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Part 2A of Form ADV: Firm Brochure
March 30, 2024

This brochure provides information about the qualifications and business practices of Bracebridge Capital, LLC. If you have any questions about the contents of this brochure, please contact us at 617-497-3500. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about Bracebridge Capital, LLC also is available on the SEC’s website at www.adviserinfo.sec.gov. An investment adviser’s registration with the SEC does not imply a certain level of skill or training.

ITEM 2. MATERIAL CHANGES

We filed our last annual updating amendment with the SEC on March 31, 2023. We have amended the sections listed below. We have also made other changes throughout to improve the document's clarity and readability.

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

- Removal or modification of risks relating to historical events such as Brexit, LIBOR, and Russian invasion of Ukraine
- Updated Legal and Regulatory Risks regarding new proposed and final rules adopted by the SEC and CFTC

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ITEM 4. ADVISORY BUSINESS

Bracebridge Capital, LLC (“Bracebridge” or the “Investment Manager”) is an investment adviser organized as a Delaware limited liability company. Nancy Zimmerman and Gabriel Sunshine founded the business in 1994 (under a former adviser entity that was replaced by Bracebridge in 1996) as a manager of absolute return investment funds. Nancy Zimmerman and Gabriel Sunshine control Bracebridge Capital II, L.P. and SVZ, L.P., the principal owners of Bracebridge.

Bracebridge provides investment advisory services to pooled investment vehicles that are exempt from registration under the Investment Company Act of 1940, as amended (the “1940 Act”), and whose securities are not registered under the Securities Act of 1933, as amended (the “Securities Act”) (each, a “Fund” and collectively, the “Funds”). As the investment adviser of the Funds, Bracebridge’s services consist of identifying opportunities for acquisition and disposition of investments for the Funds. Investment advice is provided directly to the Funds and not individually to the limited partners or shareholders of the Funds.

Bracebridge manages each Fund consistent with the stated investment strategy of such Fund as described in such Fund’s offering documents. Bracebridge provides services to the Funds in accordance with the investment management agreements with the Funds and/or governing documents of the applicable Fund. Bracebridge has discussions with investors from time to time at their request regarding their investment activities, but the firm does not provide specifically tailored investment services to investors. From time to time, consistent with relevant offering memoranda, Bracebridge pursues specialized investment strategies on behalf of one or more funds or classes of interests.

As of December 31, 2023, Bracebridge’s regulatory assets under management were approximately \$65,099,820,270, all of which are managed on a discretionary basis.

ITEM 5. FEES AND COMPENSATION

Compensation and Fee Schedules

As the investment manager and/or general partner to the Funds, Bracebridge typically charges a management fee (“Management Fee”) and a performance fee or allocation (“Incentive Fees”), as described in the relevant governing documents and/or investment management agreements of the Funds. The fees and other compensation payable to Bracebridge by a Fund may vary from Fund to Fund, as well as among investors in the same Fund, and in certain circumstances, the fees payable to Bracebridge may be negotiated and set forth in subscription documentation in respect of a particular Fund investor and/or waived in whole or in part. Bracebridge generally waives the Management Fee and Incentive Fee for investments by Bracebridge, employees of Bracebridge, its principals, or their related persons, including estate planning vehicles of such persons and certain other persons or entities associated with such persons. All investors should review the governing documents of the relevant Fund in conjunction with this brochure for complete information on the fees and compensation payable with respect to that particular Fund. All Fund investors of Bracebridge are “qualified purchasers” as defined in Section 2(a)(51) of the 1940 Act and therefore specific fee information is not disclosed in this brochure.

Deduction of Fees; Timing of Payments; Termination

Bracebridge is authorized under the governing documents and investment management agreements of the Funds to charge and deduct Management Fees and Incentive Fees from the assets of the Funds for its services. Generally, the Funds pay Management Fees in advance. If the investment management agreement is terminated (or an investor withdraws all or a portion of its investment) before the end of the billing period, Bracebridge refunds a pro rata portion of the pre-paid Management Fee to the Funds’ (or the investor’s) accounts. The Incentive Fees will be deducted and paid as of the close of each fiscal quarter or fiscal year (and as of each other date on which Bracebridge determines it is appropriate or necessary to make a

determination of the Incentive Fee with respect to an investor, *i.e.*, a date on which an investor withdraws all or a portion of its investment).

Other Expenses

In addition to the fees disclosed above, an investor also bears its allocable share of a Fund's investment expenses (e.g., expenses which, in Bracebridge's determination, are related to investments or prospective investments (whether or not consummated) of the Fund, including without limitation, brokerage commissions; interest expense; expenses related to clearing transactions and other transaction costs, transfer taxes and stamp duty; expenses related to sourcing, structuring or pooling investments, including expenses related to investment vehicles established for such structured or pooled investments and any operations and employees of such vehicles, investment due diligence or to the ongoing maintenance of investments; translation expenses; travel expenses incurred in connection with investments or prospective investments of the Fund, including, without limitation, to attend board meetings of investment vehicles, and expenses related to investments in other pooled investment vehicles, including, without limitation, asset-based and/or performance-based fees payable to the managers of such pooled investment vehicles); expenses of industry experts or other consultants retained for investment research or to provide specialized advice regarding investments or prospective investments; legal expenses (including, but not limited to, expenses associated with compliance with applicable laws and regulations, any and all filings made by the Fund, and expenses related to investments or prospective investments of a Fund), auditing and tax preparation expenses, tax reporting and compliance expenses, domiciliation fees, expenses relating to the offer and sale of a Fund's interests, fees and expenses of an administrator and/or relating to administration of a Fund, fees and expenses of other service providers including but not limited to custodian fees, director's fees, fees and expenses of third-party valuation, pricing and appraisal services and extraordinary expenses. A Fund will also bear its allocable share of any such expenses incurred by a subsidiary of the Funds that is formed to make or hold investments or prospective investments. From time to time, brokerage, investment banking and other investment firms may present Bracebridge with potential investment opportunities for which, if consummated, a Fund may pay a commission, consulting or similar "finder's fee." A Fund will be responsible, or will reimburse Bracebridge, for the Fund's reasonable portion, as determined by Bracebridge in its sole discretion, of any costs and expenses (including, but not limited to, periodic insurance premiums) incurred by Bracebridge in connection with one or more insurance policies pursuant to which the Fund is a beneficiary including, but not limited to, directors and officers liability, errors and omissions liability and other risk insurance. Any expenses of a Fund that are paid for by Bracebridge will be reimbursed by the Fund.

Please refer to Item 12 below for additional information regarding Bracebridge's brokerage practices.

Bracebridge and its supervised persons do not accept compensation or commissions for the sale of securities or other investment products.

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

As disclosed above under Item 5 "Fees and Compensation," Bracebridge generally receives an Incentive Fee that is based on performance of the Funds. Incentive Fee arrangements may create an incentive for Bracebridge to make investments that are riskier or more speculative than would be the case if such arrangements were not in effect. In addition, because the Incentive Fee is calculated on a basis which includes, without limitation, unrealized appreciation of a Fund's assets, such Incentive Fee may be greater than if such compensation were based solely on realized gains.

ITEM 7. TYPES OF CLIENTS

Bracebridge provides investment advisory services solely to the Funds. Investment advice is provided directly to the Funds and not individually to the investors in the Funds. In addition, certain Funds managed

by Bracebridge pursue specialized investment strategies on behalf of one or more classes of interests. Further information about each of these Funds, their classes of interests, and their applicable strategies is provided in the offering documents of the applicable Fund. Bracebridge may also in the future provide advisory services to other funds or to separately managed accounts.

Interests in the Funds are offered pursuant to applicable exemptions from registration under the 1940 Act and the Securities Act. Investors in the Funds may include high net worth individuals, trusts, estates, charitable organizations, pension plans, foundations, endowments, sovereign wealth funds, corporations, limited partnerships, limited liability companies and similar entities. Bracebridge also allows certain qualified employees to invest in the Funds.

The Funds impose minimum initial investment requirements which may be waived at the discretion of the respective board of directors or general partner (subject to the requirements of applicable law).

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

Methods of Analysis and Investment Strategies

The investment objective of most of the Funds managed by Bracebridge is to achieve absolute returns primarily by seeking investment opportunities arising from inefficiencies in financial markets throughout the world. Bracebridge may employ a variety of strategies in pursuit of the Funds' objectives. There is no assurance that this investment objective will be achieved, and investment results may vary substantially on a monthly, quarterly and annual basis. Investing in securities involves a risk of loss that investors should be prepared to bear.

The Funds invest and trade primarily in fixed income securities throughout the world and in the derivatives relating to those securities, but the Funds also seek opportunities in other financial and currency markets. The Funds use instruments, including options, futures, forward contracts, swaps and other derivatives, and equities, in its investment program. The Funds invest in securities and derivatives directly or through other pooled investment vehicles, including other Funds managed by Bracebridge or its affiliates. The Funds generally seek to engage in hedging transactions against macroeconomic risks, including those related to interest rates, foreign exchange and credit. However, the decision as to when and to what extent the Funds will engage in hedging transactions will depend upon a number of factors. Accordingly, there can be no assurance that the Funds will engage in hedging transactions at any given time or from time to time, or that such transactions, if available, will be effective.

Unless otherwise noted, all references herein to the portfolios, investments, investment transactions, investment program, brokerage practices and similar matters, including associated risks, of the Funds should be understood to include both direct and indirect investments and/or other transactions, including, without limitation, investments and/or transactions held or taken directly by the Funds, by a master fund into which certain of the Funds invest (each, a "Master Fund" and collectively, the "Master Funds") or by any other pooled vehicle in which a Fund directly or indirectly invests.

Much inefficiency in the financial markets can be attributed to the investment approaches of, or constraints on, diverse market participants. For example, some market participants have institutional or regulatory constraints that force them to use what Bracebridge views as economically suboptimal hedges to protect portfolios of bonds, mortgages, and other interest rate sensitive positions. Other market participants use derivatives as a leveraged means to make a purely directional investment involving the underlying instrument. This provides an opportunity to capitalize on market anomalies. Bracebridge's strategy is based on identifying such anomalies within or across global financial markets and their derivative products. Inefficiencies in emerging bond markets may also provide opportunities and may represent a substantial portion of the Funds' investments.

From time to time, consistent with relevant offering memoranda, Bracebridge pursues specialized

investment strategies on behalf of one or more funds or classes of interests.

Investment Risks

Investment and Trading Risks in General. All investments made by a Fund risk the loss of capital. The Investment Manager uses such investment techniques as margin transactions, short sales, option transactions and forward and futures contracts, which practices can, in certain circumstances, maximize the adverse impact to which the Funds may be subject. No guarantee or representation is made that the Funds' programs will be successful, and investment results may vary substantially over time. The Funds have been given very broad investment parameters and maintain flexible investment programs. Therefore, the Funds may make investments in the future that may be subject to risks in addition to those described herein. Additional risks associated with an investment in a Fund are disclosed in the offering documents of that Fund.

Hedging Transactions. The Funds engage in transactions intended to hedge certain of their portfolio positions against overall exposure to certain risks including, but not limited to, exposure to interest rate, equity and exchange rate movements. The success of any Fund's hedging strategy is subject to the Investment Manager's ability to assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments in the portfolios being hedged and the Investment Manager's ability to readjust and execute hedges in an efficient and timely manner. The decision as to when and to what extent a Fund will engage in hedging transactions will depend upon a number of factors, including, but not limited to, prevailing market conditions, the composition of such Fund's portfolio and the availability of suitable transactions. For a variety of reasons, the Investment Manager may not seek to establish a precise correlation between the hedging instruments and the portfolio holdings being hedged. Such an imprecise correlation may prevent the Funds from achieving the intended hedge or expose the Funds to risk of loss. Additionally, the Investment Manager may not hedge against a particular risk, including because it does not regard the probability of the risk occurring to be sufficiently high as to justify the cost of the hedge, or because it does not foresee the occurrence of the risk. Accordingly, there can be no assurance that a Fund will engage in hedging transactions at any given time or from time to time. Additionally, there is significant judgment in determining which risks to hedge, how to effectively hedge such risks and how much to hedge such risks. Failure to effectively hedge significant risks in a Fund's portfolio could have a significant adverse impact on the Fund.

Leveraged Trading. The Funds employ a leveraged trading strategy. Accordingly, the Funds trade securities on margin, sell securities short, enter into repurchase or reverse repurchase agreements with respect to securities, and/or borrow, pledge, lend or hypothecate securities, cash or other assets. Such practices may increase the volatility of a Fund's returns. Trading securities on a leveraged basis generally results in interest charges to a Fund and, depending on the amount of trading activity, such charges could be substantial. Similarly, the low margin deposits normally required in options, futures and forward trading permit a high degree of leverage; accordingly, a relatively small price movement in an option, futures or forward contract may result in immediate and substantial losses to a Fund. Other types of derivatives also may entail a high degree of leverage. Irrespective of the risk control objectives of the Investment Manager, such a degree of leverage necessarily entails a high degree of risk. A Fund's use of leverage may magnify many of the risks discussed herein.

Any use of short-term margin borrowings would result in certain additional risks to the Funds. For example, when the securities pledged to brokers to secure a Fund's margin accounts decline in value, a Fund will be subject to a margin call, pursuant to which a Fund must either deposit additional funds or securities with the broker, or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden drop in the value of a Fund's assets, it might not be able to generate sufficient funds quickly enough to satisfy its margin requirements or may be forced to forego investment opportunities in order to raise cash to satisfy these collateral requirements.

Arbitrage Trading. As part of the Funds' investment strategy, they engage in a significant amount of arbitrage trading. In such trading, a Fund generally attempts to take advantage of price differences of

identical or similar securities or financial instruments on different markets or in different forms. Arbitrage transactions involve the risk that transactions will fail to be executed as intended or agreed upon, the risk that the other party to a transaction will fail to pay or otherwise perform as agreed, and credit risk (*i.e.*, that the other party does not post collateral, etc., as required). Arbitrage investing also involves the risk that the value of a Fund's long positions potentially decrease while the value of its corresponding short positions increase over the same period. Often arbitrage opportunities disappear rapidly once the opportunity becomes well-known and many investors act on it. Arbitrage trading can also involve greater transaction costs because of the need to simultaneously buy and sell many different securities. There is no assurance that an arbitrage transaction will perform in the manner expected by the Investment Manager and the exposure of a Fund to a movement in the market or other factors could be significantly increased.

Transaction Execution and Costs. Purchases and sales of investments in the Funds may be frequent and may result in higher transaction costs than in a fund that engages in limited trading activity. In addition, relatively narrow spreads may exist between the prices at which a Fund purchases and sells particular positions and related hedging transactions. The successful application of a Fund's investment strategy will therefore depend, in part, upon the quality of execution of transactions, such as the ability of broker-dealers to execute orders on a timely and efficient basis and the ability to execute related orders in different markets.

Illiquid Securities. Many of the Funds' investments are not regulated or traded on exchanges, and may not be readily marketable or may be only thinly traded, including, without limitation, those which are designated as special situation investments. In addition, the Funds invest in private placements of securities that are not registered under applicable securities laws, have little or no trading market, or contain restrictions or outright prohibitions on transfer. The Funds also invest in recapitalizations, spinoffs, corporate and financial restructurings, acquiring or otherwise taking control of a pooled investment vehicle or its assets, litigation or other catalyst-orientated situations. Such investments are often difficult to analyze. In any such investment opportunity, there exists the risk that the relevant transaction either will be unsuccessful, will take considerable time or will result in a distribution of cash or a new security the value of which will be less than the purchase price to a Fund of the security or other financial instrument in respect of which such distribution is received. A Fund may not be able to readily dispose of such investments, and, in some cases, may be contractually prohibited from disposing of such securities for a specified period. These limitations on liquidity of a Fund's investments could prevent a successful sale thereof, result in delay of any sale, reduce the amount of proceeds that might otherwise be realized, result in the designation of certain investments as special situation investments (which would reduce the value of Fund interests available to be redeemed), or result in distribution of securities in-kind upon liquidation of a Fund.

When market conditions change, investments may become illiquid. For example, the credit markets experienced a significant lack of liquidity at the end of 2008 and the beginning of 2009, and investments that were historically quite liquid became much less liquid, or illiquid. There have also been periods during which certain participants in the forward or other markets have refused to quote prices for certain financial instruments or assets or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. There can be no assurance that a market will be liquid. It is also possible that illiquidity in a market could cause prices to decline, which may have the result of forcing a Fund to sell assets to satisfy requirements under its borrowing arrangements or to meet margin calls, which could, in turn, create further downward price pressure. If there is a substantial decline in the fair value of a Fund's portfolio of investments, investments may need to be liquidated quickly, and perhaps not at a value that Bracebridge believes reflects the true value of such investments.

Risks of Derivatives. The Funds invest in derivatives, which are financial contracts whose value depends on, or is derived from, the value of an underlying financial instrument, asset, reference rate or index. A Fund uses derivatives both as part of a strategy designed to reduce exposure to other risks, such as credit, interest rate or currency risk (at times, on a macroeconomic level, and, at times, on an investment-, or portfolio-, specific level) and also when Bracebridge believes derivatives are inefficiently priced in relation to other investments and a Fund can take advantage of such inefficiencies. A Fund also may use derivatives for leverage, which increases opportunities for gain but also involves greater risk of loss due to

leveraging risk. The Funds' use of derivative instruments involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional investments, including the potential to expose the Funds to unlimited loss, regardless of the size of the initial investment in the derivative. Derivative products are specialized instruments that require investment techniques and risk analyses different from those associated with equities and fixed income securities. The use of a derivative requires an understanding not only of the underlying instrument but also of the derivative itself. In particular, the use and complexity of derivatives require the maintenance of adequate controls to monitor the transactions entered into and the ability to assess the risk that a derivative adds to a Fund's portfolio. If a derivative transaction is particularly large or if the relevant market is illiquid (as is the case with many OTC derivatives), it may not be possible to initiate or liquidate a position at an advantageous price. Less liquid derivatives may also fall more in price than other instruments during market declines. Derivatives are subject to a number of risks described elsewhere in this section, such as limited liquidity, investment and trading risks, high volatility, documentation, counterparty and leverage risk.

The Funds are generally required to post collateral with their derivatives counterparties based upon a number of factors, which may include the notional amounts and the value of the derivatives. During periods of market disruption or high market volatility, the Funds may have a greater need for cash to provide collateral for large swings in the mark-to-market obligations arising under the derivative instruments used by the Funds or to provide initial margin where it was not previously required or additional initial or variation margin if required by a clearinghouse, clearing member or counterparty. In some cases, the Funds may be required to post additional collateral to a counterparty following the occurrence of certain events with respect to a Fund, such as a decline in a Fund's net asset value.

The inputs used by the administrator, Bracebridge, and counterparties, for the valuation of derivatives are often unobservable and/or subjective, and therefore derivatives have increased valuation risk and the risk that changes in the value of the derivative may not correlate perfectly with the underlying asset, rate or index. These uncertainties in the valuation of derivatives may result in different valuations derived by the administrator or Bracebridge as compared to the derivative counterparty which may result in disagreements over the collateral amounts which a Fund or counterparty should post to each other. Failure by the counterparty to post collateral to a Fund for any reason (including, without limitation, the counterparty's insolvency) may result in a Fund being under collateralized with respect to one or many derivative transactions. Failure by a Fund to post collateral to the counterparty for any reason may result in the counterparty terminating the relevant derivative transactions or some or all derivatives with that counterparty at prices disadvantageous to the Fund.

Certain derivatives transactions used by the Funds, including certain interest rate swaps and certain credit default index swaps, are required to be cleared. In addition, some derivative transactions, including certain credit derivatives, are voluntarily cleared. In a cleared derivatives transaction, a Fund's counterparty to the transaction is a central derivatives clearing organization, or clearinghouse, rather than a bank or broker. Since the Funds are not members of a clearinghouse, and only members of a clearinghouse can participate directly in the clearinghouse, the Funds enter into cleared derivatives transactions through clearing members that are futures commission merchants and members of the clearinghouses. A Fund makes and receives payments owed under cleared derivatives transactions (including, without limitation, margin payments) through their accounts at clearing members. A Fund's clearing members guarantee the Fund's performance of its obligations to the clearinghouse. In contrast to bilateral derivatives transactions, in some cases following a period of advance notice to a Fund, clearing members can generally require termination of existing cleared derivatives transactions at any time and increase the amount of margin required to be provided by the Fund to the clearing member for any cleared derivatives transaction above the amount of margin required by the clearinghouse. Clearinghouses also have broad rights to increase margin requirements for existing transactions and to terminate transactions. Any such termination or increase could interfere with the ability of a Fund to pursue its investment strategy. Also, a Fund is subject to execution risk if it enters into a derivatives transaction that is required to be cleared (or which Bracebridge expects to be cleared), and no clearing member is willing to clear the transaction on the Fund's behalf. In that case, the transaction might have to be terminated, and the Fund could lose some or all of the benefit of

any increase in the value of the transaction after the time of the trade. Increased clearing for derivatives transactions may reduce the Funds' exposure to individual counterparty credit risk but central clearing requirements may give rise to other forms of risk. This would include risks relating to clearinghouses themselves, including credit risk, liquidity risk and operational risk relating to these significant entities. Clearinghouses in turn rely heavily on financial resources and liquidity provided by major financial institutions as clearing members and/or financial service providers. In addition, the concentration of credit and liquidity risk in clearinghouses may give rise to systemic risks in the event of a shock or default affecting a clearinghouse or one of its members that could adversely affect market prices and liquidity of the Fund's investments.

Some types of cleared derivatives are required to be or are capable of being executed on an exchange or on a swap execution facility. A swap execution facility is a trading platform where multiple market participants can execute derivatives by accepting bids and offers made by multiple other participants in the platform. While this execution requirement is designed to increase transparency and liquidity in the cleared derivatives market, trading on a swap execution facility can create additional costs and risks for a Fund. For example, swap execution facilities typically charge fees, and if a Fund executes derivatives on a swap execution facility through a broker intermediary, the intermediary may impose fees as well. Also, a Fund may be obligated to indemnify a swap execution facility, or a broker intermediary that executes cleared derivatives on a swap execution facility on a Fund's behalf, against any losses or costs that may be incurred as a result of a Fund's transactions on the swap execution facility. If a Fund wishes to execute a package of transactions that includes a swap that is required to be executed on a swap execution facility as well as other transactions (for example, a transaction that includes both a security and an interest rate swap that hedges interest rate exposure with respect to such security), it is possible a Fund could not execute all components of the package on the swap execution facility. In that case, a Fund would need to trade certain components of the package on the swap execution facility and other components of the package in another manner, which could subject a Fund to the risk that certain components of the package would be executed successfully and others would not, or components would be executed at different times, leaving a Fund with an unhedged position for a period of time.

The United States ("U.S.") government, the European Union ("EU") and the United Kingdom (the "UK") have adopted mandatory minimum margin requirements for bilateral derivatives. As a general matter, under such requirements, the Funds' transactions are subject to variation margin requirements and, in some cases, initial margin requirements. Such regulatory requirements also impose requirements on the timing of transferring margin and the types of collateral that parties are permitted to exchange. Regulatory margin requirements could increase the amount of margin a Fund is required to provide in connection with its uncleared derivatives transactions and could make derivatives transactions more expensive. These and other new rules and regulations could, among other things, further restrict a Fund's ability to engage in, or increase the cost to a Fund of, derivatives transactions, for example, by making some types of derivatives no longer available to a Fund or otherwise limiting liquidity. The implementation of the clearing requirement has generally increased the costs of derivatives transactions; for instance a Fund has to pay fees to its clearing members and is typically required to post more margin for cleared derivatives than funds have historically posted for bilateral derivatives. These rules and regulations are evolving, so their full impact on a Fund and the financial system are not yet known. While these rules and regulations and central clearing of some derivatives transactions are designed to reduce systemic risk (i.e., the risk that the interdependence of large derivatives dealers could cause them to suffer liquidity, solvency or other challenges simultaneously), there is no assurance that they will achieve that result, and in the meantime, as noted above, central clearing and related requirements expose Funds to new kinds of costs and risks.

In addition, the Funds' use of certain derivatives may increase or accelerate the amount of taxes payable by a Fund. An investment in a derivative instrument could result in a Fund losing more than the principal or notional principal amount invested in such instrument. Also, suitable derivative transactions may not be available in all circumstances and there can be no assurance that a Fund will engage in these transactions to reduce exposure to other risks when that would be beneficial.

Counterparty Risk. A Fund faces the risk that the other parties to transactions entered into by a

Fund fail to perform as agreed. In addition, some of the markets in which a Fund may effect transactions are “over-the-counter” or “interdealer” markets and as a result, trading relationships are maintained with counterparties that include domestic and foreign broker-dealers and financial institutions. Such counterparty trading relationships entail counterparty risks that are different from those found in “exchange-based” markets. This exposes a Fund to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not *bona fide*) or because of a credit or liquidity problem, thus causing a Fund to suffer a loss. Such “counterparty risk” is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where a Fund may have concentrated its transactions with a single or small group of counterparties. Counterparties in foreign countries with limited, if any, rights for creditors face increased risks, including the risk of being taken over by the government or becoming bankrupt. A Fund is not restricted from concentrating any or all of its transactions with one counterparty and so these counterparty relationships could result in a concentration of credit risk.

A Fund could also be exposed to credit risk if counterparties fail to fulfill their obligations or the value of any collateral becomes inadequate. Trading agreements with certain counterparties permit those counterparties to terminate transactions with a Fund if certain events occur with respect to a Fund. If such a termination occurs, a Fund may not be able to realize the full value of these investments. Conversely, changing or unpredictable market conditions may lead to greater volatility in the credit ratings and credit standing of dealer counterparties. There can be no assurance that a counterparty will meet its obligations, especially during unusually adverse market conditions. If the counterparty defaults, a Fund will have contractual remedies, but the enforcement of such remedies may be delayed or a Fund may not be able to enforce its contractual rights at all. In the event of an insolvency of a dealer, the dealer counterparty may have insufficient assets to meet all of its obligations. In such an event, a Fund may not have a right to recover any securities held by the dealer counterparty, but would rather have only a general unsecured claim against the dealer counterparty. The ability to transact business with any one or number of counterparties and the absence of a regulated market to facilitate settlement may increase the potential for losses by a Fund.

In connection with entering into derivatives transactions, the Funds typically will post variation margin (i.e., mark-to-market) to, and receive variation margin from, its counterparties. In some cases, the Funds will be required to post initial margin (i.e., a significant upfront deposit unrelated to the transaction’s marked-to-market value) to its counterparties. The parties typically exchange variation margin on a daily basis based on the marked-to-market value of the transaction. When a counterparty’s obligations are not fully secured by collateral or if the Funds post initial margin directly to a counterparty, then the Funds may be an unsecured creditor of the counterparty. Counterparty risk still exists even if a counterparty’s obligations are secured by collateral because the Funds’ interest in collateral may not be perfected or additional collateral may not be promptly posted as required. Significant market movements may occur in a short amount of time, which could cause a party to be significantly under-collateralized.

Counterparty risk with respect to over-the-counter derivatives may be affected by regulations affecting the derivatives market. For example, the Funds’ ability to exercise remedies, such as the termination of transactions, netting or set-off of obligations and realization on collateral, in the event of an insolvency of its counterparties (or their affiliates) could be stayed or eliminated under special resolution regimes adopted in the U.S., the EU, the UK, and various other jurisdictions. Such regimes provide government authorities with broad authority to conduct a resolution of a financial institution that is in danger of default. With respect to counterparties who are subject to such proceedings in the EU and the UK, the liabilities of such counterparties to the Funds could be reduced, eliminated or converted to equity (sometimes referred to as a “bail in”).

Some derivatives, such as certain types of interest rate swaps and certain subsets of credit default index swaps, are required to be cleared. In addition, some derivatives, including certain credit derivatives, are voluntarily cleared. A party to a cleared derivatives transaction is subject to the credit risk of the clearinghouse and the clearing member through which it holds its cleared position, rather than the credit risk of its original counterparty to the derivative transaction. Clearing members are required to segregate

all funds received from customers with respect to cleared derivatives transactions from the clearing member's proprietary assets. However, all funds and other property received by a clearing member from its customers are generally held by the clearing member on a commingled basis in an omnibus account and the clearing member may invest such funds in certain instruments permitted under applicable CFTC regulations. The assets of a Fund might not be fully protected in the event of a Fund's clearing member's bankruptcy, as a Fund would be limited to recovering only a *pro rata* share of all available funds segregated on behalf of the clearing member's customers for a relevant account class. In addition, if a clearing member does not comply with the applicable regulations or its agreement with the Fund, or in the event of fraud or misappropriation of customer assets by a clearing member, the Fund could have only an unsecured creditor claim in an insolvency of the clearing member with respect to the margin held by the clearing member. Margin amounts in respect of customer positions transferred to the clearinghouse are generally held in an omnibus account at the clearinghouse for all customers of the clearing member. Regulations promulgated by the CFTC require that (in contrast to the treatment of margin provided for futures) the clearing member notify the clearinghouse of the initial margin provided by the clearing member to the clearinghouse that is attributable to each customer in respect of cleared swaps. However, if the clearing member does not accurately report the Funds' initial margin, the Fund is subject to the risk that a clearinghouse will use the Funds' assets held in an omnibus account at the clearinghouse to satisfy payment obligations of a defaulting customer of the clearing member to the clearinghouse. In addition, clearing members generally provide to the clearinghouse the net amount of variation margin required by account class for all of its customers in the aggregate, rather than individually for each customer. The Fund is therefore subject to the risk that a clearinghouse will not make variation margin payments owed to the Fund if another customer of the clearing member has suffered a loss and is in default, and the risk that the Fund will be required to provide additional variation margin to the clearinghouse before the clearinghouse will move the Fund's positions to another clearing member.

Reverse Repurchase Agreements and Loans of Portfolio Securities. The Funds enter into reverse repurchase agreements with broker-dealers and other financial institutions under which the Funds sell portfolio securities to counterparties with an agreement to repurchase at a future date and/or lend their portfolio securities to such counterparties. The advantage of such reverse repurchase agreements and loans is that a Fund receives cash that can be used by the Fund, including to invest in other securities, while continuing to be entitled to the interest or dividends on the securities (or substitute payments). Haircuts are typically applicable to such transactions, such that the value of the securities delivered by the Funds exceed the amount of cash received by the Funds. On termination of the contract, the counterparty is required to return the securities to the Fund, and any gain or loss in the market price during the contract period would inure to the Fund. In the event of a bankruptcy or other default of a counterparty, the enforcement of remedies upon a default may be delayed or a Fund may not be able to enforce its contractual rights at all. Since the value of securities delivered to counterparties in connection with reverse repurchase agreements and securities loans typically exceeds the cash received by a Fund, a Fund could be materially adversely affected in the event of a default by its counterparties.

Prime Broker Risk. Prime brokers have custody of a substantial portion of a Fund's securities, cash, distributions and rights accruing to a Fund's securities accounts. SEC rules require U.S. prime brokers to maintain physical possession and control solely of fully paid securities and excess margin securities held in a Fund's account and to establish certain reserves for the benefit of customers. For assets other than fully paid securities and excess margin securities, subject to the establishment of reserves, and the assets held by non-U.S. affiliates of a U.S. prime broker, a prime broker (or its non-U.S. affiliate) generally has the ability to loan, pledge, and rehypothecate the securities in a Fund's account, as is typical market practice, and may have insufficient assets to meet all of its obligations to customers in the event of the insolvency of the prime broker (or its non-U.S. affiliate) or a similar event which restricts a Fund's ability to seek return of the securities in a Fund's account.

In such an event, a Fund would typically not have the right to receive delivery of particular securities credited to its account by the prime broker, but would rather have only a claim to participate *pro rata* with other customers of the prime broker in the customer property held by the broker. If the prime

broker does not have a sufficient amount of any particular security to satisfy all customers' claims to that security, the Fund could receive different assets from those transferred by a Fund to the prime broker. Also, even if the prime broker does have sufficient assets to meet all customer claims, there could be a delay before a Fund receives assets to satisfy its claims. Furthermore, until the Fund knows what securities it will receive, the Fund will have limited ability to manage the portfolio effectively.

The prime broker also may hold a Fund's securities through third parties such as clearing corporations, other brokers or banks. As a result, a Fund may be subject to credit risk with respect to such third parties as well as with respect to the prime brokers. In addition, certain of the Fund's assets may be held by entities other than its prime brokers. For example, a Fund may provide certain of its assets as collateral to counterparties in connection with "over-the-counter" derivatives contracts such as swaps, forwards and certain options, and may be an unsecured creditor of any such counterparty in the event of its insolvency.

Custody and Banking Risks. The Funds maintain assets with one or more banks or other depository institutions ("banking institutions"), which may include US and non-US banking institutions, and may enter into other financial relationships with banking institutions. The distress, impairment or failure of one or more banking institutions with whom the Fund and/or the Investment Manager transact may inhibit the ability of the Fund to access depository accounts at all or in a timely manner. In the event of such a failure of a banking institution where the Fund holds depository accounts, access to such accounts could be restricted and U.S. Federal Deposit Insurance Corporation (FDIC) protection may not be available for balances in excess of amounts insured by the FDIC (and similar considerations may apply to banking institutions in other jurisdictions not subject to FDIC protection). In such instances, the Fund may not recover such excess, uninsured amounts and instead, would only have an unsecured claim against the banking institution and participate pro rata with other unsecured creditors in the residual value of the banking institution's assets. The loss of amounts maintained with a banking institution or the inability to access such amounts for a period of time, even if ultimately recovered, could be materially adverse to the Fund.

Documentation Risk. Transactions relating to many types of financial instruments, including, but not limited to, many over-the-counter derivative instruments, structured notes and bonds, are subject to documentation risk. Documentation risk includes, without limitation, the risk that ambiguities, inconsistencies or errors in the documentation relating to a derivative transaction may lead to a dispute with the counterparty or unintended investment results. If that occurs, the cost and unpredictability of the legal proceedings required for a Fund to enforce its contractual rights may lead a Fund to decide not to pursue its claims against the counterparty. Additionally, a Fund may be unable to obtain payments the Investment Manager believes are owed to it under derivative instruments or those payments may be delayed or made only after the Fund has incurred the cost of litigation.

Forward Trading. Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The Fund may be required to deposit margin with respect to forward trading. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade, and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain counterparties have refused to continue to quote prices for forward contracts or have quoted prices with an unusually wide spread (the difference between the price at which the counterparty is prepared to buy and that at which it is prepared to sell). Arrangements to trade forward contracts may be available with only one or a few counterparties, and liquidity problems therefore might be greater than when numerous counterparties are available to enter into such arrangements. In addition, the Funds are exposed to credit risks with regard to counterparties with whom it trades. See "Counterparty Risk".

Swap Agreements. A swap transaction is an individually negotiated agreement between two parties

to exchange cash flows measured by different interest rates, exchange rates, or prices, with payments calculated by reference to a principal amount or quantity, and may involve interest rates, currencies, securities, commodities, and other items. Certain swap transactions are required to be or are capable of being executed on an exchange or on a swap execution facility and cleared.

Risks associated with cleared and uncleared swaps are set forth above in “Risks of Derivatives.” In addition: (i) there generally are no limitations on daily price moves in uncleared swap transactions; (ii) speculative position limits are not applicable to uncleared swap transactions, although the counterparties may limit the size or duration of positions available as a consequence of credit considerations; (iii) participants in the swap markets are not required to make continuous markets in swaps contracts; and (iv) the uncleared swap markets are “principals” markets in which performance with respect to an uncleared swap contract is the responsibility only of the counterparty and not of any exchange or clearing corporation. As a result, a Fund will be subject to the risk of the inability or refusal to perform with respect to such contracts on the part of the counterparties trading with it, as well as risks relating to the creditworthiness of the swap counterparty, market risk, credit risk, liquidity risk and operations risk. Moreover, a Fund bears the risk of loss of the amount expected to be received under a swap agreement in the event of the default or bankruptcy of a swap agreement counterparty. Swap agreements can be individually negotiated and structured to include exposure to a variety of different types of investments or market factors. Depending on their structure, swap agreements may increase or decrease the exposure of a Fund to long-term or short-term interest rates, non-U.S. currency values, mortgage securities, corporate borrowing rates, or other factors such as security prices, baskets of equity securities, or inflation rates. Swap agreements can take many different forms and are known by a variety of names. A Fund is not precluded from any particular form of swap agreement if such investment is consistent with the investment objective and policies of the Fund. Like other types of derivative instruments, swaps may entail a substantial degree of leverage and involve substantial risk.

Credit Default Swaps. Investments in credit default swaps and in indices of credit default swaps, plus their related tranches and options, are used to synthetically take credit exposure to a specified reference entity or entities. The primary risks thus embedded in credit default swaps are similar to those taken in buying or selling a bond issued by the underlying reference entity or entities including, in the case of attempting to cover a short position upon the occurrence of a credit event, the risk of a “short squeeze,” and including, without limitation, uncertainty in documentation risk, such as a disagreement as to whether a “credit event” has occurred. However, because most credit default swaps are over-the-counter derivatives, a Fund will have exposure to the performance and credit of the counterparty as well. While Bracebridge seeks to have collateral arrangements that protect changes in mark-to-market exposure and generally only transacts with highly rated institutions, there is no guarantee that a counterparty will perform its contractual obligations (see “Counterparty Risk” above). This risk is particularly severe when a Fund is long a credit default swap where an event of default by a reference entity followed by a subsequent counterparty default could leave the Fund with sizable credit exposure to the reference entity. See “Risks of Derivatives.”

Options. Purchasing put and call options, as well as writing such options, are highly specialized activities and entail risks. Although an option buyer’s risk is limited to the amount of the original investment for the purchase of the option, an investment in an option may be subject to greater fluctuation than an investment in the underlying securities. In theory, an uncovered call writer’s loss is potentially unlimited, but in practice the loss is limited by the term of the call. The risk for a writer of a put option is that the price of the underlying securities may fall below the exercise price. The ability to trade in or exercise options may be restricted in the event that trading in the underlying securities becomes restricted.

The Funds engage in spreads or other combination options transactions involving the purchase and sale of related options and futures contracts. “Spread” trading, as it involves offsetting “relative value” positions, may be executed on a highly leveraged basis and is subject to the risk of sudden illiquidity in the markets, which may make it difficult or impossible, for example, to close out one “leg” of the spread.

Unlike exchange-traded options, which are standardized with respect to the underlying instrument, expiration date, contract size, and strike price, the terms of over-the-counter options (options not traded on

exchanges) are generally established through negotiation with the other party to the option contract. While this type of arrangement allows a Fund greater flexibility to tailor an option to its needs, over-the-counter options may involve substantial additional complexity and generally involve greater credit and counterparty risk than exchange-traded options which are guaranteed by the clearing organization of the exchanges where they are traded. See “Risks of Derivatives.”

Swaptions. An option on a swap agreement, also called a “swaption,” is an over-the-counter option that gives the buyer the right, but not the obligation, to enter into a swap on a specified future date in exchange for paying a market-based premium. A receiver swaption gives the owner the right to receive a specified return based on a specified asset, reference rate, or index (such as a call option on a bond). A payer swaption gives the owner the right to pay a specified return based on a specified asset, reference rate, or index (such as a put option on a bond). Swaptions also include options that allow one of the counterparties to terminate or extend an existing swap. Depending on the terms of the particular option agreement, a Fund will generally incur a greater degree of risk when it writes a swaption than it will incur when it purchases a swaption. Swaptions are generally subject to the risks of both options and swaps (see “Swap Agreements” and “Options” above).

Fixed Income Securities. Fixed income securities are subject to the risk of the issuer’s inability to meet principal and interest payments on its obligations (*i.e.*, credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (*i.e.*, market risk). A Fund could lose money if the issuer or guarantor of a fixed income security is unable or unwilling, or is perceived by market participants as unable or unwilling, to make timely principal and/or interest payments, or to otherwise honor its obligations. The downgrade of the credit of a security held by the Fund may also decrease its value. Additionally, the market for certain investments may become illiquid under adverse market or economic conditions independent of any specific adverse changes in the conditions of a particular issuer. Low dealer inventories of corporate bonds reduce the ability of financial institutions to provide liquidity through their intermediary services, and reduced dealer inventories particularly during periods of economic uncertainty could lead to decreased liquidity and increased volatility in the fixed income markets and adversely affect the Funds.

Asset-Backed Securities. Asset-backed securities represent interests in “pools” of assets such as mortgages, consumer loans or receivables held in trust and often involve risks that are different from risks associated with other types of fixed income securities. The amount of market risk associated with asset-backed securities depends on many factors, including, without limitation, the deal structure (*i.e.*, determination as to the amount of underlying assets or other support needed to produce the cash flows necessary to service interest and make principal payments), the quality of the underlying assets, the level of credit support, if any, provided for the securities, and the credit quality of the credit-support provider, if any. Asset-backed securities involve risk of loss of principal if obligors of the underlying obligations default in payment of the obligations and the defaulted obligations exceed the credit support. Such risks may be magnified due to the pervasive and overlapping nature of borrowers in the asset-backed market. A major economic recession could disrupt severely the market for such securities and may have an adverse impact on the value of such securities. In addition, any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default for such securities. In the event of a default, the trustee in an asset-backed securities transaction may be delegated responsibility for certain actions regarding the trust and the underlying borrowers and there is no assurance that the trustee will take actions which an investor in an asset-backed securities transaction deems to be in its interest. Additional risks to collateral that may arise in connection with investments in asset-backed securities are risks associated with fraud committed by borrowers, lenders, agents or any other parties involved in asset-backed transactions, as well as losses caused by defaults on payment and other obligations, including, without limitation, the failure by underlying borrowers to maintain the collateral as specified in the prospectus for the security. Finally, a Fund may have exposure to any unexpected increase in loss severities, a measure of the face value of the loss on a loan after a foreclosure is completed.

Residential Mortgage Loans. The Funds invest in residential mortgage-backed securities (“RMBS”) and, through these holdings, are exposed to residential mortgage loans, particularly “private-label” residential loans. Residential mortgage loans are secured by single-family residential property and are subject to risks of delinquency and foreclosure and risks of loss. The ability of a borrower to repay a loan secured by a residential property is dependent upon various factors, including the income or assets of the borrower. The Funds may hold or invest in RMBS backed by non-prime or sub-prime residential mortgage loans (which are subject to higher delinquency, foreclosure and loss rates than prime residential mortgage loans) and private-label mortgage loans (which have characteristics of commercial loans and do not conform to criteria set by U.S. Government entities (e.g., Ginnie Mae, Fannie Mae or Freddie Mac)) which could result in higher losses to the Funds. Non-prime and sub-prime residential mortgage loans are made to borrowers who have poor or limited credit histories and, as a result, do not qualify for traditional mortgage products. In addition, these loans may have been extended pursuant to varying underwriting guidelines, to no underwriting guidelines at all or to fraudulent origination practices. Because of their poor or non-existent credit history, non-prime and sub-prime borrowers have materially higher rates of delinquency, foreclosure and loss, all else being equal, compared to prime credit quality borrowers. Investments in non-prime and sub-prime RMBS backed by non-prime or sub-prime residential mortgage loans and investments in derivatives that reference non-prime or sub-prime RMBS, all else being equal, have higher risk than investments in RMBS backed by prime residential mortgage loans.

The Funds also invest in entities that hold residential mortgage loans directly which present the risks described above and also risks relating to foreclosure and ownership of residential property, including the expenses and losses associated with such ownership, in circumstances where the borrowers have defaulted on their residential mortgages.

Commercial Mortgage Loans. The Funds invest in commercial mortgage-backed securities (“CMBS”) and, through these holdings, are exposed to commercial mortgage loans. Commercial mortgage loans are generally secured by multi-family, retail, office, hotel or other commercial property and are subject to risks of delinquency and foreclosure, and risks of loss that are more concentrated and idiosyncratic than similar risks associated with residential mortgage loans that are secured by single-family residential property. In addition, the Funds may invest in commercial mortgage loans that have been extended pursuant to varying underwriting guidelines, to no underwriting guidelines at all or to origination practices later determined to be fraudulent. The ability of a borrower to repay a loan secured by an income-producing property is dependent primarily upon the successful operation of such property. If the net operating income of the property is reduced, the borrower’s ability to repay the loan may be impaired. Net operating income of an income-producing property can be affected by, among other things: tenant mix, success of tenant businesses, property management decisions, property location and condition, competition from comparable types of properties, changes in laws that increase operating expense or limit rents that may be charged, any need to address environmental contamination at the property, the occurrence of any uninsured casualty at the property, changes in national, regional or local economic conditions and/or specific industry segments, declines in regional or local real estate values, declines in regional or local rental or occupancy rates, increases in interest rates, real estate tax rates and other operating expenses, changes in governmental rules, regulations and fiscal policies, including environmental legislation, acts of God, terrorism, social unrest and civil disturbances. In the event that the operation of a commercial property for its original purpose becomes unprofitable, such commercial property may not readily be converted to an alternative use and would generally require substantial capital expenditures. The liquidation value of any such commercial property may be substantially less, relative to the amount outstanding on the related commercial mortgage loan, than would be the case if such commercial property were readily adaptable to other uses. CMBS are also generally subject to the risks on modification of the terms of the original loan (see “Collateral Performance in Structured Products” below).

Collateral Performance in Structured Products. In transactions such as collateralized debt obligations, the value of the securities is tied or indexed to the value of, and/or cash flows generated by, an underlying pool of assets, receivables, or derivatives. For example, the Funds expect to make investments in asset-backed securities that are collateralized by receivables, including equipment leases, residential

leases or other loans or financial assets. Such investments are subject to risks of prepayment, delinquency and default similar to those present in mortgage loans and other asset-backed securities. There can be no guarantee that the performance of the underlying assets will meet the performance expectation of the issuer of the security or a Fund and this may lead to a diminution in value of the security. Also, due to the synthetic nature of some of the cash flows from these securities, there may be increased volatility in the performance of the assets owned by a Fund and a potential disconnect between the value of the underlying collateral or reference obligations and the value that is realizable from time to time on the security.

The performance of the collateral, especially when the bonds are backed by future receivables, may also be strongly tied to the performance of the collateral servicer or manager, as applicable, so the value of an asset-backed security is subject to risks associated with the negligence or misappropriation of its servicer or manager and a deterioration in the operations of the servicer or manager may lead to a degradation in the value of the collateral. In some circumstances, the mishandling of related documentation also may affect the rights of security holders in and to the underlying collateral (e.g. when the holders of receivables underlying an asset-backed security may not have a proper security interest or even when security interests are present, the ability of an issuer of certain types of asset-backed securities to enforce those interests may be more limited than that of an issuer of mortgage-backed securities). Further, the insolvency of entities that generate receivables or that utilize the assets may result in a decline in the value of the underlying assets as well as costs and delays.

The Funds invest in securities indexed to the value of cash flows generated by receivables on consumer loans, including automobile loans, student loans and credit cards. Investments in securities collateralized by consumer loans are subject to the risk that loans are made to borrowers of varying creditworthiness. The Funds may invest in securities indexed to consumer loans that have been extended pursuant to varying underwriting guidelines, to no underwriting guidelines at all, or to origination practices later determined to be fraudulent. Consumer loans may be backed by collateral (as in automobile loans) or they may be unsecured, exposing the Funds to default risk as an unsecured creditor of individual consumer borrowers. Governmental regulators and agencies may further regulate the consumer credit industry in ways that make it more difficult for servicers and managers of such loans to collect payments on such loans, resulting in reduced collections. Such laws and regulations may, among other things, regulate interest rates and other charges, require certain disclosures, regulate the use of consumer credit information and regulate debt collection practices. Violation of certain provisions of these laws and regulations may limit a servicer or manager's ability to collect all or part of the principal of, or interest on, such loans, entitle the borrowers to refunds of amounts previously paid by them, or subject the servicer or manager to damages and sanctions. Changes to bankruptcy or debtor relief laws may also impede collection efforts or alter timing and amount of collections. If an obligor sought protection under bankruptcy or debtor relief laws, a court could reduce or discharge completely the obligor's obligations to repay amounts due on its loan. Risks specific to different categories of consumer loans may affect the Funds' return on such investments. In the case of credit card loans, for example, various and unpredictable social, economic and geographic factors may affect the payment patterns and rates of default by borrowers, including consumer confidence and attitudes toward debt, rates of inflation and unemployment and prevailing interest rates. Rates of prepayment and default on student loans will also vary based on a number of factors, and will also be affected by contractual terms present in such loans, including the extension of grace periods, deferment periods and, under some circumstances, forbearance periods.

The Funds also expect to invest in securities collateralized by non-typical cash flows such as tariffs, government transaction receivables, other revenues related to services provided to governmental entities or litigation claims. These securities' cash flows may be predicated on an explicit or implicit guarantee from a sovereign that these payments will continue to be made. Investments in such securities are subject to the risk that the relevant sovereign entity could cease to direct payments (for example, if the government modified or terminated the stream of receivables), as well as credit risk and default risk.

Other Pooled Investment Vehicles. Investments in certain other pooled investment vehicles are managed by investment managers unrelated to Bracebridge. The Funds bear fees in connection with such

investments, which may include asset-based and/or performance-based compensation payable to the managers of such other pooled investment vehicles and which are in addition to the Incentive Fee and Management Fee payable to Bracebridge. Bracebridge will generally have no right or power to participate in the management or control of the business of such other pooled investment vehicles, and thus must depend solely upon the ability of their respective investment managers with respect to the Funds' investments. The Funds generally will not have the opportunity to evaluate the specific investments made by the other pooled investment vehicles. Moreover, the Funds will not have an active role in the day-to-day management of the investments and/or derivatives of the other pooled investment vehicles. As a result, the returns of such other pooled investment vehicles will depend largely on the performance of these unrelated investment managers and could be substantially adversely affected by the unfavorable performance of such investment managers.

Interest Rate Risk. The value of the Funds' investments in fixed income securities (including, without limitation, bonds, notes and asset-backed securities) will typically change as interest rates fluctuate. To the extent a Fund invests in corporate bonds, notes, mortgage-related or other asset-backed securities, or other securities that are callable, such securities may be prepaid. Because prepayments generally increase when interest rates fall, a Fund is subject to the risk that cash flows from securities will have to be reinvested at lower rates. Likewise, since prepayments decrease when interest rates rise, these securities have maturities that tend to be longer when that is least desirable. A Fund may also invest to a material extent in debt securities paying no interest, such as zero coupon, principal-only and interest-only securities and, to the extent it makes such investments, a Fund will be exposed to additional interest rate risk. Some asset-backed securities also may include specific early amortization or payout events that may result in additional interest rate risk. Because of the different long and short positions in fixed income securities and related derivatives that the Funds engage in from time to time, the Funds' portfolio is not intended to be highly correlated with changes in interest rates. For example, depending on the fixed income and derivative positions in the Funds' portfolio at any given time, a decline in prevailing interest rates may result in an increase, a decline or no change in the value of the Funds' portfolio. However, the decision as to when and to what extent the Funds will engage in hedging transactions with respect to interest rate risk will depend upon a number of factors. Accordingly, there can be no assurance that the Funds will engage in hedging transactions at any given time or from time to time, or that such transactions, if available, will be effective.

Inflation Risk. Inflation is a sustained rise in overall price levels. Moderate inflation is associated with economic growth, while high inflation can signal an overheated economy. Inflation risk is the risk that the value of assets or income from investments will be less in the future. Central banks, such as the U.S. Federal Reserve, generally attempt to control inflation by regulating the pace of economic activity. They typically attempt to affect economic activity by raising and lowering short-term interest rates. At times, governments may attempt to manage inflation through fiscal policy, such as by raising taxes or reducing spending, thereby reducing economic activity; conversely, governments can attempt to combat deflation with tax cuts and increased spending designed to stimulate economic activity. The effects of inflation or central bank actions could be substantial and adverse.

Currency Risk. A portion of the Funds' assets is invested in debt and equity securities denominated in various non-U.S. currencies and in other financial instruments, the price of which is determined with reference to such currencies. A Fund will, however, value its investments and other assets in U.S. dollars. To the extent unhedged, the value of a Fund's net assets will fluctuate with U.S. dollar exchange rates as well as with price changes of the Fund's investments in various local markets and currencies. Forward currency contracts and options and other strategies may be utilized by a Fund to hedge against currency fluctuations. However, the decision as to when and to what extent a Fund will engage in hedging transactions will depend upon a number of factors, including, but not limited to, prevailing market conditions, the composition of such Fund's portfolio and the availability of suitable transactions. Accordingly, there can be no assurance that a Fund will engage in hedging transactions at any given time or from time to time, or that such transactions, if available, will be effective.

With respect to certain classes of shares, the Funds generally seek to hedge the USD net asset value of the shares to changes in GBP, EUR or other currencies. The Fund generally expects to hedge the currency exposure through forward contracts rolled over on a monthly basis but may utilize other forward contracts, futures, options, swaps and other strategies in connection with this hedging. The realized and unrealized profits and losses of such hedging transactions, together with related costs and expenses are allocated exclusively to the relevant share classes. Since each Fund is a single legal entity and there is no limited recourse protection for any class, if liabilities related to these currency hedging transactions exceed the assets associated with the shares denominated in non-USD currencies, investors in other classes may be compelled to bear those liabilities.

LIBOR Risk. Many debt securities accrue interest at a floating rate based on, or similar to, the London Interbank Offered Rate, or “LIBOR,” or are investments of a type that would until recently have borne interest at a rate based on LIBOR, which is the offered rate for short-term deposits between major international banks. In 2017, the UK’s Financial Conduct Authority announced that after 2021 it would cease its active encouragement of UK banks to provide the quotations needed to sustain LIBOR. Prudential regulators in the UK and the U.S. encouraged market participants to plan for, and implement, the transition away from LIBOR-based interest rates as soon as possible. In 2017, the Alternative Reference Rates Committee (a group of market participants convened by the Federal Reserve Board and the New York Fed) identified the Secured Overnight Financing Rate (SOFR) as its preferred rate for replacement of U.S. Dollar LIBOR (“USD LIBOR”). ICE Benchmark Administration Limited (“IBA”), the administrator for LIBOR, ceased publication of EUR, CHF, JPY and GBP LIBOR (for all tenors) and USD LIBOR (one week and two-month) at the end of 2021, and ceased publication of the remaining USD LIBOR tenors (overnight, one-, three-, six- and twelve-month) on June 30, 2023. The effects of the transition away from LIBOR on the Funds or the debt securities or other instruments in which the Funds invest cannot yet be fully determined. The transition may lead to increased volatility or illiquidity in markets for securities or other instruments that historically relied on LIBOR to determine interest rates and could also lead to a reduction in the value of some LIBOR-based investments. Any such effects of the transition away from LIBOR, as well as other unforeseen effects, could result in losses for the Funds.

Short Sales. The Funds engage in “short sales,” which are sales of securities a Fund borrows but does not actually own, usually made with the anticipation that the prices of the securities will decrease and a Fund will be able to make a profit by purchasing the securities later at the lower prices. The Investment Manager may engage in short sales as part of hedging transactions or when it believes securities are overvalued. A Fund will incur a loss on a short sale if the price of the security increases prior to the time the Investment Manager purchases the security to replace the borrowed security. A short sale presents greater risk than purchasing a security outright since there is no ceiling on the possible cost of replacing the borrowed security, whereas the risk of loss on a “long” position is limited to the purchase price of the security. Closing out a short position may cause the security to rise further in value creating a greater loss. In addition, the ability to continue borrowing the security is not guaranteed. If the short seller loses the ability to continue borrowing the security, a “buy-in” may occur, forcing the short seller to purchase the security at an inopportune moment.

Pricing Limits on Futures Contracts. Trading in futures positions may be restricted from time to time because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as “daily price fluctuation limits” or “daily limits.” Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in that contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. These limits could prevent a Fund from promptly liquidating unfavorable positions and subject a Fund to substantial losses.

Volatile Instruments. The prices of commodities contracts and all derivative instruments, including, without limitation, futures and options prices, can be highly volatile, which in turn can increase the volatility of an investment in a Fund. Price movements of forward, futures and other derivative contracts in which a

Fund's assets may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies, futures and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. A Fund also is subject to the risk of the failure of any of the exchanges on which its positions trade or of their clearinghouses.

Event-Linked Bonds or Other Insurance-Related Securities. The Funds invest in “event-linked bonds” or other insurance-related securities. Event-linked bonds, which are sometimes referred to as “catastrophe bonds,” are fixed income securities for which the return of principal and payment of interest is contingent on the non-occurrence of a specific “trigger” event, for example, a hurricane or earthquake. These securities may be issued by insurance companies, reinsurers, special purpose corporations, government agencies or other U.S. or non-U.S. entities. Other insurance-related investments may include, without limitation, equity in reinsurance companies, sidecars, quota share notes, retrocession notes, event-linked swaps or industry loss warranties. Insurance-related securities typically are below investment-grade or “high yield.” If a trigger event occurs in the geographic region and time period specified in an event-linked bond or other insurance-related security, a Fund may lose a portion or all of its principal invested in the bond. Event-linked bonds often provide for an extension of maturity that is mandatory or optional at the discretion of the issuer, in order to process and audit loss claims in those cases where a trigger event has, or possibly has, occurred. An extension of maturity may increase volatility. In addition to the specified trigger events, insurance-related securities also expose a Fund to certain unanticipated risks including, but not limited to, issuer (credit) default, adverse regulatory or jurisdictional interpretations, and adverse tax consequences. Since there is no way to predict with accuracy whether a triggering event will occur, insurance-related securities carry a high degree of risk.

Pharmaceutical Product-Related Investments. Investments in securities or other instruments linked to products produced by pharmaceutical companies, including investments that participate in royalty streams, are subject to many particular risks. For example, pharmaceutical products (“Royalty Products”) are subject to extensive regulation by U.S. local, state and federal regulatory authorities and by comparable foreign regulatory bodies. Regulatory clearance of a product is limited to those disease states and conditions for which the product is useful, as demonstrated through clinical studies and determined by the appropriate regulatory authorities, and a product in which substantial research and development has been invested may be unable to obtain the approval required by relevant regulatory bodies. Furthermore, clearance of a Royalty Product for marketing for a specific indication may entail ongoing requirements or post-marketing studies and clearance may be later withdrawn. In addition, Royalty Products are subject to competition from alternative products or procedures that are now available or may in the future be developed or become available, any of which may cause a Royalty Product to become more expensive than its competitors or obsolete, thereby decreasing the value of or rendering worthless the expected revenue stream on that Royalty Product. Sales of the Royalty Products and the ability of the licensees responsible for the development, production, marketing and sale of the Royalty Products (the “Licensees”) to maintain their competitive positions are partly dependent on the success of the Licensees’ respective marketing efforts. These efforts often rely, in part, on the strength and reputation of a Royalty Product’s brand name and underlying trademarks, trade names and related intellectual property. A Licensee’s activities both in marketing the Royalty Products and in protecting its intellectual property are outside the control of a Fund. In addition, although the Royalty Products are based upon patents and/or patent applications with exclusive rights, a regulatory authority may authorize marketing by a third party for a generic substitute for a Royalty Product, in which case the Royalty Product would become subject to competition from such generic substitute. Governmental and other pressures to reduce pharmaceutical costs could result in physicians or pharmacies increasingly using generic substitutes for the Royalty Products. The manufacturers, developers or marketers of the Royalty Products could also become subject to product liability claims. A successful product liability claim could adversely affect the amount of royalties payable to a Fund.

Investment in Legal Claims. The Funds directly or indirectly invest in legal claims, including, without limitation, claims subject to pending litigation and instruments representing judicial orders of payment. There may be substantial uncertainty regarding whether payments due under a legal claim will be made or whether payments will be made within the timeframe or in the amounts established or expected. If a judicial system becomes overburdened or more lenient to defendants, there may be delays in litigation proceedings, and the value of legal claims in that judicial system may be adversely affected. Payment of judgments depends on the ability and willingness of the adverse party to pay its debts.

The rights of a Fund as an assignee of a legal claim may be subject to challenge, including with respect to whether a legal claim is subject to any lien, encumbrance, priority right or any other contractual, legal, judicial or extrajudicial obligation. Title to the legal claims may not be recognized, or may not be enforceable, and, therefore, may not be collectable. In some jurisdictions, overdue taxes owed by the assignor of a legal claim to the same governmental entity obligated under that legal claim may be set off against that court's judgment against that governmental entity, even where the relevant legal claim has been assigned to a third party. If any applicable court does not accept the change of beneficiary with respect to a legal claim, the claim would be subject to further litigation, which may result in further expenses and a delay in the collection of payments.

Equity Securities, Including Investments in SPACs. The value of equity securities of public and private, listed and unlisted companies and equity derivatives generally varies with the performance of the issuer and movements in the equity markets. As a result, the Funds may suffer losses if they invest in equity instruments of issuers whose performance diverges from expectations or if equity markets generally experience a major correction or other unexpected change. The Funds also may be exposed to risks that issuers will not fulfill contractual obligations such as, in the case of convertible securities or private placements, delivering marketable common stock upon conversions of convertible securities and registering restricted securities for public resale. Investments in Special Purpose Acquisition Companies (SPACs or "blank check" companies) involve additional potential risks. SPACs are companies with no commercial operations that are formed to raise capital through an initial public offering (IPO) for the purpose of acquiring a target company that has not been selected or identified by the SPAC at the time of its IPO. The success of a SPAC will be highly dependent on whether its sponsor is able to identify an attractive target company and negotiate favorable terms on which to merge with or otherwise acquire the target company. Accordingly, it is very difficult to evaluate whether a SPAC will achieve its business objectives. Until such companies complete an initial business combination (if ever), a SPAC may incur significant acquisition costs while generating little or no revenues.

Cryptocurrency/Digital Asset Risk. The Funds may use arbitrage strategies involving "digital assets" (i.e., cryptographically derived digital assets, sometimes referred to as digital assets, blockchain tokens, virtual currencies, or digital currencies, as well as other assets available on public blockchains or public ledgers), derivatives relating to "digital assets" or companies that develop, operate or maintain infrastructures for digital assets networks or that operate in or around the digital assets networks or in investment vehicles that invest in such digital assets or companies ("Digital Asset-related Investments"). Digital Asset-related Investments generally represent a speculative investment and involve a high degree of risk, even if hedged. The price of Bitcoin and other digital assets has fluctuated widely over the past several years and may continue to experience significant fluctuations. Price volatility is influenced by many unpredictable factors, such as market perception, the development of competing digital assets, the lack of clear governance over digital asset networks, capacity constraints, changes in government regulation, the occurrence of an adverse incident relating to one or more digital assets (including digital assets not held by a Fund), inflation rates, interest rate movements, and general economic and political conditions. The SEC, CFTC, certain state regulators and other U.S. and non-U.S. government or quasi-governmental agencies have asserted authority over digital assets. Those entities and other U.S. and non-U.S. government or quasi-governmental agencies have recently, and may in the future, adopt laws, regulations, directives and other guidance that affect digital assets. The effect of any future U.S. federal or state or non-U.S. legal or regulatory changes is impossible to predict, but such change could be substantial and adverse to the value of a Fund's digital assets investments. Furthermore, the taxation of Digital Asset-related Investments is

uncertain in many jurisdictions and continuously evolving in others. Future guidance on the taxation of Digital Assets-related Investments could adversely affect the value of the Funds' digital assets investments.

Digital asset exchanges generally are relatively new and largely unregulated, and may therefore be more exposed to fraud, mismanagement and failure than established, regulated exchanges for other products. Over the past several years, a number of digital asset exchanges have been closed due to fraud, failure or security breaches. A lack of stability in digital asset exchanges, manipulation of digital asset markets by digital asset exchange customers and the closure or temporary shutdown of such exchanges due to fraud, business failure, hackers or malware, may result in greater volatility in the market price of digital assets.

One or more custodians may be used by the Funds for any investment in digital assets. There is a risk that digital assets held by a digital asset custodian could be lost, stolen, or destroyed, potentially by the loss or theft of the private keys associated with the public addresses that hold any digital assets. If digital assets are lost, stolen, or destroyed, the Funds may be limited in its ability to seek reimbursement for such loss from the applicable custodian. Digital assets held by custodians will also be subject to the risks generally applicable to investments held at custodians. See "Counterparty Risk" and "Prime Broker Risk."

The Funds invest in Bitcoin futures contracts and may invest in other digital asset futures. Digital asset futures may experience significant price volatility. For example, exchange-specified collateral for Bitcoin futures is substantially higher than for most other futures contracts, and collateral may be set as a percentage of the value of the contract, which means that collateral requirements for long positions can increase if the price of the contract rises. In addition, FCMs may require collateral beyond the exchange's minimum requirement and may also restrict trading activity in digital asset futures by imposing position limits, prohibiting selling short the futures or prohibiting trades where the executing broker places a trade on behalf of another broker (so-called "give-up transactions"). Specifically, Bitcoin futures are subject to daily limits that may impede a market participant's ability to exit a position during a period of high volatility.

Exchanges where digital assets are traded (which are the source of the price(s) used to determine the cash settlement amount for digital asset futures) have experienced technical and operational issues, making digital asset prices unavailable at times. If settlement prices for digital asset futures are unavailable (which may occur following a trading suspension imposed by the exchange due to large price movements or following a fork of the digital assets, or for other reasons), the fair value of the digital asset futures may be difficult to determine. These circumstances may be more likely to occur with respect to digital asset futures than with respect to futures on more traditional assets. It may be difficult for the Funds or a trading counterparty to determine the value of digital assets and in turn digital assets derivatives, which may have an adverse effect on these investments. See also "Risks of Derivatives."

Carbon Credit Risk. The Funds invest in carbon credits in the form of allowances and may in the future invest in the form of offsets. The Funds' carbon credit investments include, without limitation, direct investments in carbon allowances that are auctioned by the California Air Resources Board ("CARB") and the European Union Emissions Trading Scheme, and futures contracts based on such allowances, and may include, in the future, direct investments in and futures contracts based on carbon allowances that are auctioned by the United Kingdom Emissions Trading Scheme, the Washington Department of Ecology Compliance Instrument Tracking System Service or in other jurisdictions, as well as derivative instruments on any such carbon allowances. Price movements of carbon credits are influenced by, among other things, their current and perceived future market value, the price of natural gas and coal, weather patterns, efficiency measures undertaken by affected industries, possible new technology for curbing carbon emissions, and the level of world economic activity. In addition, international, national, state, and local regulation of the carbon credit market is still developing and may change in the future due to new legislation, treaties or other governmental regulation. Carbon markets are highly sensitive to regulatory developments and prices can vary widely based on governmental decisions, inaction or change in policies. It is impossible to predict the direction and extent of such regulation and this may have an adverse impact on a Fund. In particular, the actions of the California state legislature in amending or superseding the legislation that

authorizes the state's cap and trade program and other emissions programs may have significant positive or negative effects on the value of allowances. It is possible that environmental financial instruments related to the trading of carbon credits may be superseded at a later date by different or more sophisticated forms of instruments which may, as a result, lower the market value of a Fund's carbon related investments. Additionally, the Funds may be adversely affected by legal challenges with respect to the regulation of carbon credits. In addition, should the Funds invest in carbon offsets in the future, the trading markets for carbon offsets are still developing and therefore do not possess the attributes of a fully developed market. Therefore, there may be illiquidity, high price volatility and changes to the supply and demand for carbon offsets. The infrastructure in connection with the issuance and transfer of carbon offsets is still developing. Therefore, the timing and volume of delivery of such offsets can be uncertain and may be subject to transfer disruptions. A Fund's custodian will not hold documents related to the offsets; rather the record of offsets is maintained by a registrar or administrator appointed by the relevant regulatory authority. Accordingly, the Funds cannot provide any assurance that the offsets will not be subject to theft, fraud or a security breach.

New Types of Securities and Other Investments. The Funds may invest in new or relatively new types of financial instruments and other investments, which involve new asset classes, structures, documentation, forms of risk transfer, and markets or exchanges. As such, there is a limited significant trading history of these investments, and there can be no assurance that a liquid market in these instruments will develop. Lack of a liquid market may impose the risk of higher transaction costs and the possibility that a Fund may be forced to liquidate positions when it would not be advantageous to do so or not be able to liquidate such positions which could result in distribution of securities in kind to meet redemption requests. In addition, there are higher risks associated with new types of securities arising from potential regulatory, legal or tax developments or from lack of clarity or agreement as to the construction of written documentation, in each case, the determination of which may not yet be settled by courts or legal regulatory proceedings or processes and any such determination may be adverse. Such securities may be unrated or may have more volatile ratings than securities that have been in existence for longer periods.

Non-U.S. Investment Risk. The Funds invest in securities of non-U.S. issuers and in securities issued or guaranteed by non-U.S. governments or other agencies or instrumentalities. Investing in the securities and other financial instruments of issuers of countries other than the U.S. involves certain considerations not usually associated with investing in securities of U.S. issuers or the U.S. government, including, without limitation, political and economic considerations, such as greater risks of expropriation; general social, political and economic instability; fluctuations in the rate of exchange between currencies; and government policies that may restrict investment opportunities, transfers of investments or repatriation of cash. In addition, accounting and financial reporting standards that prevail in countries other than the U.S. generally are not equivalent to U.S. standards and, consequently, less information may be available to investors in issuers located in these countries than is available to investors in issuers located within the U.S. There is also less regulation, generally, of the securities markets outside the U.S. than there is in the U.S.

The risks described above are typically greater in less developed nations, sometimes referred to as "emerging markets." Economic, business, political, or social instability may affect emerging market securities differently, and often more severely, than developed market securities. For instance, political and economic structures in these countries may be more volatile. High rates of inflation or deflation may adversely affect the economies and securities markets of such countries. In addition, the small size, limited trading volume and relative inexperience of the securities markets in these countries may make investments in such countries less liquid and more volatile than investments in more developed countries. The systems and procedures for trading and settlement of securities in emerging markets are less developed and less transparent, and transactions may take longer to settle. Investments in emerging markets are regarded as highly speculative. Because of these and other factors, the values of these investments may become worthless.

Sovereign Debt. The Funds invest in securities issued or guaranteed by non-U.S. governments or their agencies or instrumentalities. A sovereign entity's failure to make timely payments on its debt can

result from many factors, including without limitation, insufficient foreign exchange reserves or an inability to sufficiently manage fluctuations in relative currency valuations, an inability or unwillingness to satisfy the demands of creditors and/or relevant supranational entities regarding debt service or economic reforms, the size of the debt burden relative to economic output and tax revenues, cash flow difficulties, and other political and social considerations. Different kinds of non-U.S. government securities have different kinds of government support. Some non-U.S. government securities are supported by the full faith and credit of a non-U.S. national government and some are not. Securities issued or guaranteed by certain non-U.S. countries may involve varying degrees of credit risk as a result of financial or political instability in such countries, including, without limitation, the possibility of defaults, and the possible inability of a Fund to enforce its rights against the non-U.S. government issuers. As with issuers of other fixed income securities, sovereign issuers may be unwilling or unable to make timely principal or interest payments. At certain times, certain countries (particularly emerging market countries) have declared moratoria on the payment of principal and interest on external debt. Governmental entities also may depend on anticipated government disbursements from non-U.S. governments, multilateral agencies and others to reduce principal and interest arrearages on their debt. The commitment on the part of these governments, agencies and others to make such disbursements may be conditioned on a governmental entity's implementation of economic reforms and/or economic conditions generally. Failure to implement such reforms, achieve such levels of economic performance or repay principal or interest when due may result in the cancellation of such third parties' commitments to lend funds to the governmental entity, which may further impair such debtor's ability or willingness to service its debts in a timely manner. Consequently, governmental entities may default on their sovereign debt. Holders of sovereign debt may be requested to participate in the rescheduling of such debt and to extend further loans to governmental entities. There may be no bankruptcy proceedings under which debt issued by non-U.S. governmental entities may be collected in whole or in part. Uncertainty over the ability or willingness of various sovereigns to service their debt obligations has caused and may continue to cause substantial disruptions to global equity and credit markets.

Municipal Debt. As with other fixed income securities, municipal bonds are subject to interest rate, credit and market risk. Investments in municipal bonds may be affected significantly by the economic, regulatory or political developments affecting the ability of municipal issuers to pay interest or repay principal. In addition, the ability of an issuer to make payments or repay interest may be affected by litigation or bankruptcy. In the event of bankruptcy of such an issuer, the Funds could experience delays in collecting principal and interest, and the Funds may not, in all circumstances, be able to collect all principal and interest to which they are entitled. Congress or state legislatures may seek to extend the time for payment of principal or interest, or both, or to impose other constraints upon enforcement of such obligations. There is also the possibility that as a result of litigation or other conditions, the power or ability of issuers to meet their obligations for the payment of interest and principal on their municipal bonds may be materially affected or their obligations may be found to be invalid or unenforceable. Such litigation or conditions may from time to time have the effect of introducing uncertainties in the market for municipal bonds or certain segments thereof, or of materially affecting the credit risk with respect to particular bonds. Adverse economic, business, legal or political developments might affect all or a substantial portion of a Fund's investments in municipal debt in the same manner. A Fund will be particularly subject to these risks to the extent that it focuses its municipal debt investments in a particular state or region.

Many municipal bonds are issued to finance similar projects (such as those relating to education, health care, housing, transportation, and utilities), and conditions in those sectors may affect the overall municipal securities market. Municipal bonds backed by current or anticipated revenues from a specific project or specific assets can be negatively affected by the discontinuance of the supporting taxation or the inability to collect revenues for the specific project or specific assets. Municipal bonds are subject to the risk that the IRS may determine that an issuer has not complied with applicable tax requirements and that interest from the municipal bond is taxable, which may result in a significant decline in the value of the security. Municipal bonds may be less liquid than taxable bonds and there may be less publicly available information on the financial condition of municipal bond issuers than for issuers of other securities. The secondary market for municipal bonds also tends to be less well-developed or liquid than many other

securities markets, a by-product of lower capital commitments to the asset class by the dealer community, which may adversely affect a Fund's ability to sell municipal bonds it holds at attractive prices.

Concentration of Investments. There are no external limits on the Investment Manager's investment discretion with respect to the diversification of the Funds. At any given time, it is therefore possible that a Fund may make investments that are concentrated in a particular type of security, industry, geographic location or market capitalization. This limited diversity could expose a Fund to significantly greater volatility than in a more diversified portfolio.

Distressed Assets. The Funds invest in distressed assets. Such securities are typically more volatile and less liquid than securities not experiencing such difficulties. Although Funds will invest in assets that in the view of the Investment Manager have the potential over the long term to produce a positive return on investment, there is a possibility that a Fund may incur substantial or total losses on its investments. In addition, it may be difficult to obtain quality information or documentation relating to distressed assets. The identification of attractive investment opportunities is difficult and involves a high degree of uncertainty.

The Funds invest in securities and obligations of, and other instruments relating to, issuers involved in bankruptcy proceedings, reorganizations and financial restructurings and is, on occasion, an active participant in these activities. This may subject a Fund to litigation risks or prevent a Fund from disposing of securities. In a bankruptcy or other proceeding, a Fund as a creditor may be unable to enforce its rights in any collateral or may have its security interest in any collateral challenged, disallowed or subordinated to the claims of other creditors. Accordingly, the possibility exists that the distressed securities purchased by a Fund may be subject to substantial changes in rights and covenants, often resulting in less protection for the Fund. Because (unlike the Funds) other investors may purchase the securities of these companies for the purpose of exercising control or management, a Fund may be at a disadvantage to the extent that the Fund's interests differ from the interests of these other investors.

Trading in distressed securities may often be effected in over-the-counter markets. These markets are not regulated by any exchange, and accordingly do not have any established market-making, margin or other requirements that generally help insure a viable trading market exists for a particular security. The bid-offer spreads in OTC markets are established by dealers, thus spreads in the same security may vary from dealer to dealer.

Legal and Regulatory Risks. Legal, tax and regulatory changes (both within and outside the United States) could occur during the term of a Fund that may adversely affect the Fund or the Fund's investments. New or revised laws or regulations may be imposed by the SEC, the CFTC, the IRS, the Treasury Department, the U.S. Federal Reserve or other banking regulators, or other U.S. or non-U.S. governmental regulatory authorities or self-regulatory organizations that supervise the financial markets that could adversely affect the Fund. In particular, these agencies are empowered to promulgate a variety of rules pursuant to financial reform legislation in the U.S. and outside the U.S. A Fund also may be adversely affected by changes in the enforcement or interpretation of existing statutes and rules by these governmental regulatory authorities or self-regulatory organizations. The regulatory environment for hedge funds and investment advisers is evolving, and changes in the regulation of hedge funds may adversely affect the value of investments held by the Funds and/or the ability of the Funds to execute their investment strategies. In addition, the securities and futures markets are subject to comprehensive statutes, regulations and margin requirements. Regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. The effect of future regulatory change, if any, on the Funds could be substantial and adverse.

The U.S. government has enacted legislation which includes, without limitation, provisions for regulation of the derivatives market, including, without limitation, clearing, margin, reporting and registration requirements. Similar requirements have been adopted in the EU, the UK and various other jurisdictions and will impact a Fund when it enters into derivatives contracts with counterparties in those countries. While the majority of the rules are effective, other rules are not yet final and/or effective or are

subject to change, so the ultimate impact of such rules remains unclear. The regulatory regime could, among other things, restrict a Fund's ability to engage in derivatives transactions (including, without limitation, because certain types of derivatives transactions may no longer be available to a Fund, or because of difficulties with trading derivatives with counterparties in other countries due to inconsistencies between regulations in the U.S. and other jurisdictions) and/or increase in the costs of such derivatives transactions (including, without limitation, through increased margin requirements or, indirectly, through additional regulatory capital requirements with which a Fund's derivatives counterparties must comply), and a Fund may be unable to execute its investment strategy as a result. Additionally, the new requirements may result in increased uncertainty about counterparty credit risk (see "Counterparty Risk" above).

The CFTC, the EU, the UK and certain futures exchanges have established (and continue to evaluate and revise) limits, referred to as "position limits," on the maximum net long or net short positions which any person, or group of persons acting in concert, may hold or control in particular options, futures contracts and swaps. All positions owned or controlled by the same person or entity, even if in different accounts, must be aggregated for purposes of determining whether the applicable position limits have been exceeded. Thus, even if a Fund does not intend to exceed applicable position limits, it is possible that the Fund and other Funds managed by the Investment Manager and its affiliates may be aggregated for this purpose. Therefore, the trading decisions of the Investment Manager may have to be modified and positions held by a Fund may have to be liquidated in order to avoid exceeding such limits. The modification of investment decisions or the elimination of open positions, if it occurs, may adversely affect the profitability of a Fund. A violation of position limits could also lead to regulatory action materially adverse to the Funds' investment strategy. In addition, as of January 1, 2023, federal position limits apply to swaps that are economically equivalent to futures contracts subject to CFTC speculative limits. The impact of the CFTC's swaps position limits on the market for the applicable contracts is uncertain.

Since 2021, the SEC has proposed and, in some cases, finalized new rules regarding a wide range of topics related to the Funds. For example, the SEC has proposed new rules requiring the reporting and public disclosure of a manager's positions in security-based swaps, including CDS, equity total return swaps and related positions, and a new regulatory framework governing the safeguarding of registered investment advisers' client assets that, if adopted as proposed, could fundamentally change current structures for brokerage accounts and derivatives margin, among other things. The SEC has also finalized new rules restricting activities that could be considered to be manipulative in connection with security-based swaps, new rules regarding beneficial ownership and public reporting by managers under Section 13 of the Exchange Act, and new rules requiring the central clearing of certain cash and repurchase transactions involving U.S. Treasuries. These and other proposed new rules, whether assessed on an individual or collective basis, could substantially change the current regulatory framework for relevant markets and market participants, including having a material impact on activities of private fund advisers and their funds. While it is currently difficult to predict the full impact of these new rules, these rules could make it more difficult for the Funds to execute certain investment strategies and may have a material adverse effect on the Funds' ability to generate returns.

On August 23, 2023, the SEC adopted previously proposed new rules and amendments to existing rules (collectively, the "Private Funds Rules") under the Advisers Act specifically related to advisers of private funds. The Private Funds Rules will impose new and substantial requirements on advisers and the funds they advise, including with respect to quarterly reporting, restricted activities, preferential treatment of investors, audit requirements, adviser-led secondaries and annual compliance reviews. The Private Funds Rules, in addition to any other new rules adopted by the SEC, are expected to significantly impact the business of the Investment Manager and its affiliates, the Fund and/or its investments. Under certain circumstances, the Investment Manager may be restricted or refrain from providing information regarding the Fund in response to investor requests. The Investment Manager will be required to circulate to all investors the material terms of any preferential treatment agreed in connection with investments in the Fund (i.e., all side letter terms), without regard to any most favored nation provision. This may ultimately impact the Investment Manager's decisions with respect to agreeing to certain preferential rights. Further, many provisions of the Private Funds Rules require the Investment Manager to make a variety of subjective

determinations as to whether and how such rules apply to the Fund and the Investment Manager's related obligations. The Investment Manager will face conflicts of interest in making such determinations, including for example with respect to whether certain fees and expenses may be charged to a fund, whether certain provisions may have a material negative impact on certain investors and whether certain allocations are fair and equitable. The Investment Manager's and the Fund's compliance burdens and associated costs including, without limitation, insurance expenses, are also expected to increase. Several trade groups representing private fund managers have filed a legal challenge to the Private Fund Rules. Regardless of the outcome of the lawsuit, the implementation of these new rules is expected to create additional burdens for advisers to private funds.

In October 2023, the SEC adopted new rules that will require managers to file monthly confidential reports with the SEC regarding equity short sales and related activity. Under the new rules, the SEC will publicly disclose aggregated short position information on a monthly basis. The SEC also adopted a rule that will require reporting and public disclosure of securities loan transaction information (not including party names); this may include, but is not limited to, information about securities loans entered into in connection with short sales. In addition, other non-U.S. jurisdictions (such as the EU and the UK) where the Funds may trade have reporting requirements. If a Funds' short positions or its strategy become generally known, it could have a significant effect on the Investment Manager's ability to implement its investment strategy. In particular, it would make it more likely that other investors could cause a "short squeeze" in the securities held short by a Fund forcing a Fund to cover its positions at a loss. Such reporting requirements also may limit the Investment Manager's ability to access management and other personnel at certain companies where the Investment Manager seeks to take a short position. In addition, if other investors engage in copycat behavior by taking positions in the same issuers as a Fund, the cost of borrowing securities to sell short could increase drastically and the availability of such securities to a Fund could decrease drastically. Such events could make the Funds unable to execute their investment strategy. Short sales are also subject to certain SEC regulations and certain EU and UK regulations (under which there are restrictions on net short sales in certain securities). If the SEC or regulatory authorities in other jurisdictions were to adopt additional restrictions regarding short sales, they could restrict the Funds' ability to engage in short sales in certain circumstances, and the Funds may be unable to execute their investment strategy as a result. In response to market events, the SEC and regulatory authorities in other jurisdictions may adopt (and in certain cases, have adopted) bans or other restrictions on short sales of certain securities or on derivatives and other hedging instruments used to achieve a similar economic effect. Such bans or other restrictions may make it impossible for the Funds to execute certain investment strategies and may have a material adverse effect on the Funds' ability to generate returns.

Potential Regulatory Changes to CFTC Rule 4.7 Exemption. CFTC Rule 4.7 ("Rule 4.7") creates an exemption from certain compliance requirements under Part 4 of the CFTC's regulations for pools where participation is restricted to sophisticated investors who qualify as Qualified Eligible Persons. The Investment Manager currently relies on the Rule 4.7 exemption with respect to the Funds. On October 2, 2023, the CFTC proposed amendments to Rule 4.7 (the "Proposal") to, among other things, (i) update the "Qualified Eligible Person" definition, and (ii) add minimum disclosure requirements for pools and trading programs. The Proposal, if adopted, may materially impact the Funds and/or their investments, as well as increase the Funds' expenses. Significant time and resources of the Investment Manager and its personnel may be required to comply with such new regulations, if adopted, particularly with respect to the proposed minimum disclosure requirements. The Investment Manager's and the Funds' compliance burdens and associated costs may increase as a result. The Investment Manager would also be subject to increased risk of exposure to additional regulatory scrutiny as a result of the Proposal (if adopted), and any noncompliance or perceived noncompliance with such rules may negatively impact the Funds' reputation as well as its investment activities, thereby materially reducing returns to investors.

Risk that Issuers Are Engaged in Fraud. The Investment Manager performs due diligence on the management of issuers whose securities the Funds' assets are invested in as it deems necessary in its sole discretion; however, notwithstanding such diligence, the Investment Manager may fail to detect fraudulent conduct on the part of such management prior to making an investment. In the event that an issuer of

securities that the Funds' assets are invested in is charged with or determined by a court or regulatory authority to have engaged in fraud or unethical behavior, the value of such securities could decline precipitously or the relative value of securities may be affected in an unanticipated manner and may adversely affect the value of a Fund.

Litigation. A Fund's assets may be invested in securities the issuers of which become subject to litigation with third parties or a governmental authority, and the Funds are from time to time involved directly in litigation or other proceedings with the issuers of securities. Under such circumstances, even when the parties settle, or depending on whether the applicable court or agency may find in favor of the issuer on all or most of the claims, the issuer's securities can suffer a significant decline in value, resulting in a loss to a Fund.

Participation on Creditors' Committees. The Funds directly or indirectly participate on committees formed by creditors to negotiate with the management of financially troubled companies that may or may not be in bankruptcy or the Funds and their representatives may seek to negotiate directly with the debtors with respect to restructuring issues. Furthermore, if the Funds or their representatives do join a creditors' committee (official or ad-hoc), the participants of the committee would be interested in obtaining an outcome that is in their respective individual best interests and there can be no assurance of obtaining results most favorable to the Funds in such proceedings. By participating on such committees, the Funds may be deemed to have duties to other creditors represented by the committees, which might thereby expose the Funds or their affiliates to liability to such other creditors who disagree with the Funds' actions.

Electronic Confirmation and Matching of Certain Trades. The Investment Manager uses certain automated confirmation and matching service platforms to electronically match certain trades in securities and derivatives that were historically confirmed via paper confirmations. The operating procedures for these services are promulgated by the service providers that establish such automated confirmation and matching service platforms and govern any trades confirmed by the Investment Manager on the platforms. Inasmuch as such operating procedures are issued unilaterally by the service providers, they may contain provisions which are unfavorable to the Funds and subject the Funds to documentation risk and changes in terms from time to time (see "Documentation Risk" above).

Market Disruption and Geopolitical Risk. The Funds are subject to the risk that natural disasters and geopolitical and other events (e.g., wars and terrorism) will disrupt securities markets and adversely affect global economies and markets, thereby decreasing the value of the Funds' investments. Recent examples include the global outbreak of COVID-19 in 2019, the Russian invasion of Ukraine in 2022 and the Hamas terrorist attack which led to the Israel-Hamas war in 2023. There is no guarantee that ordinary and prudent precautions for such events will provide effective and continuous access between the Investment Manager and markets in the event of large-scale disruptions in the U.S. or in the countries where the Investment Manager executes trades. In addition, instability and general fluctuations in the financial markets may affect the value of the investments held by the Funds. For example, sudden or significant changes in the supply or prices of commodities or other economic inputs may have material and unexpected effects on global securities markets and individual countries, regions, sectors, companies, or industries, which could significantly reduce the value of the Funds' investments. The imposition of controls by governmental authorities might also limit trading in certain markets to less than that which the Investment Manager would otherwise recommend, to the possible detriment of the Funds. Market illiquidity or disruption could result in major losses to the Funds. Global and regional conflicts may have a substantial impact on the U.S. and world economies and securities markets. Global and regional conflicts, terrorism and related geopolitical risks have led, and may in the future lead to, significant market disruption and increased short-term market volatility and may have adverse long-term effects on U.S. and world economies and markets generally. These risks could also adversely affect individual issuers and securities markets, interest rates and other factors relating to the value of the Funds' investments. In addition to the effect that such disruptions may have on the securities markets, such future events could have a direct impact on the Investment Manager and could prevent the Investment Manager from tracking and/or accessing information or technology material to the investment process or from performing other material duties and

responsibilities related to trading, analysis or reporting to investors.

Cybersecurity Risk. As the use of technology, such as the internet, has become more prevalent in the course of business, Bracebridge, the Funds and their service providers are susceptible to operational and information security risks resulting from cyber incidents. Cyber incidents refer to both intentional attacks and unintentional events including: processing errors, human errors, technical errors including computer glitches and system malfunctions, inadequate or failed internal or external processes, market-wide technical-related disruptions, unauthorized access to digital systems (through “hacking” or malicious software coding), computer viruses, the intentional disruption of information, telecommunications, and other critical infrastructure by private or governmental actors in connection with geopolitical actions, and cyberattacks which shut down, disable, slow or otherwise disrupt operations, business processes or website access or functionality (including denial of service attacks). Cyber incidents could adversely impact Bracebridge and/or the Funds and cause Bracebridge and/or the Funds to incur financial loss and expenses, as well as face exposure to regulatory penalties, reputational damage, and additional compliance costs associated with corrective measures. Cyber incidents may cause Bracebridge and/or the Funds and/or their service providers to lose proprietary information, suffer data corruption, lose operational capacity, or fail to comply with applicable privacy and other laws. Among other potentially harmful effects, cyber incidents also may result in theft, unauthorized monitoring and failures in the physical infrastructure or operating systems that support Bracebridge and/or the Funds and their service providers. In addition, substantial costs may be incurred to prevent any cyber incidents in the future. While Bracebridge’s and the Funds’ service providers have established business continuity plans in the event of, and risk management systems to prevent, such cyber incidents, there are inherent limitations in such plans and systems including the possibility that certain risks have not been identified. Furthermore, while Bracebridge takes reasonable measures to review the cybersecurity programs of its and the Funds’ service providers, it cannot control the programs and systems put in place by such service providers or any other third parties whose operations may affect Bracebridge and/or the Funds.

Other Possible Risks. There is no assurance that the above list is complete or that there are no other risks that may exist now or may arise in the future.

ITEM 9. DISCIPLINARY INFORMATION

Item 9 is not applicable to Bracebridge, as Bracebridge does not have any reportable material legal or disciplinary events.

ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Related Futures Commission Merchant/Commodity Pool Operator/Commodity Trading Advisor

Bracebridge is a commodity pool operator and a commodity trading adviser registered with the Commodities Futures Trading Commission. The following management persons are associated persons of Bracebridge: Nancy Zimmerman, Gabriel Sunshine, John Spinney and Valerie Friedman.

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

Code of Ethics

Bracebridge has adopted a Code of Ethics (the “Code”) that states that employees and certain other persons covered by the Code (as used in this Item 11, “employees”) may not engage in any investment transaction under circumstances in which the employee benefits from or interferes with or otherwise disadvantages the purchase or sale of investments on behalf of a Fund. The policies and procedures set forth in the Code recognize that as an investment adviser, Bracebridge is a fiduciary to the Funds and has a duty to place the

interests of the Funds before the interests of Bracebridge and its employees unless otherwise disclosed. This duty generally includes an obligation to address and mitigate conflicts of interest. The Code requires all employees to comply with applicable U.S. federal securities laws at all times.

The Code outlines written policies regarding personal trading in brokerage or securities accounts in which an employee, or certain members of such employee's immediate family, has any direct or indirect beneficial ownership. Generally, employees are required to seek advance clearance of any proposed purchase or sale of a security, with the exception of certain securities or security types such as municipal securities, mutual funds and exchange-traded funds. All personal trade requests are reviewed for potential conflicts. While employees may hold investments that are the same as, or in a different class or type than investments held by a Fund, employees may not use information concerning the investments or investment intentions of Bracebridge on behalf of a Fund, or their ability to influence such investment intentions, in a manner detrimental to the interests of any Fund. The Code prohibits employees from engaging in certain short-term trading and purchases of securities in underwritten public offerings. In addition, the Code requires employees to disclose applicable personal securities holdings upon employment and annually thereafter, and report personal securities transactions at least quarterly.

Bracebridge, its affiliates and their respective members, partners, officers, employees or related persons (and any such person's investment vehicles, estate planning vehicles, donor advised funds and charitable foundations) (collectively, "Manager Related Persons") have significant capital invested in the Funds. This provides alignment of financial interests with the interests of Fund investors, but may present conflicts of interest in that Manager Related Persons have a larger interest in certain Funds than others. In addition, investments in the Funds by such persons may also present conflicts of interest since such persons are generally permitted to make redemptions without being subject to any minimum lock-up period, anniversary redemption dates, notice periods or other restrictions on redemptions.

Bracebridge's compliance department has responsibility for the day-to-day administration of the Code. Employees are required to immediately report any violation of the Code to the Chief Compliance Officer (the "CCO") or another member of the compliance department.

This summary is qualified in its entirety by the Code, which is available to any investor or potential investor upon request.

Conflicts of Interest

The material reportable conflicts of interest encountered by a Fund include those discussed below, although the discussion below does not necessarily describe all of the conflicts that may be faced by a Fund. Other conflicts may be disclosed throughout this brochure and in the offering documents of each Fund and these materials should be read in their entirety. Bracebridge has adopted policies and procedures to address and mitigate conflicts of interest, including those described below.

Bracebridge may give advice and recommend securities to, or buy securities for a Fund, which advice or securities may differ from advice given to, or securities recommended or bought for another Fund, whether their investment objectives are substantially the same or different. In addition, Bracebridge and/or its Manager Related Persons may engage in transactions or make investments for their own accounts which differ from or are identical to the transactions engaged in or investments made by Bracebridge for a Fund (and such transactions or investments may be made through one or more pooled vehicles, including, without limitation, those established for the benefit of Manager Related Persons). There may also be circumstances in which a Fund makes investments that may be potentially suitable for one or more other Funds but in which the other Funds for any number of reasons does not invest. Investments by Manager Related Persons in Funds or pooled vehicles that pursue similar or different investment strategies from a particular Fund may also present conflicts of interest, including with respect to allocating management time or other functions relating to such Fund and other Funds or investment activities.

Other conflicts may arise, for example, when one or more of the Funds, (i) invest in different parts of the same issuer's capital structure, whereby one or more Bracebridge Funds own senior debt obligations of such issuer and other such Funds own junior debt or equity of the same issuer, (ii) own public securities and other Funds own private securities of the same issuer, or (iii) invest in different tranches of the same structured investment. In such cases, Bracebridge will carefully consider and resolve any conflicts of interest consistent with its fiduciary duties in its best judgment but in its sole discretion.

Bracebridge strives to allocate investment opportunities among Funds in a fair and equitable manner over time and consistent with Bracebridge's trade allocation procedures. When Bracebridge determines that the same investment opportunity may be appropriate for multiple Funds, Bracebridge will allocate such opportunity among such Funds in its sole discretion, taking into account various factors, including, but not limited to, the relative amounts of capital available to each such Fund (considering both cash and available borrowings) for new investments, the relative net asset values of each such Fund, the existing kinds and levels of investments of such Fund in light of such Fund's investment strategy, such Fund's limitations on participation in special situation investments or any other side pocket mechanisms, if any, such Fund's leverage and risk appetite, the investment programs and portfolio positions of each such Fund (including, without limitation, whether or not such opportunity is intended as a hedge of positions held in such Fund's accounts, whether or not such opportunity is part of a spread trade or other multi-legged trading strategy particular to such Fund, and whether or not such opportunity relates to the readjustment of a historical trade), whether or not an allocation of such opportunity will result in such Fund holding odd lots or a *de minimis* amount, and applicable tax and regulatory considerations.

It is expected that multiple Bracebridge-managed Funds, including a Master Fund, will invest in many of the same assets. When the purchase and sale of securities is considered to be in the best interests of multiple Funds, the securities to be purchased or sold may be aggregated in order to obtain superior execution and/or lower brokerage expenses. Where an aggregated order is executed at more than one price over the course of a day, the executed transactions will generally be allocated so that each Fund receives the average unit price over the course of the day and bears its pro rata share of the aggregated transaction costs, to the extent reasonably practicable. In such events, allocation of prices, as well as expenses incurred in the transaction, shall be made in a manner Bracebridge considers to be equally as favorable to a Fund as to any other Fund. Despite similar investment strategies among certain Funds, the Funds might have different performance results as a result of the manner in which investments are allocated. See Item 12 "Aggregation of Orders" below for more information regarding Bracebridge's policy on aggregating orders.

Bracebridge may engage in cross trades with respect to the Funds to the extent permitted in the Funds' organizational documents.

Certain of the Funds are part of a master-feeder structure and, accordingly, Bracebridge advises certain feeder funds to invest in certain Master Funds routinely. The use of a master-feeder structure may create a conflict of interest in that different tax considerations for different Funds within a single master-feeder structure may cause a Master Fund to structure or dispose of an investment in a manner that may have disparate tax effects across the feeder funds within such structure, which may be more advantageous to one or more, but not all, such feeder funds.

Bracebridge has certain responsibilities in connection with valuation of securities. A conflict may arise with respect to valuing certain securities given that the Management Fee and Incentive Fee earned by Bracebridge are determined based on the value of such securities.

The Funds' organizational documents do not prohibit Bracebridge or its employees, members and/or principals from buying or selling securities or commodity interests for their own account. The records of any such trades by Bracebridge, its employees, members and/or principals will not be open to inspection by the Funds' investors. Bracebridge maintains compliance policies and procedures, including personal

trading policies, which are designed to reduce potential conflicts of interest (see “Code of Ethics” above).

ITEM 12. BROKERAGE PRACTICES

Broker/Dealer Selection Process

Bracebridge’s objective is to act in the best interests of the Funds in its selection of brokers/dealers to effect transactions for the Funds. In making such selections, Bracebridge seeks to obtain the best execution for each such transaction. In any specific transaction, Bracebridge assesses best overall execution for the Funds in light of all relevant prevailing circumstances. Bracebridge considers the following factors (to which, in any given transaction, more or less weight may be given) in selecting brokers/dealers: the creditworthiness and financial stability of the particular broker/dealer, the expertise, skills and trade ideas with respect to the specific securities traded for the relevant Fund, the ability to execute and clear trades in an orderly and satisfactory manner, the adequacy of trading infrastructure, technology and capital, and the trading terms, among other factors. Best price (including commissions), or lowest possible transaction cost, is a significant consideration, however, “best execution” does not require Bracebridge to obtain the lowest possible price for any particular transaction, for any group of transactions, for any particular Fund or all Funds in the aggregate.

Bracebridge’s Business Risk Committee reviews the quality and cost of execution being provided by Bracebridge’s broker/dealers.

Research and Other Soft Dollar Benefits

Section 28(e) of the Exchange Act is a “safe harbor” that permits an investment adviser to use commissions or “soft dollars” to obtain certain research and brokerage services in connection with the investment decision-making process. Bracebridge does not have any soft dollar arrangements.

Bracebridge from time to time participates in certain “capital introduction” programs organized or sponsored by certain prime brokers or counterparties to the Funds or affiliates of such prime brokers or counterparties, which programs may include prime brokers, counterparties or their affiliates introducing Bracebridge to potential investors with which the prime brokers, counterparties or their affiliates have a pre-existing relationship. Neither Bracebridge nor the Funds compensate prime brokers, counterparties or their affiliates for organizing such programs or making such introductions or for any investments made by such prospective investors. Such programs and introductions could be construed as an influence on Bracebridge’s broker/dealer selection in connection with brokerage financing and other activities of the Funds.

Directed Brokerage

Bracebridge does not have client directed brokerage arrangements.

Aggregation of Orders

Where an investment is appropriate for multiple Funds, Bracebridge may group all such Funds together and submit one aggregated order for the participating Funds. Bracebridge will generally be required to designate the amount of investments to be purchased or sold for each Fund participating in any aggregated order either prior to the execution of the order or promptly thereafter. Such allocation will be based upon the parameters described in Item 11 (“Conflicts of Interest”) above and upon factors that include, without limitation, the available capital of each Fund and whether allocation to a Fund will result in the Fund holding odd lots or a *de minimus* amount of an investment. If an aggregated order is not completely filled, it will typically be allocated *pro rata* to all Funds participating in the order promptly following execution subject to the parameters described in Item 11 (“Conflicts of Interest”) above.

Where an aggregated order is executed at more than one price over the course of a day, the executed transactions will be allocated so that each Fund receives the average unit price over the course of the day and bears its *pro rata* share of the aggregate transaction costs, to the extent reasonably practicable and subject to the parameters described in Item 11 (“Conflicts of Interest”) above. Where it is not practicable, Bracebridge endeavors to ensure the Funds are treated in a fair and equitable manner. To the extent any orders remain unfilled following such allocation, the unfilled amount will be combined with subsequent orders in that investment, if any, for allocation of subsequent transactions.

To the extent that a trade allocation is not made pre-trade, Bracebridge’s policy is that such allocation must be made promptly after trade execution and in all cases by the end of the trading day. If circumstances exist that make it impossible or impractical to allocate a trade before the end of the relevant trading day, the relevant trader should so inform the compliance department. See Item 11 (“Conflicts of Interest”) above for more information regarding conflicts of interest related to aggregating orders.

ITEM 13. REVIEW OF ACCOUNTS

Oversight and Monitoring

Bracebridge provides continuous advisory services for the Funds. The investments in each Fund are routinely reviewed by a team of investment professionals, including Bracebridge principals. The Business Risk Committee (i) oversees the risk management framework for the Firm’s investment management activities and monitors those risks (including, without limitation, market, liquidity, leverage, counterparty credit, trading, operational and legal/compliance) that may impact Bracebridge-managed funds and (ii) oversees the Firm’s trading-related policies and procedures (including, without limitation, best execution, trade allocation and aggregation, and trading errors).

Reporting

Bracebridge provides written reports to Fund investors in accordance with the applicable Fund’s organizational and offering documents and as may be agreed with particular investors. Bracebridge has engaged an independent public accounting firm to audit the Funds’ financial statements within 120 days of the end of each fiscal year (or such shorter period as may be set forth in a Fund’s governing documents) or as soon as reasonably practicable thereafter.

ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION

Bracebridge does not compensate any person for Fund investor referrals.

ITEM 15. CUSTODY

Item 15 is not applicable to Bracebridge, as the Funds’ “qualified custodian” is not required to send account statements directly to Bracebridge’s clients under the custody rule.

ITEM 16. INVESTMENT DISCRETION

Bracebridge provides investment advice directly to the Funds pursuant to a written investment management agreement with each Fund and not directly to the investors in the Funds. Investors generally may not impose restrictions on a Fund investing in certain securities or types of securities.

ITEM 17. VOTING CLIENT SECURITIES

Bracebridge makes all decisions relating to the voting of proxies and exercise of consent rights (collectively,

“Votes” or similar construction, as appropriate) on behalf of the Funds. Bracebridge will vote in accordance with Bracebridge’s Proxy Policy.

Bracebridge will endeavor to identify and resolve any conflicts between its own interest or the interest of its employees, on the one hand, and the interests of the Funds for which Bracebridge exercises voting discretion, on the other hand. Bracebridge will also endeavor to identify and resolve any conflicts of interest between different Funds for which Bracebridge exercises voting discretion. Where actual, potential or apparent conflicts are identified regarding any material individual voting matter, Bracebridge may, at the option of the CCO, submit the matter to an independent third party for resolution.

This summary of Bracebridge’s voting policies and procedures is qualified in its entirety by Bracebridge’s Proxy Policy that is available to investors upon request. Any requests for information about how Bracebridge has voted with respect to securities held by the respective Fund should be directed to the CCO or another member of the compliance department.

ITEM 18. FINANCIAL INFORMATION

Item 18.A is not applicable to Bracebridge, as it does not require or solicit prepayment of fees six months or more in advance.

In response to Item 18.B, there is no financial condition that Bracebridge believes is reasonably likely to impair its ability to meet its contractual commitments to the Funds.

Item 18.C is not applicable to Bracebridge, as it has not been subject to a bankruptcy petition during the past ten years.

ITEM 19. REQUIREMENTS FOR STATE-REGISTERED ADVISERS

Item 19 is not applicable to Bracebridge as it is not registered with any state securities authority.