party Advisory Clients, Gramercy generally is and expects to be paid on a periodic basis (e.g. monthly or quarterly) for services provided to such Third Party Advisory Clients during the term of the respective services agreement. Such fees are memorialized in the applicable services agreement. None of the reported regulatory assets under management relate to the services agreement with any Third-Party Advisory Client.

### General

Gramercy may, in its sole discretion, reduce, waive or calculate differently all or a portion of the management fee and/or performance-based compensation applicable to certain Fund investors, including, without limitation, Gramercy and/or its employees or affiliates, relatives of such employees and certain large or strategic investors.

Further, to the extent that a Fund or Managed Account invests in another Fund, Gramercy will waive the management fee and performance-based compensation in one Fund or Managed Account so that such Fund or Managed Account is not subject to duplicative fees for the same investment.

Certain Funds for which Gramercy serves as investment manager and/or managing member have entered into agreements, or "side letters," with certain prospective or existing investors in a Fund whereby such prospective or existing investors are subject to terms and conditions that are more advantageous than those set forth in the offering memorandum for the Fund. For example, such terms and conditions provide for special rights to make future investments in the Fund, other investment vehicles or managed accounts; rights to receive reports from the Fund on a more frequent basis or that include information not provided to other investors (including, without limitation, more detailed information regarding portfolio positions) and such other rights as may be negotiated by the Fund and such investors. The modifications are solely at the discretion of the Fund and may, among other things, be based on the size of the investor's investment in the Fund or affiliated investment entity, an agreement by an investor to maintain such investment in the Fund for a significant period of time, or other similar commitment by an investor to the Fund.



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

Gramercy and its investment personnel provide investment management services to multiple portfolios for multiple clients. Gramercy (or an affiliate of Gramercy) is typically paid performance-based compensation by the Funds and certain Managed Accounts. Such performance-based compensation may create an incentive for Gramercy to make investments that are riskier or more speculative than would be the case in the absence of such performance-based compensation arrangements. In addition, certain client accounts may have higher asset-based fees or more favorable performance-based compensation arrangements. When Gramercy and its investment personnel manage more than one client account, a potential conflict exists for one client account to be favored over another client account. Gramercy and its investment personnel have a greater incentive to favor client accounts that pay the Firm (and indirectly its investment personnel) greater performance fees.

To seek to ensure that one account is not treated more favorably than another account, Gramercy has adopted and implemented policies and procedures intended to address conflicts of interest relating to the management of multiple accounts, including accounts with multiple fee arrangements, and the allocation of investment opportunities. These procedures establish rules for the formulation and subsequent aggregation and allocation of trades that are designed to ensure that all accounts with substantially similar investment objectives are treated equitably. Generally, Gramercy seeks to minimize any conflict of interest by (i) not favoring any client over another; (ii) allocating the average price to clients that participate in an aggregated order; and/or (iii) allocating partially filled orders pro rata among participating clients.

These policies are monitored by Gramercy's Chief Compliance Officer.

## **Item 7. Types of Clients**

Gramercy's primary client base consists of pooled investment vehicles, pension plans, foundations, public retirement funds, endowments, sovereign wealth funds, insurance plans, high net worth investors, other investment advisors and corporations.

With respect to the Funds, any initial and additional subscription minimums are disclosed in the offering memorandum for each Fund. Typically, the minimum investment in a Fund is at least \$5,000,000.

Although Gramercy does not maintain a specific minimum dollar value of assets or other conditions for opening a Managed Account, Gramercy's managed account services are directed toward institutional investors that are prepared to invest at least \$50,000,000 or more.

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

### **Methods of Analysis and Investment Strategies**

Gramercy invests across a range of alternative and long-only emerging markets investments. Gramercy focuses on the following emerging markets strategies: multi-asset; private credit; special situations; and public credit (distressed/opportunistic credit and long-only debt). From time to time, Gramercy has and expects in the future to participate in non-emerging market investment opportunities including, in particular, in special situations.

#### **Emerging Markets Multi-Asset**

Gramercy's Emerging Markets Multi-Asset strategy employs a tactical multi-asset approach. The strategy intends to diversify investments across strategies and asset classes, dynamically implementing both tactical and opportunistic concentrations in order to ensure comprehensive coverage of the evolving emerging markets opportunity set. Gramercy seeks to use its deep knowledge and network in emerging markets to identify assets that are mispriced and undervalued. The strategy intends to capitalize on Gramercy's highest conviction ideas through an unconstrained multi-strategy approach to emerging markets across investment strategies and asset classes, including private credit, special situations, and public credit (distressed/opportunistic credit and long-only debt). Collaborative thinking across asset classes and strategies is the focal point. The complexity of emerging markets makes collaboration among investment professionals critical.

#### **Emerging Markets Private Credit**

Gramercy's Emerging Markets Private Credit strategies seek to provide private credit to middle market emerging markets corporates through secured private transactions. Private credit assets are expected to be relatively illiquid, highly collateralized structures with significant downside protection. Gramercy has identified a sector of emerging markets economies, primarily composed of small and medium-sized enterprises that lack access to the capital markets and are not currently served by the banking industry. The strategies seek to provide opportunistic growth capital for emerging markets corporates not currently met by the market. The experience of Gramercy's Capital Solutions team, along with Gramercy's institutionalized nature, provide the opportunity for sophisticated and bespoke deal structures for targeted companies.

#### **Special Situations**

Gramercy's Special Situations strategies seek to unlock value through our proven approach to arbitration management and innovative settlement solutions. The Special Situations strategies include investments in private special situations, private equity, pre-IPO, and trade and insurance claim opportunities (in each case, both in EM and non-EM jurisdictions). Alpha generation takes place through bottom-up, intensive credit evaluation/monitoring combined with the top-down perspective of a highly experienced team of career-dedicated emerging markets investors.

#### **Emerging Markets Public Credit**

- **Distressed and Opportunistic Credit**

Gramercy's Distressed strategy utilizes proactive, distressed investing in emerging markets corporate, sovereign, or quasi-sovereign entities. Investments targeted include

stressed/distressed and defaulted bonds, which are typically large, global Eurobond issues, governed by United States (“U.S.”) or United Kingdom (“U.K.”) law, underwritten in public capital markets and generally, U.S. dollar denominated. This strategy also pursues from time to time investments in instruments that are governed by local law (i.e., not U.S. or U.K.) and/or denominated in local currency.

Gramercy’s Opportunistic Credit strategy relies on extensive fundamental analysis in an effort to identify long/short opportunities. Longs are typically credits that are trading significantly below their intrinsic value and short positions are typically overvalued opportunities that will re-price around an event or catalyst. These securities are external obligations (bonds) of countries, corporations and quasi-sovereigns in emerging markets. They are issued outside of a country under external jurisdiction and they are typically governed under U.S. or U.K. Law. The securities are typically denominated in U.S. Dollars and Euros. The Firm’s investment process includes top-down analytics, which identify value and bottom-up research that drive credit selection. This bottom-up primary research driven analysis combines the analytical based foundation and the analysts’ qualitative insights to ultimately generate investment ideas. Portfolios are typically hedged using sovereign credit default swaps and index options.

- *Long-Only Debt*

Gramercy offers a full spectrum long-only Emerging Market Debt (“**EMD**”) platform with the unique capability of being able to provide complete EMD solutions through its Blended strategy. Gramercy’s long-only EMD investment philosophy relies on a disciplined, comprehensive approach to active management of emerging markets debt. There are five pillars to our investment philosophy that define our efforts to outperform our benchmark and our peers by building portfolios with compelling risk/return profiles: 1) thematic top-down view, 2) proprietary bottom-up research, 3) integrated ESG concepts, 4) integrated risk management, and 5) unique emerging markets expertise. Emerging markets debt strategies focus on USD Sovereign Debt, Local Markets Sovereign Debt, Corporate Debt and High Yield Corporate Debt.

### **Risk of Loss**

There can be no assurance that the objectives associated with any of Gramercy’s investment strategies will be met or that the Firm will achieve profitable results. Investments involve risk of loss, and clients must be prepared to bear the loss of their entire investment. Such risks may include, without limitation, those identified below. Investors and potential investors in a Fund should refer to the Fund’s offering memorandum for a further discussion of the applicable risks.

- *Emerging Markets.* The risks of foreign investments may be greater in less developed countries, sometimes referred to as emerging markets. For example, political and economic structures in these countries may be less established and may change rapidly. These countries may be more likely to experience high levels of inflation, deflation, or currency devaluation, which can harm their economies and securities markets and increase volatility. Restrictions on currency trading that may be imposed by emerging

market countries will have an adverse effect on the value of the securities of companies that trade or operate in such countries.

- *Market Disruption and Geopolitical Risk.* The Funds are subject to the risk that war, terrorism, pandemics and related geopolitical events may lead to increased short-term market volatility and have adverse long-term effects on the world's economies and markets generally, as well as adverse effects on issuers of securities and the value of a Fund's investments. These events, as well as other changes in U.S. and non-U.S. economic and political conditions, also could adversely affect individual issuers or related groups of issuers, securities markets, interest rates, credit ratings, inflation, investor sentiment and other factors affecting the value of a Fund's investments.
- *Distressed Situation Risks.* Investment in distressed situations exposes the client to significant risks, including: the difficulty in obtaining information as to the issuer's true condition; regulatory risk, including laws relating to fraudulent conveyances, voidable preferences, lender liability and bankruptcy; litigation risk; liquidity risk; and collection risk (especially, when dealing with sovereign debt). Moreover, to the extent client accounts are invested in sovereign debt obligations, those investments will be subject to additional risks and considerations not present in private distressed situations, including the uncertainties involved in enforcing and collecting debt obligations against sovereign nations, which are affected by world events, changes in U.S. foreign policy, claims against a sovereign from other creditors and other factors outside of the control of Gramercy.
- *Credit Risks.* Investments may include the purchase of credit products and may include investment grade bonds and high yield bonds, including those for which there is available credit protection via CDS, CDS baskets, shorting various exchange traded funds or other instruments. Although investments may seek to hedge a portion of the perceived vulnerable credit exposure relating to these bond positions, it may not always do so or be able to do so and such hedges may not always be effective. Accordingly, there will always be some and sometimes significant amounts of credit risk to investment grade and high yield bonds in portfolios.
- *Fixed-Income and Debt Securities.* Investment in fixed-income and debt securities such as bonds, notes and asset-backed securities, subject a client's portfolios to the risk that the value of these securities overall will decline because of rising interest rates. Similarly, portfolios that hold such securities are subject to the risk that the portfolio's income will decline because of falling interest rates. Investments in these types of securities will also be subject to the credit risk created when a debt issuer fails to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that debt to decline. Lastly, investments in debt securities will also subject the investments to the risk that the securities may fluctuate more in price and are less liquid than higher-rated securities because issuers of such lower-rated debt securities are not as strong financially, and are more likely to encounter financial difficulties and be more vulnerable to adverse changes in the economy.

- *Direct Lending.* To the extent that Gramercy, through its various investment vehicles, engages in active lending transactions, it will be subject to risks associated with possible default by the borrower, insufficient collateral and legal and other costs incurred in collecting on a defaulted loan. Further, to the extent that Gramercy extends mezzanine or other subordinated and/or unsecured loans to companies, the relevant investment vehicle will be assuming the risk that the loans will not be repaid in full or in part after all senior obligations have been satisfied. Active lending by a Gramercy investment vehicle may also subject it to additional regulation, as well as possible adverse tax consequences to the vehicle and/or its investors, although Gramercy may seek to adopt appropriate procedures to minimize such consequences.
- *Privately-Offered Securities and Other Illiquid Instruments.* Investments may be made in non-public, restricted and/or illiquid securities or other instruments. Such instruments may have no readily available market or third-party pricing. Reduced liquidity may have an adverse impact on market price and Gramercy's ability to sell particular securities when necessary to meet liquidity needs or in response to a specific economic event, such as the deterioration of creditworthiness of an issuer. Reduced liquidity in the secondary market for certain securities may also make it more difficult for Gramercy to obtain market quotations based on actual trades for the purpose of valuing a Fund's portfolio.
- *Non-Disclosure of Positions.* In an effort to protect the confidentiality of its positions, certain Funds generally will not disclose all of their positions to their investors on an ongoing basis, although the Firm, in its sole discretion, may permit such disclosure on a select basis to certain investors, if it determines that there are sufficient confidentiality agreements and procedures in place.
- *Global Macro (Event-Driven Investing) Risks.* Due to the inherently speculative nature of event-driven investing, the results may fluctuate from period to period and are not expected to correlate with the direction of the markets. Accordingly, the results in a particular period will not necessarily be indicative of results which may be expected in future periods.
- *Equity Risks.* The value of equity securities fluctuates in response to issuer, political, market, and economic developments. Fluctuations can be dramatic over the short as well as long term, and different parts of the market and different types of equity securities can react differently to these developments. For example, large cap stocks can react differently from small cap stocks, and "growth" stocks can react differently from "value" stocks. Issuer, political, or economic developments can affect a single issuer, issuers within an industry or economic sector or geographic region, or the market as a whole. Changes in the financial condition of a single issuer can impact the market as a whole. Geopolitical risks have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.
- *Hedging Risks.* There can be no assurances that a particular hedge is appropriate, or that certain risk is measured properly. Further, while Gramercy may enter into hedging

transactions to seek to reduce risk, such transactions may result in poorer overall performance and increased (rather than reduced) risk for Gramercy's investment portfolios than if Gramercy did not engage in any such hedging transactions.

- *Interest Rate Risks.* Generally, the value of fixed-income securities changes inversely with changes in interest rates. As interest rates rise, the market value of fixed-income securities tends to decrease. Conversely, as interest rates fall, the market value of fixed-income securities tends to increase. This risk is greater for long-term securities than for short-term securities.
- *Leverage Risks.* Performance may be more volatile if a client's account employs leverage.
- *Option Trading Risks.* Purchasing options involves the risk that the underlying instrument will not change price in the manner expected, so that the investor loses its premium. Selling options involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the underlying security rather than only the premium payment received (which could result in a potentially unlimited loss). Over-the-counter options also involve counterparty credit and solvency risk.
- *Short Selling Risks.* Short selling transactions expose client accounts to the risk of loss in an amount greater than the initial investment, and such losses can increase rapidly and without effective limits. There is the risk that the securities borrowed by Gramercy in connection with a short sale would need to be returned to the securities lender on short notice. If such request for return of securities occurs at a time when other short sellers of the subject security are receiving similar requests, a "short squeeze" can occur, wherein Gramercy might be compelled, at the most disadvantageous time, to replace the borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier.
- *Projections.* A Fund may rely upon projections, forecasts or estimates developed by the Firm and its affiliates or a company in which a Fund is invested concerning the company's future performance and cash flow. Projections, forecasts and estimates are forward-looking statements and are based upon certain assumptions. Actual events are difficult to predict and beyond a Fund's control. Actual events may differ from those assumed. Some important factors which could cause actual results to differ materially from those in any forward-looking statements include changes in interest rates; loan pricing; leverage levels; loan structures; credit agreement terms; prepayment rates; timing of acquiring additional assets for a Fund; exchange rates or default or recovery rates or timing; mismatches between the timing of accrual and receipt of proceeds from a Fund's assets; domestic and foreign business, market, financial or legal conditions; differences in the actual allocation of a Fund's investments among asset groups from that described herein; the degree to which a Fund's investments are hedged and the effectiveness of such hedges, among others. There can be no assurance that certain of the Funds' estimated returns or projections can be realized or that actual returns or results will not be materially lower than those estimated therein.



- *Stakeholder Activism Risks.* Gramercy's stakeholder activism investment strategies create the risk that the intended strategy for a particular company will be unsuccessful. In cases where Gramercy takes a seat on a company's board of directors, there exists a risk that Gramercy will be restricted in transacting in or liquidating its investment in that company as a result of, among other things, legal restrictions on transactions by company directors or affiliates. The potential for company restructuring also creates the risk that Gramercy might become involved in litigation (either as a plaintiff or defendant).
- *Difficulty of Bringing Suit or Foreclosure.* Because the effectiveness of the judicial systems in which the Funds may invest varies, the Funds may have difficulty in foreclosing or successfully pursuing claims in the courts of such countries, as compared to the United States or other countries. Further, to the extent a Fund may obtain a judgment but is required to seek its enforcement in the courts of one of these countries in which a Fund invests, there can be no assurance that such courts will enforce such judgment. For example, the laws of other countries lack the sophistication and consistency found in the United States with respect to foreclosure, bankruptcy, corporate reorganization and creditors' rights.
- *Derivatives.* Swaps, and certain options and other custom derivative or synthetic instruments are subject to the risk of nonperformance by the counterparty to such instrument, including risks relating to the financial soundness and creditworthiness of the counterparty. In addition, investments in derivative instruments require a high degree of leverage, meaning the overall contract value (and, accordingly, the potential for profits or losses in that value) is much greater than the modest deposit used to buy the position in the derivative contract. Derivative securities can also be highly volatile. The prices of derivative instruments and the investments underlying the derivative instruments may fluctuate rapidly and over wide ranges and may reflect unforeseeable events or changes in conditions, none of which can be controlled by the client or Gramercy. Further, transactions in derivative instruments are not undertaken on recognized exchanges, and may expose the client's account to greater risks than regulated exchange transactions that provide greater liquidity and more accurate valuation of securities.
- *Distressed Securities.* Investments in unrated or low-grade debt securities of distressed companies may be subject to greater risk of loss of principal and interest than higher-rated debt securities. Also, securities of distressed companies are generally more likely to become worthless than the securities of more financially stable companies. In addition, evaluating credit risk for foreign debt securities involves greater uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult.
- *Non-U.S. Securities.* Foreign securities, foreign currencies, and securities issued by U.S. entities with substantial foreign operations can involve additional risks relating to political, economic, or regulatory conditions in foreign countries. These risks include fluctuations in foreign currencies; withholding or other taxes; trading, settlement, custodial, and other operational risks; and the less stringent investor protection and disclosure standards of some foreign markets. One or more of these factors can make foreign investments, especially those in emerging markets, more volatile and potentially

less liquid than U.S. investments. In addition, foreign markets can perform differently from the U.S. market.

- *Accounting Standards; Limited Availability of Information; Due Diligence.* Accounting, auditing, financial and other reporting standards, practices and disclosure requirements in countries in which a Fund may invest are not equivalent to those in the United States and may differ in fundamental ways. Accordingly, information available to a Fund, including both general economic and commercial information and information concerning specific enterprises or assets, may be less reliable and less detailed than information available in more economically sophisticated countries.

For example, the financial information appearing on the financial statements of a company in an emerging market may not reflect its financial position or results of operations in the way they would be reflected if the financial statements had been prepared in accordance with generally accepted international accounting principles. Investors in emerging markets generally have access to less reliable and less detailed information than investors in more economically sophisticated countries, including both general economic and commercial information and information concerning the operations, financial results, capitalization and financial obligations, earnings and securities of specific enterprises.

In addition, in certain instances, a Fund may not receive access to all available information to determine fully the origination, credit appraisal and underwriting practices utilized with respect to the investments or the manner in which the investments have been serviced and/or operated. As a result, the scope and nature of a Fund's due diligence activities will be more limited than due diligence reviews conducted in more developed economies because, among the other factors listed in this section, (i) certain information is unavailable or prohibitively costly to obtain and/or (ii) the information that is available is generally less reliable and less detailed than financial information that is typically available to investors in Western countries. The lower standards of due diligence in certain countries will increase the risk related to the investments in these countries. While Gramercy will endeavor to conduct appropriate due diligence in connection with each investment, no guarantee can be given that they will obtain the information or assurances that an investor in a more sophisticated economy would obtain before proceeding with an investment.

- *Futures and Options.* In connection with the use of both securities and commodities futures contracts and options, there may be an imperfect correlation between the change in market value of a security or commodity and the prices of the futures contracts and options in the client's account. In addition, Gramercy's investments in security or commodity futures and options may encounter a lack of a liquid secondary market for a futures contract and the resulting inability to close a futures position prior to its maturity date.
- *Fraud.* A concern in investments in emerging markets is the possibility of material misrepresentation or omission on the part of the target companies. Such inaccuracy or incompleteness may adversely affect the valuation of the investment or the collateral



underlying debt investments or may adversely affect the ability of a Fund to perfect or effectuate a lien on any collateral securing debt investments. A Fund will rely upon the accuracy and completeness of representations made by borrowers and issuers to the extent reasonable when it makes its investments, but cannot guarantee such accuracy or completeness. Finally, under certain circumstances, payments to a Fund may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

- *Credit Platforms and Other Ventures.* In connection with the capital solutions business and certain other investment opportunities, Gramercy and its affiliates have developed, and anticipate developing, relationships with local business partners in various emerging markets jurisdictions and/or industries. As part of this process, Gramercy and its affiliates have established, and may continue to establish, a number of private credit lending platforms (“**Credit Platforms**”) and other ventures with such local business partners. The Credit Platforms and other ventures are expected to be a source of deal flow for investments that would be made by the Funds.

In certain circumstances, a Fund may lend directly to one or more vehicles or joint ventures established with one or more local business partners in connection with any such Credit Platform (each, a “**Platform Vehicle**” and such term as used herein including any equity stake in a local business partner itself) and any such Platform Vehicle would be expected to subsequently enter into loans with underlying borrowers. In other circumstances, a Fund may lend directly to underlying borrowers that are sourced by a Credit Platform or local business partner, and a Platform Vehicle may be entitled to fees or other compensation in connection with such activities. Whether in connection with the investment activity of a Fund or otherwise, Gramercy or its affiliates could from time to time acquire or be granted direct or indirect stakes in Platform Vehicles, including stakes in local business partners themselves. Any such stakes are primarily expected to be, but will not necessarily be, equity stakes or rights to future equity stakes (such as warrants, options or other interests) in a joint venture entity.

In connection with the sourcing and allocation of loans to participating Funds, Gramercy or its affiliates are expected to receive economic benefits from transactions with Platform Vehicles in which Gramercy or its affiliates acquire an interest, and such economic benefits will not be shared with such participating Funds. Platform Vehicles may be entitled to fees and other compensation directly derived from a Fund’s investment activities. As a result of any of the foregoing, Gramercy or its affiliates could be incentivized to cause a Fund to make investments through, or otherwise transact with, Platform Vehicles rather than engaging in transactions with third parties in which Gramercy and its affiliates have no such economic interests. While Gramercy seeks to take actions intended to mitigate any conflicts with respect to Platform Vehicles, such conflicts may not be able to be fully mitigated.

- *Valuation of Illiquid Assets.* Gramercy will value the assets of the Funds on a quarterly basis in accordance with GAAP. GAAP requires that a “fair value” be assigned to all assets and establishes a single authoritative definition of fair value that includes a framework for measuring fair value and enhanced disclosures about fair value

measurements. The hierarchical disclosure framework prioritizes the inputs used in measuring investments at fair value into three levels based on their market price observability. Market price observability is affected by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available quoted prices from an active market or for which fair value can be measured based on actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment inherent in measuring fair value. The process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ from values that would have been determined had an active market existed for such securities and may differ from the prices at which such securities may ultimately be sold.

Although the Funds anticipate that some assets will be valued using readily available market quotations, it is expected that third-party market pricing information may at times not be available with respect to certain of the Funds' assets. In the event that third-party market pricing information is not available with respect to any of the Funds' assets, Gramercy may engage a dealer or independent pricing service to determine the value of such assets. Many illiquid securities will not have a valuation or market quotation readily available from any dealer or independent pricing service deemed to be reliable by the Manager (as per Level 3 of ASC 820), and therefore the valuation of such security may not be reliable or accurate.

- *Taxation of Carried Interest.* Under the Tax Cuts and Jobs Act (the “**Tax Reform Act**”), allocations of income and gain in respect of entitlements to carried interest and gain on the sales of profits interests in certain partnerships to higher rates of U.S. federal income tax than under prior law in certain circumstances. Under the Tax Reform Act, the Firm's investment professionals could incur a material increase in their tax liability with respect to their entitlement to carried interest. This might make it more difficult for Gramercy to incentivize, attract and retain these professionals, which may have an adverse effect on Gramercy's ability to achieve the investment objectives of a Fund. In addition, this can create a conflict of interest as the tax position of Gramercy may differ from the tax positions of a Fund and/or the investors in a Fund and therefore, these rules may have an additional impact on the investment decisions made by a Fund, including with respect to decisions on the timing and structure of dispositions and whether to pursue other realization events during the holding period of an investment such as non- liquidating distributions. For example, the Tax Reform Act gives Gramercy an incentive to cause a Fund to hold an investment for longer than three years in order to obtain lower tax rates on carried interest gains even if there are attractive realization opportunities earlier than three years.

*Sanctions.* Funds may subject to laws which restrict it from dealing with entities and individuals that are located or domiciled in a country or territory that is the subject of comprehensive sanctions, as well as entities and individuals who are targeted by sanctions (or owned or controlled by such entities and individuals), including sanctions issued by the U.S., the European Union (“**E.U.**”), Canada, and the U.K. Where an investor is the target of sanctions (or owned or controlled by a sanctioned person), Gramercy may be required to cease any further dealings with the investor and its interest

in a Fund. It is also possible that an investment made by a Fund may become subject to sanctions following such an investment, including in particular in light of certain of the emerging markets jurisdictions in which the Fund is expected to invest. In such circumstances, the Fund would likely be restricted in its ability to dispose of or otherwise trade in such sanctioned investment, including receipt of dividends or other distributions from such investment, and the market value of the investment would be adversely affected by the sanctions. The Fund's investments may also be impacted indirectly by economic sanctions implemented by the U.S., the E.U. or other jurisdictions, for example, to the extent that a key supplier or key customer of a Fund investment becomes subject to sanctions. Any of the foregoing may have a material adverse effect on the investments made by Gramercy, and in turn, the performance of a Fund.

- *ESG.* Gramercy is a signatory of PRI, a collective international framework for institutional investors, investment managers, and service providers to integrate ESG considerations into investment decision making and analyses. As Signatories, where consistent with our fiduciary responsibilities, we commit to the following: (i) incorporate ESG issues into investment analysis and decision-making processes; (ii) be active owners and incorporate ESG issues into ownership policies and practices; (iii) seek appropriate disclosure on ESG issues by entities in which signatories invest; (iv) promote acceptance and implementation of the PRI principles within the investment industry; (v) work to enhance effectiveness in implementing the PRI principles; and (vi) report on activities and progress toward implementing the PRI principles. Gramercy is a Supporter of the TCFD and a Signatory to NZAMI.

Gramercy's approach marries a top-down perspective with bottom-up analysis. We manage multiple investment strategies that differ greatly in their underlying investments, i.e. public credit vs. private credit vs. litigation claims, and these differences greatly influence how we approach and integrate ESG factors. Regardless of the strategy specific approach, we remain true to our firm's mission and commitments as PRI Signatories. To begin with, tobacco, weapons and pornography are prohibited sectors. Publicly traded corporate and sovereign credits (often securities with CUSIPS) are scored using external data providers supplemented by internal research. Distressed credits may provide an opportunity for direct engagement / impact oriented investments when we are in direct negotiations with a credit due to a restructuring. Private credits and special situation opportunities undergo a slightly more nuanced approach that we believe is more appropriate for those investments.

In addition to studying financial data, our investment team is dedicated to carrying out additional qualitative and quantitative analysis of potential investments. On-site visits are an important aspect of their research, with supply chains, customers and ESG factors considered in developing a complete view of a credit. Our analysts are tasked with developing a deep understanding of each credit. Direct engagement with companies is an important part of our research and this engagement serves as an additional opportunity to uncover specific ESG concerns and to address any concerns we have with management. As a result of our process, analysts are well equipped to evaluate a credit and factor in qualitative ESG information not necessarily reflected as yet in external data / scores.

### **Certain Operational Risks**

- *Cybersecurity Risk.* The information and technology systems of Gramercy and of key service providers to Gramercy and its clients may be vulnerable to potential damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although Gramercy has implemented various measures designed to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, it may be necessary for Gramercy to make a significant investment to fix or replace them and to seek to remedy the effect of these issues. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the operations of the Firm or its client accounts and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information.
- *Risk Management Failures.* Although Gramercy attempts to identify, monitor and manage significant risks, these efforts do not take all risks into account and there can be no assurance that these efforts will be effective. Moreover, many risk management techniques, including those employed by Gramercy, are based on historical market behavior, but future market behavior may be entirely different, and, accordingly, the risk management techniques employed on behalf of clients may be incomplete or altogether ineffective. Similarly, Gramercy may be ineffective in implementing or applying risk management techniques. Any inadequacy or failure in risk management efforts could result in material losses to clients.
- *Business and Regulatory Risks of Private Investment Funds.* Legal, tax and regulatory changes could occur during the term of a Fund that may adversely affect such Fund. The regulatory environment for private investment funds and their investment advisers is evolving, and changes in the regulation of private investment funds or their investment advisers may adversely affect the value of investments held by a Fund and the ability of a Fund to obtain the leverage it might otherwise obtain or to pursue its trading strategies. Additionally, changes in regulation may make it prudent to restructure one or more Funds and the Funds will bear the cost of any such restructuring. In addition, the securities and futures markets are subject to comprehensive statutes, regulations and margin requirements. The SEC, other regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. The regulation of derivatives transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by government and judicial action. In addition, regulators are increasingly considering the role of non-bank lenders. There is no guarantee that laws and regulations applicable to non-bank lenders will not change in a manner that adversely affects a Fund, including the ability of a Fund to originate loans or otherwise restrict a Fund's activities in this regard, or otherwise restrict or materially increase the cost of business to a Fund of pursuing all potential investment strategies and options.

- *External Events.* There are innumerable external factors that could impact the Funds' investment program and the markets in which it invests, including, without limitation, changes in economic conditions, changes in laws and governmental regulation (including changes in international, U.S. federal or state laws, bank regulatory policies, accounting standards and fiscal, monetary and exchange control programs and policies), competition in the investment industry, technological developments, economic uncertainty, slowdown in global growth, natural disasters, diseases, pandemics or other severe public health events, trade barriers, commodity prices, currency exchange rates and controls and national and international political circumstances (including government shutdowns, wars, terrorist acts or security operations), and other factors. Since January 2020, there has been an outbreak worldwide of the highly transmissible and pathogenic novel coronavirus (COVID-19), which the World Health Organization has declared to be a pandemic. The COVID-19 pandemic triggered a rapid decline in global economic growth. A continuation or worsening of the pandemic is likely to continue to adversely affect general commercial activity and the economies and financial markets of many countries, and such disruption may occur for a sustained period of time. This disruption may be felt particularly in EM jurisdictions, where the pandemic may continue for a longer period of time than in more developed countries. The spread of COVID-19 may affect the level and volatility of commodities prices, the liquidity and value of a Fund's investments and the operations of Gramercy.
- *Systems and Operational Risk.* Gramercy relies on certain financial, accounting, data processing and other operational systems and services that are employed by the Firm and/or by third party service providers, including prime brokers, the third party administrator, market counterparties and others. Many of these systems and services require manual input and are susceptible to error. These programs or systems may be subject to certain defects, failures or interruptions. For example, Gramercy and its clients could be exposed to errors made in the confirmation or settlement of transactions, from transactions not being properly booked, evaluated or accounted for or related to other similar disruptions in the clients' operations. In addition, despite certain measures established by Gramercy and third party service providers to safeguard information in these systems, Gramercy, its clients and their third party service providers are subject to risks associated with a breach in cybersecurity which may result in damage and disruption to hardware and software systems, loss or corruption of data and/or misappropriation of confidential information. Any such errors and/or disruptions may lead to financial losses, the disruption of the client trading activities, liability under applicable law, regulatory intervention or reputational damage.

## **Item 9. Disciplinary Information**

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

## Item 10. Other Financial Industry Activities and Affiliations

Neither Gramercy nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or a futures commission merchant, commodity pool operator, a commodity trading advisor or an associated person of the foregoing entities.

Gramercy's affiliate is registered in the following jurisdictions:

- Gramercy's U.K. affiliate, Gramercy Ltd., is currently registered with the FCA. Gramercy Ltd. is a MiFID manager that performs investment management services under a delegated services agreement to the Firm in connection with the Firm's services to its clients.

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

### Code of Ethics

Pursuant to Rule 204A-1 under the Investment Advisers Act of 1940, as amended (the "**Advisers Act**"), Gramercy's Code of Ethics (the "**Code**") sets forth standards and procedures that are intended to ensure that its employees do not use any information concerning the investments or investment intentions of any client, or their ability to influence such investment intentions, for personal gain or in a manner that is detrimental to Gramercy's fiduciary duty to clients. Gramercy professionals are expected to conduct themselves in a professional manner at all times, engage in and promote ethical conduct, carry out responsibilities honestly and comply with applicable government laws, rules and regulations. Upon receipt of the Code, all employees must sign an acknowledgment form. In addition, on an annual basis, all employees must certify their compliance with the Code. Clients or prospective clients may obtain a copy of the Code by contacting Investor Relations, by email at [InvestorRelations@gramercy.com](mailto:InvestorRelations@gramercy.com), or by telephone at (203) 552-1900. See below for further provisions of the Code as they relate to the preclearing and reporting of securities transactions by related persons.

Gramercy, in the course of its investment management and other activities (e.g., board or creditor committee service), may come into possession of confidential or material non-public information about issuers, including issuers in which Gramercy or its related persons have invested or may seek to invest on behalf of clients. Gramercy is prohibited from improperly disclosing or using such information for its own benefit or for the benefit of any other person, regardless of whether such other person is a client. Gramercy maintains and enforces written policies and procedures that prohibit the communication of such information to persons who do not have a legitimate need to know such information and to seek to ensure that Gramercy is meeting its obligations to clients and remains in compliance with applicable law. In certain circumstances, Gramercy may possess certain confidential or material, non-public information that, if disclosed, might be material to a decision to buy, sell or hold a security, but Gramercy will be prohibited from communicating such information to the client or using such information for the client's benefit. In such circumstances, Gramercy will have no responsibility or liability to the client for not



disclosing such information to the client (or the fact that Gramercy possesses such information), or not using such information for the client's benefit, as a result of following Gramercy's policies and procedures designed to provide reasonable assurances that it is complying with applicable law.

*Personal Trading Policy, Restricted List and Trade Process*

Under the direction of the Chief Compliance Officer, Gramercy maintains a list of restricted securities (such list, the "**Restricted List**" and any security on the list, a "**Restricted Security**") that Gramercy employees are prohibited, pursuant to the terms of their employment, from purchasing or selling without the express approval of the Chief Compliance Officer. In addition, Gramercy employees are prohibited from entering into any type of derivatives transaction with respect to a Restricted Security without the express approval of the Chief Compliance Officer.

At all times, the Restricted List consists of: (i) all emerging markets instruments (including, but not limited to, sovereign and non-sovereign bonds, stocks and currencies); (ii) any security held by an investment fund or client account managed by Gramercy; (iii) any security that would confer direct or indirect ownership in securities offered in any initial public offering; (iv) any security under investment consideration or which is currently being researched by Gramercy on behalf of any investment fund managed by Gramercy or any other client of Gramercy; (v) all private investment funds that are not managed by Gramercy including, but not limited to, hedge funds, private equity funds and real estate investment funds; (vi) any security with respect to which Gramercy possesses material non-public information; (vii) credit default swap ("**CDS**") contracts that are not held in another Gramercy alternative fund at the time of entry; and (viii) CDS contracts that are trading above 500 bps at the time of entry. Notwithstanding the foregoing, the Restricted List does not include any open-ended mutual fund shares or exchange-traded funds.

Upon the commencement of any research or investment consideration of a security by a portfolio manager or an analyst, or upon the execution of a purchase of a security by a portfolio manager or analyst on behalf of an investment fund or client account, such portfolio manager or analyst is required to immediately report the identity of the relevant security to the Chief Compliance Officer. Furthermore, in the event that any employee at Gramercy obtains material non-public information regarding a security, such employee is required to report the identity of the security to the Chief Compliance Officer. The Chief Compliance Officer will seek to ensure that all securities reported in accordance with the above referenced guidelines are promptly added to the Restricted List. In addition, the Chief Compliance Officer will, on a routine basis, coordinate with portfolio managers and other Gramercy employees to determine whether: (i) any securities on the Restricted List are no longer held by investment funds or client accounts managed by Gramercy; (ii) any securities on the Restricted List are no longer the subject of research or any investment consideration; and (iii) whether any non-public material information regarding a security on the Restricted List is no longer non-public or material, in which case such security may be removed from the Restricted List.

If a Gramercy employee wishes to execute a purchase, sale, derivatives transaction or any other personal trade (a "**Personal Trade**") with respect to any Restricted Security, the employee is required to complete and submit to the Chief Compliance Officer a pre-authorization form,

identifying the security, quantity, size and direction of the proposed Personal Trade. The Chief Compliance Officer will review the pre-authorization form and may, in certain limited circumstances and in his sole discretion, approve the proposed Personal Trade. If necessary, the Chief Compliance Officer will consult with internal and external counsel prior to approving a proposed Personal Trade. In general, proposed Personal Trades that create an investment position with respect to a Restricted Security will not be approved. Any approval provided by the Chief Compliance Officer will be valid only during the day such pre-authorization form is filed with the Chief Compliance Officer and the next trading day. Notwithstanding the foregoing, a Gramercy employee may execute a Personal Trade without submitting a pre-authorization form or obtaining the approval of the Chief Compliance Officer if such Personal Trade is a credit default swap transaction pursuant to which the Gramercy employee is purchasing credit protection with respect to one or more sovereign bonds. Personal trades with respect to any Restricted Security are prohibited without the pre-approval of the Chief Compliance Officer. Private placements and initial public offerings must also be pre-approved by the Chief Compliance Officer.

Employees of Gramercy may purchase or sell securities for their own accounts only in accordance with the procedures described above in order to minimize the conflicts stemming from situations where the contemporaneous trading results in an economic benefit for Gramercy or its related person to the detriment of the client.

#### *Allocation of Investment Opportunities Suitable for Multiple Clients*

Certain investments are uniquely qualified for just one strategy. Certain other investments are qualified for more than one Fund and/or account. It is Gramercy's policy that no client for whom Gramercy has investment decision responsibility will receive preferential treatment over any other client. In allocating securities among clients, it is Gramercy's policy that all clients should be treated fairly and that, to the extent possible, all clients should receive equivalent treatment. Gramercy seeks to disclose conflicts of interest to underlying clients in the document related to such Fund or vehicle.

Due to the difference in client investment objectives and strategies, risk tolerances, tax status and other criteria, there may be differences among clients in invested positions and securities held. The following factors may be taken into account by Gramercy in allocating securities among investment advisory clients:

- client's investment objective and strategies;
- client's risk profile;
- client's tax status;
- client's investment horizon and liquidity requirements;
- pre-existing exposure to a position;



- any restrictions placed on a client's portfolio by the client or by virtue of federal or state law (such as the Employee Retirement Income Security Act of 1974, as amended);
- size of client account;
- total invested positions;
- nature of the security to be allocated;
- size of available position;
- supply or demand for a security at a given price level;
- current market conditions;
- timing of cash flows and account liquidity;
- investment restrictions in organizational documents;
- tax considerations (e.g., FIRPTA and UBTI);
- regulatory considerations, including banking and foreign laws and considerations;
- current portfolio composition and risk management;
- follow-on investments;
- investment opportunities other than the prospective investment opportunity;
- ESG factors (firm-wide and client specific)
- any other information determined to be relevant to the fair allocation of securities.

The above-mentioned criteria, among others, will be used by Gramercy's Investment Committee and the appropriate portfolio manager(s) to determine whether or not a particular investment is suitable for a particular client. For Managed Accounts, Gramercy will also consider engaging directly with underlying management of such Managed Accounts for final decisions on whether or not an investment is suitable for their specific account. To the extent a particular investment is suitable for more than one client, such investment will, generally, be allocated among the clients pro rata based on assets under management. All transactions will be made on a best execution basis.

Gramercy employs a tiered allocation waterfall in allocating investment opportunities among clients as follows:

- Investment opportunities will first be offered to Funds or Managed Accounts that have investment strategies dedicated to the type of investment opportunity being considered

and then to investors participating in such Funds and Managed Accounts who have requested allocation of co-investment opportunities specifically with respect to that corresponding strategy.

- The remaining available portion of such investment opportunity (if any) will be offered to Gramercy's multi-strategy Funds, and other Managed Accounts for whom the investment is suitable, and allocated among the multi-strategy Funds and Managed Accounts in good faith by Gramercy.
- Lastly, any remaining available portion of such investment opportunity may be allocated by Gramercy to investors who have generally requested allocation of co-investment opportunities, and any other persons in its sole discretion.

#### *Investments by Funds and Managed Accounts in the Same Entities*

It is expected that Funds and Managed Accounts will, from time to time, acquire investments in the same company or opportunity as part of a single transaction or otherwise. For example: (i) a Fund could make an investment in securities or in an entity in which another Fund or Managed Account holds a pre-existing investment or (ii) a Fund could make investments alongside another Fund or Managed Account. In connection with any such investment by a Fund or Managed Account, a Fund, on the one hand, and another Fund or Managed Account, on the other hand, could have conflicting interests if they invest in the same security at different times, at different prices, or on different terms and conditions, particularly to the extent that they invest in different classes of securities of a particular portfolio company. For example, a Managed Account and a Fund could have an investment in the same securities of a company, but may not necessarily buy or sell such security at the same time or on the same terms or conditions.

If a Fund invests in the junior debt of a company and a Managed Account or another Fund invests in the equity securities or senior debt of the same company, the various economic and other terms of the debt and equity securities could raise conflicts of interest between one client and another, including the interest rates to be paid on the debt, any security granted, the characterization of the securities as preferred stock or subordinated debt and the nature of the covenants running in favor of each client. Questions may arise whether payment obligations and covenants should be enforced, modified or waived, or whether debt should be refinanced. Decisions about what action should be taken in a troubled situation, including whether to enforce claims, whether to advocate or initiate restructuring or liquidation inside or outside of bankruptcy, and the terms of any work-out or restructuring, raise conflicts of interest. If such portfolio company becomes troubled, a Fund might arguably be best served by a liquidation that would result in its debt being paid, but leave nothing with respect to the company's equity owned by other clients. In those circumstances where different clients hold investments in different classes of a company's debt or equity, Gramercy may also, in its sole discretion and to the fullest extent permitted by applicable law, take steps to reduce the potential for adversity between clients, including causing a client to take certain actions that, in the absence of such conflict, it would not take, such as: (i) remaining passive in a restructuring or similar situations (including electing not to vote or voting pro rata with other security holders), (ii) divesting investments, (iii) appointing an independent decision-maker; or (iv) otherwise taking an action designed to reduce

adversity. Any such step could have the effect of benefiting certain clients and therefore may not have been in the best interests of, and may have been adverse to, other clients.

### Co-Investment Opportunities

Gramercy may also, in its sole discretion, make available co-investment opportunities to strategic investors, lenders, other third parties, affiliates and/or investors in a Fund. A Fund may make an investment with the intent to subsequently syndicate all or a portion of such investment; such investment could be larger than the amount the Fund would invest if the Fund intended to hold such investment rather than syndicate all or a portion of it. Co-investments could involve risks not present in investments where a third party is not involved. There can be no assurance that: (i) such Fund will be successful in syndicating such co-investment, in whole or in part; (ii) the closing of such co-investment will be consummated in a timely manner; (iii) the syndication will take place on terms and conditions that will be preferable for such Fund; or (iv) expenses incurred by such Fund with respect to such syndication will not be substantial. If such Fund is not successful in syndicating such co-investment, in whole or in part, the Fund could consequently hold a greater concentration and have more exposure in the related investment than initially was intended, which could make the Fund more susceptible to fluctuations in value resulting from adverse economic and/or business conditions with respect to such investment.

Co-investment opportunities may be made available by Gramercy (or an affiliate of Gramercy) through limited partnerships or other entities formed to make such investments (a “**Co-Investment Fund**”). Gramercy will allocate available investment opportunities among such Fund, any Co-Investment Fund and any third parties, including any Managed Accounts, as Gramercy may in its sole discretion determine. Gramercy (or an affiliate) will generally cause any Co-Investment Fund to dispose of any co-investment on a pro rata basis with a Fund at substantially the same time that such Fund disposes of its interest in such investment and on terms no more favorable to such Co-Investment Fund than those received by the Fund, unless the Co-Investment Fund desires, for tax or other reasons, to hold some or all of such investment until a later date and Gramercy (or an affiliate) has determined that it would not be contrary to the best interests of the Fund for the Co-Investment Fund to do so.

## **Item 12. Brokerage Practices**

Gramercy has discretionary authority to determine what securities are bought or sold, as well as the brokers or dealers that will effect transactions. In selecting brokers or dealers to execute transactions, Gramercy will use its best judgment to choose the broker or dealer most capable of providing the services necessary to obtain the most favorable execution as required by the “best execution” obligations of the Advisers Act. Gramercy does not have any formal soft dollar arrangements in place, nor does it receive any compensation for routing executions.

Trading securities can be complicated and some brokers are better equipped than others, especially in emerging markets where circumstances are not as regulated or transparent as in the developed world. Gramercy endeavors to obtain the most favorable price for its customer by

“working” an order among a representative number of brokers. Once Gramercy is satisfied that it has obtained the best available price for its customer, the trade is agreed to and processed. In order to ensure compliance with this best execution policy, Gramercy will conduct, at least quarterly, a review of trade executions to determine that the best price available at the time of the execution was obtained.

Gramercy places trades for execution with brokers or dealers on the basis of seeking best execution and in consideration of the full range and quality of services available, including, but not limited to:

- the size of the transaction;
- the difficulty of execution;
- broker’s execution capability (*i.e.*, how many buyers/sellers the broker has access to and their ability to complete large orders);
- broker’s familiarity with the company/market in which it trades;
- the broker or dealer’s facilities, reliability, promptness, and financial stability;
- broker’s commission rate; and
- broker’s responsiveness and customer service.

When appropriate, Gramercy may, but is not required to, aggregate client orders to achieve more efficient execution or to provide for equitable treatment among accounts. Clients participating in aggregated trades will be allocated securities based on the average price achieved for such trades. In the event an order is partially filled, the securities will be allocated pro rata based on the aggregated order.

Gramercy has adopted a trade error policy to facilitate the prompt and appropriate resolution of trade errors. A trade error generally includes (i) an unintended or inaccurate execution of an actionable order generated by Gramercy’s trading system; (ii) an erroneous voice instruction or an erroneous keystroke order entry relating to an actionable order generated by Gramercy’s trading system; (iii) an error in Gramercy’s trade execution routing systems, software or protocols; and (iv) an error during the clearance and settlement processes that results in an unintended transaction. Notwithstanding the foregoing, delays in executions of orders that are attributable to Gramercy and errors that do not result in transactions (such as erroneous trade instructions that are withdrawn or corrected prior to execution and erroneous cancellations of actionable orders generated by Gramercy’s trading system) shall not constitute trade errors.

In the event of a trade error, Gramercy will assess the materiality and nature of the trade error. The cost of the trade error will generally be borne in accordance with the relevant investment management agreement between Gramercy and the client and pursuant to Gramercy’s standard of care.

Gramercy does not participate in directed brokerage or direct trades to brokers on the basis of client referrals or solicitations made by such brokers.

## **Item 13. Review of Accounts**

Consistent with its fiduciary responsibility to its clients and its obligation to manage accounts in its clients' best interests, Gramercy strives to ensure complete compliance with all clients' investment guidelines. Accordingly, Gramercy maintains and implements a strict compliance system that captures the investment parameters from each client's guidelines and seeks to facilitate complete compliance within those parameters.

For public credit securities, Gramercy utilizes the Bloomberg AIM (Asset and Investment Manager) system to monitor trading and portfolio guidelines and restrictions on a pre-trade, post-trade and end of day perspective. We are able to customize the specific investment guidelines and restrictions on a portfolio by portfolio basis in order to accurately measure them in a real-time environment. The compliance and risk management team monitors all trades through AIM's compliance manager and violations manager functions on a real-time basis. All orders are run through pre-order, pre-trade and end of day compliance checks, and will be unable to be sent to the trading desk in the event of a breach of a restriction. An order that breaches a restriction will need to be resized by the portfolio manager ("PM") to ensure it is within the restriction of the strategy.

If a trade breaches a guideline (soft limit) in the pre-order process, the PM will be notified of the breach, and approval from the compliance team must be granted prior to the trade being sent to the trading desk. In the event of this occurring, the compliance team will consult with risk management and trading to confirm permissibility of the breach. If risk management approves the order, compliance will grant permission for it to be executed in the portfolio. Occasionally, a breach of a restriction or guideline may occur due to appreciation between the time when an order is placed and the trades are executed. When this occurs, the trade will not be permitted to be booked, and the system will notify the compliance team immediately.

In addition to the AIM system, Gramercy produces multiple daily risk management and performance reports from our proprietary database. These reports include stop loss, long/short attribution, and compliance management. These reports are reviewed by the risk management team on a daily basis.

For private credit securities, Gramercy has proprietary End of Day Compliance Masters to monitor trading and portfolio guidelines and restrictions on a pre-trade, post-trade and end of day perspective. We are able to customize the specific investment guidelines and restrictions on a portfolio by portfolio basis in order to accurately measure them in a real-time environment. Additionally, the Capital Solutions team monitors our portfolio adherence to PPM guidelines such as country/borrower limits. This monitoring is done regularly during our pipeline discussions on a weekly basis.

Prior to investing, Gramercy requires a checklist to be completed prior to funding a private investment to ensure the investment is within the guidelines. This ensures that each team has reviewed and signed off on each transaction. The teams involved in the closing checklist includes the portfolio management, accounting, operations, compliance, investor relations, ESG, legal and trading teams. Upon the execution of the checklist and confirmation that CP's have been met, Gramercy will prepare and release the wire per our cash control policy.

Additionally, Gramercy continuously monitors the price of all securities in the accounts that it manages. On a daily basis, Gramercy monitors and reviews news wires, selected newspapers and research materials provided by brokerage houses, as well as speaks to various contacts in local markets to review current investment views and develop new investment ideas. In addition, Gramercy's managing members and their designees perform reviews on a daily basis.

Gramercy distributes electronic and written statements to Managed Accounts on at least a quarterly basis, reporting the client's account's net return and capital balance. The Firm also provides fund analytics to clients in electronic form, as well as any custom reports, as requested. From time to time, ad hoc market commentary is generated by Gramercy's research team, which includes white papers on investment topics pertinent within the market environment. Gramercy encourages annual face-to-face meetings with all Managed Account clients. Annual audited fund-level financial statements are issued to clients.

## **Item 14. Client Referrals and Other Compensation**

Only clients of Gramercy provide an economic benefit to Gramercy for providing investment advice or other advisory services.

Please also refer to the discussion regarding *Credit Platforms and Other Ventures* in Item 8.

From time to time, Gramercy has engaged a marketing or placement firm ("Promoters") for referring advisory clients or prospective investors in the Funds. Such Promoters are not Managed Account clients or investors in the Funds and are independent of and have no other affiliation with Gramercy. As part of these arrangements, the Promotor may receive compensation for such referrals, generally based on a share of management and performance fees paid to Gramercy by investors referred to Gramercy by the Promotor. These amounts will be paid to the Promoters by Gramercy, and the referred client(s) or investor(s) will not pay any of these fees to the Promoters directly, nor will Gramercy's arrangement with the Promoters result in a referred client or investor paying any additional or increased fees to Gramercy with respect to any potential investment that the client or investor may make. Gramercy does not compensate Promoters who are deemed "ineligible persons" under Rule 206(4)-1. Promoters must adhere to the terms and conditions established by Gramercy as set forth in written agreements and in accordance with the requirements under SEC Rule 206(4)-1

## **Item 15. Custody**

Gramercy is deemed to have custody of the Funds' assets. In addition, certain affiliates of Gramercy are deemed to have custody of client assets due to serving as the general partner of a limited partnership and/or managing member of a limited liability company.

Rule 206(4)-2 imposes on advisers with custody of clients' funds or securities certain requirements concerning reports to such clients (including underlying investors) and surprise examinations relating to such clients' funds or securities. However, an adviser need not comply with such requirements with respect to pooled investment vehicles subject to audit and delivery if each pooled investment vehicle (i) is audited at least annually by an independent public accountant and (ii) distributes its audited financial statements prepared in accordance with generally accepted accounting principles to their investors, all limited partners, members or other beneficial owners within 120 days (180 days in the applicable case of a fund of fund adviser) of its fiscal year-end. Gramercy relies upon this audit exception with respect to the Funds.

## **Item 16. Investment Discretion**

Generally, Gramercy's clients retain its services on a discretionary basis. Gramercy's investment discretion and authority is subject to the limitations set forth in the client's investment management agreement or the particular Fund's offering memorandum and other relevant governing documents, as applicable. The Firm generally has discretionary authority with respect to investment decisions, subject to a particular client's objectives, strategies and restrictions.

With respect to the Managed Accounts, Gramercy generally has broad discretionary authority to determine the type and amount of securities to be bought or sold, with such authority limited, if at all, by such clients on a contractual basis. Any limitations in such authority would be set forth in the investment management agreement between Gramercy and a Managed Account. Gramercy may have the right to cause Managed Account assets to be invested in its Funds, in which case the management and incentive fees or allocations charged or allocated would be governed by the governing documents of the relevant Fund.

## **Item 17. Voting Client Securities**

To the extent Gramercy has been delegated proxy voting authority on behalf of its clients, Gramercy has adopted detailed policies and procedures that are designed to ensure that proxies will be voted with diligence, care, and loyalty, and in accordance with Rule 206(4)-6 under the Advisers Act and Gramercy's fiduciary duty to its clients. In cases where Gramercy votes proxies with respect to client securities, such proxies are voted in the best interests of its clients. Generally, the financial interest of the client is the primary consideration in determining how proxies should be voted. Gramercy has a responsibility to analyze proxy issues and vote in a way consistent with those financial interests. In the case of social and political responsibility issues which do not involve financial considerations, Gramercy generally abstains from voting on these issues. It may not always be in the best interest of clients to vote in accordance with the proxy



voting policies and procedures on a particular issue. In such circumstances, Gramercy may deviate from the guidelines with approval from the Chief Compliance Officer or Chief Legal Officer. Gramercy's clients generally are not permitted to direct their votes in a particular solicitation.

If a material conflict of interest between Gramercy and a client exists, Gramercy will determine whether voting in accordance with the guidelines set forth in the proxy voting policies and procedures is in the best interests of the client or whether to take some other appropriate action.

To the extent that it is granted such authority by clients, Gramercy may deal with class action claims on a case-by-case basis. Upon receipt of a claim, the Chief Compliance Officer, and others, as necessary, will determine if there is a basis of the claim and whether or not to participate. This determination will depend on (i) the nature of the claim; (ii) prospects for recovery; (iii) resources required; and (iv) other relevant factors. Any proceeds from a class action suit will be allocated among the clients and any Fund investors currently existing at the time of recovery of such proceeds.

**Clients may obtain a copy of Gramercy's proxy voting policies and procedures and information about how Gramercy voted a client's proxies by contacting Investor Relations by email at [InvestorRelations@gramercy.com](mailto:InvestorRelations@gramercy.com) or by telephone at (203) 552-1900.**

## **Item 18. Financial Information**

Gramercy does not require or solicit the prepayment of any fees six or more months in advance and does not have any adverse financial condition that is reasonably likely to impair Gramercy's ability to continuously meet its contractual commitments. Gramercy has not been the subject of a bankruptcy proceeding.