



ALCENTRA LIMITED

78 Cannon Street, London, EC4N 6HL

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

This Brochure (“Brochure”) provides information about the qualifications and business practices of Alcentra Limited (“Alcentra”, “Adviser”, “Firm”, “we”, or “us”) a registered investment adviser. Registration does not imply a certain level of skill or training. If you have any questions about the contents of this Brochure, please contact us at +44 203 398 3200 or visit us at www.alcentra.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

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

Item 2. Summary of Material Changes

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

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Item 4. Advisory Business

Alcentra Limited is a private company limited by shares and incorporated in England and Wales. We are a subsidiary of Alcentra Asset Management Limited which, in turn, is an indirect, wholly owned subsidiary of Franklin Resources Inc.

The Firm has been providing investment advisory services since July 2002.

On November 1, 2022, Franklin Resources Inc. acquired Alcentra and became the sole owner of the Adviser. The acquisition has resulted in certain organizational and operational changes impacting the Adviser. The acquisition raises certain conflicts of interest between the Adviser and certain other advisory affiliates. *Please see Item 11 and Item 12 below for information regarding how such conflicts of interest are generally addressed by the Adviser through implementation of related policies and procedures.*

We provide discretionary and non-discretionary investment advisory services to institutional clients in the form of separate accounts, pooled investment vehicles (private funds) that are exempt from registration in the United States, and to other investment advisers through sub-advisory agreements. Our US clients are subject to Securities and Exchange Commission (“SEC”) regulation. Our business is not limited to US clients and US operations but is also subject to foreign registration and regulation by the United Kingdom Financial Conduct Authority (“FCA”).

- We focus on the sub-investment grade debt capital markets. Our employees are primarily organized in the following teams: Credit Analysts, Finance, Risk and Compliance, Global Operations and Business Development. These teams support the European Liquid Loan, , Private Credit, Special Situations, Structured Credit and Multi Strategies of the Firm. *See Item 8 below.*
- Our clients are typically private funds but also include some separately managed accounts, whose investors include a variety of institutions (“Professional Clients”). These funds include collateralized loan obligations (“CLOs”), private loan funds, and private credit. Alcentra also provides discretionary investment services to private funds with multi-credit strategies. These private funds will generally be divided into sleeves for each of the underlying strategies. Portfolio management for specific sleeves may be delegated from our affiliate, Alcentra NY, under a sub-advisory agreement. *See Item 7 below.*
- For our separately managed accounts, we offer investment advisory services tailored to meet clients’ individual investment goals. We work with clients to create investment guidelines mutually acceptable to the client and the Firm. When creating investment guidelines, clients may impose investment restrictions in certain individual securities or types of securities. Clients who impose investment restrictions might limit our ability to employ the strategy resulting in investment performance that differs from that of other client accounts.

- We also offer investment advisory services to private funds. Each private fund has an investment objective and a set of investment policies and/or guidelines that we must follow. For this reason, we cannot tailor the investment advisory services we provide to pooled investment vehicles to meet individual investor needs. In addition, we cannot impose individual investment restrictions on our investment strategies for underlying investors in the private funds.
- The Firm also shares internal research and other services with our affiliate Alcentra NY (“Alcentra NY”) through a service agreement. In addition, we serve as sub-adviser to several private funds which are advised by Alcentra NY through a separate sub-advisory agreement. *See Item 10 below.*

Assets Under Management

As of December 31, 2023, we manage approximately \$20.4 billion on a discretionary basis and \$206 million on a non-discretionary basis.

Item 5. Fees and Compensation

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

We provide investment advisory separate account services for a fee. This fee is typically charged as a percentage of an account's assets under our management. While this fee is typically expressed as an annual percentage, it is calculated based on average daily, month end, or quarter end net assets, typically includes accrued income and typically charged to your account on a monthly or quarterly basis, in arrears.

Generally, our fees are dependent on the strategy that the account follows. *Please see Item 6. Performance-Based Fees and Side-by Side Management for a more detailed description of conflicts of interest related to our different strategies.*

A majority of our fees are based on the valuations provided by clients' custodians or pooled investment vehicles' administrators. Generally, we do not price securities or other assets for purposes of determining fees. For EU funds or funds that are sold into the EU and where the Firm is appointed as the Investment Manager, the appointed Alternative Investment Manager ("AIFM") or administrators are responsible for the valuation of the funds' assets but may require in the case of illiquid and/or hard to price instruments input from the advisor to determine the final price of such assets.

If vendor pricing is unavailable or we believe that the market price is unreliable, we then look to other observable inputs for the valuations including broker-dealers, index providers, and, if applicable and in the event that a vendor price or other observable inputs are unavailable or deemed unreliable, we have established a committee comprised of members independent of those managing client funds to make a reasonable determination of a security's fair value. When pricing an instrument, we attempt, in good faith and in accordance with applicable laws, to determine the fair value of the security or other assets in question based upon all available factors that we deem relevant at the time of determination. In determining the fair value of an instrument, we seek to determine the price a client might reasonably expect to receive upon the current sale of an instrument. The price will not be determined based upon what a client might reasonably expect to receive for selling such security or asset at a later time or if it holds the security to maturity. We will provide our pricing information or determinations to a client's custodian, pricing vendors and/or fund accountants upon reasonable request.

Valuations

A conflict of interest may arise in a firm overseeing the valuation of its investments if the firm charges fees based upon its valuations. The Advisors controls regarding the valuation of instruments are detailed in the above section (*Item 5. Fees and Compensation*).

Private Fund FeesPrivate Fund Fees - European Liquid Loan Strategy

We serve as collateral manager for certain cash flow CLOs and earn management fees which are determined mainly by the assets under management of each CLO and are based on the current outstanding aggregate collateral balance (being the nominal face amount of the assets and cash) of the CLOs. The management fees consist of senior management fees and subordinated management fees. The senior management fee has a higher priority in a CLO payment waterfall whereas the subordinated management fee generally ranks below principal and interest payments to senior note holders in the payment waterfall. Also, to earn the subordinated management fee, over-collateralization and interest coverage tests must be passed on the relevant determination date for all senior CLO note holders. Management fees in our closed end private funds are typically described as General Partner's Share ("GPS") and are calculated by reference to the relevant investor's Master fund GPS percentage multiplied by the aggregate of the acquisition cost of underlying investments attributable to such investors commitment which have not been realised, distributed in specie or entirely and permanently written off.

Private Fund Fees - Structured Credit Strategy

Alcentra's Structured Credit strategies target varying risk and return objectives including (i) a high grade structured credit strategy with a focus on highly rated (AAA and AA) CLO securities; (ii) a mezzanine structured credit strategy with a focus on securitized tranches rated A, BBB, BB, B; and, (iii) an opportunistic structured credit strategy with a focus CLO equity, warehouse and other credit opportunities. The Firm earns management fees which are determined mainly by the assets under management. The Firm will additionally earn Performance Fees. *Please see Item 6. for a discussion of our performance fees.*

Private Fund Fees - European Private Credit Funds

Alcentra acts as investment adviser to private funds and managed account clients. Fees are typically calculated on the cost value of the asset or cost less permanent impairment. Management fees in our closed end private funds are typically described as General Partner's Share ("GPS") and are calculated by reference to the relevant investor's Master fund GPS percentage multiplied by the aggregate of the acquisition cost of underlying investments attributable to such investors commitment which have not been realised, distributed in specie or entirely and permanently written off.

Multi-Strategy Credit and Other

Alcentra provides discretionary to private funds and other investment vehicles that employ multi-strategy credit and other single-credit strategies. These funds may make direct investments for each of the underlying strategies and/or fund investments. Portfolio management may be delegated to our affiliate, Alcentra NY, under a sub-advisory agreement. To the extent Alcentra NY provides sub-

advisory services to these accounts, we pay Alcentra NY for sub-advisory services it provides. A management fee is typically not charged on investments made in other funds managed by Alcentra or its affiliates to prevent a layering of fees. The respective fund offering materials describe the respective fund fee structures in more detail. Please consult these materials for further fee details.

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

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

Multi-Credit Strategy and Other

For the portfolio series of the Delaware statutory trust for which we serve as sub-adviser, if, in any performance period, the NAV of a series of units equals or exceeds a set threshold amount, we receive an incentive fee for such series equal to 10% of the amount, if any, by which the NAV exceeds the threshold amount.

Fee Information

Separate Account Fees

We provide investment advisory separate account services for a fee. This fee is typically charged as a percentage of an account's assets under our management. While this fee is typically expressed as an annual percentage, it is calculated based on average daily, month end, or quarter end net assets, typically includes accrued income and typically charged to your account on a monthly or quarterly basis, in arrears. We also offer accounts with base and performance fees. You may select whether you would like fees to be deducted automatically by your custodian from your assets or billed separately. Your investment advisory agreement may also provide that you will incur fees and expenses in addition to our advisory fees such as custody, brokerage and other transaction costs, administrative and other expenses. Examples of other costs and expenses may include markups, mark-downs and other amounts included in the price of a security, odd-lot differentials, transfer taxes, wire transfer fees

and electronic fund fees. Please review your investment advisory agreement for further information on how we charge and collect fees. *Please see Item 12. of this Brochure for more information.*

Negotiated Fees

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

Additional Fee Information

We may from time to time enter into performance-based fee arrangements in accordance with the conditions and requirements of Section 205-(3) of the Investment Advisers Act of 1940 as amended (“Advisers act”). Such arrangements are negotiated with each client and, thus, the terms may vary. However, these arrangements typically provide for a fee based on the market value of the account (at a specified month end, quarter end or based on an average and invoiced on a monthly or quarterly basis in arrears), plus a performance fee based on the portfolio’s return for the relevant billing period. Some accounts have a benchmark and/or a hurdle rate and others are absolute return strategies.

Other Fees

If allowed by investment guidelines, we may invest your account in pooled investment vehicles (including those advised or sub-advised by us or an affiliate) that themselves bear advisory fees and operational expenses such as transfer agent, distribution, shareholding servicing, networking, and recordkeeping fees. Your account will indirectly bear these fees and expenses as an investor in such pooled investment vehicles, and, as a result, you will bear higher expenses than if you invested directly in the securities held by the pooled investment vehicle. *Please consult fund materials for further fee details.*

Should our management services be terminated prior to the actual provision of services for the upcoming period, we will return management fees pro-rata from the date of our termination to the end of the period to which the advance fee covered. Other non-management fees may be assessed, either at the fund or portfolio company level, which include without limitation monitoring fees, transaction fees, break-up fees and directors’ fees. The funds’ offering materials describe the funds’ fee structure and use of such fees. *Please consult fund materials for further fee details.*

Private Fund Fee Information

In addition to the fees outlined above, each of the private funds we manage may also be subject to additional charges such as custody, brokerage and other transaction costs, administrative, fund director fees and other expenses. Fees are not generally negotiable, though they may be waived or deferred at the discretion of the private fund in accordance with the fund's offering materials. Such waivers and deferrals will cause some clients or groups of clients to pay fees that are different from the basic fee schedules disclosed in fund offering materials. *Please see the applicable private fund's offering materials for further information regarding fees.* We may enter into side letter agreements with certain investors in the Funds providing such investors with different or preferential rights or terms, including but not limited to different fee structures and co-investment rights.

Further, most of the private funds charge performance fees. *Please see Item 6. Performance-Based Fees and Side-by Side Management and Item 12. Brokerage Practices for more information.* We may invest the private funds in pooled investment vehicles (e.g. our Structured Credit strategies can invest in CLO notes) that they themselves bear advisory fees and operational expenses such as advisory, transfer agent, distribution, shareholder servicing, networking and recordkeeping fees. The private funds will indirectly bear these fees and expenses as an investor in such pooled investment vehicles and, as a result, the private fund will bear higher expenses than if it invested directly in the securities held by the pooled investment vehicle.

General Fee Information

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

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

We have entered into performance-based fee arrangements with some of our clients, in addition to the fees described in *Item 5. Fees and Compensation*. In general, our performance fee is based on the portfolio's gross return in excess of a high water mark, specified benchmark, hurdle rate or preferred return during a designated period of time. However, variations exist depending on, among other things, the strategy followed.

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

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

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

For the portfolio series of the Delaware statutory trust for which we serve as sub-adviser if, in any performance period, the NAV of a series of units equals or exceeds a set threshold amount, we receive an incentive fee for such series equal to a specified percentage, if any, by which the NAV exceeds the threshold amount.

For some of our multi-credit and other accounts, we charge a performance fee that is typically earned if a specified return is earned and may be subject to a high water mark. The respective fund offering materials describe the respective fund performance fee structures in more detail.

"Side-by-side management" refers to our simultaneous management of multiple types of client accounts/investment products. For example, we manage different types of accounts, including pooled investment vehicles for clients at the same time. In addition, we manage funds and separate accounts with the same strategy. Our clients have a variety of investment objectives, policies, strategies, limitations and restrictions. Our affiliates likewise manage a variety of separate accounts and pooled investment vehicles.

Side-by-side management gives rise to a variety of potential and actual conflicts of interest for our employees, our supervised persons, and us. Below we discuss the conflicts that we and our employees and supervised persons face when engaging in side-by-side management and how we deal with them.

In order to address these conflicts of interest we manage our accounts consistent with applicable law, and we follow procedures that are reasonably designed to treat our clients fairly and to prevent any client or group of clients from being systematically favored or disadvantaged. For example, we have adopted an allocations of investment opportunities policy, which is designed and implemented to

ensure that all clients are treated fairly and equally, and to prevent these conflicts from influencing the allocation of investment opportunities among clients. *Please see Item 1. Brokerage Practices more information on our Trade Allocation policies and procedures.*

Conflicts of Interest

Disclosure of Conflicts of Interest

Where the management of any conflict of interest may not be practical disclosure (or in some cases where the conflict cannot be adequately managed decline to accept the proposed business) is deemed suitable enough to ensure that the interests of customers are adequately protected, Alcentra may conclude it to be appropriate to disclose the conflict of interest to the affected customer(s).

Disclosure helps customers assess the services they are being offered in light of Alcentra's own interests and decide on the extent to which (if any) the customer will rely on the service. Where Alcentra discloses a conflict of interest or potential conflict of interest to a customer (or third party if applicable), the disclosure will be provided in a durable medium and include sufficient detail, considering the customer and their interests, to enable that customer to make an informed decision regarding the service in the context in which the conflict of interest arises.

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

We manage accounts that are charged a performance-based fee and other accounts that are charged a different type of fee, such as a flat asset-based fee. This presents a conflict of interest because we have a financial incentive to favor accounts with performance-based fees since we (and our employees and supervised persons) may have an opportunity to earn greater fees on such accounts as compared to client accounts without performance-based fees. Thus, we have an incentive to direct our best investment ideas to client accounts that pay performance-based fees, and to allocate, aggregate or sequence trades in favor of such accounts. We also have an incentive to give accounts with performance-based fees better execution and better brokerage commissions. *Please see also Item 12 Brokerage Practices.*

Conflicts of Interest Relating to Accounts with Different Strategies

Our affiliates and we manage numerous accounts with a variety of strategies, which presents conflicts of interest relating to the allocation of investment opportunities and the aggregation and allocation of trades. For example, a long/short position in two client accounts simultaneously can result in a loss to one client based on a decision to take a gain in the other. Taking concurrent conflicting positions in certain derivative instruments can likewise cause a loss to one client and a gain to another. *Please see also Item 12 Brokerage Practices.*

Conflicts of Interest Relating to the Management of Multiple Client Accounts

Our affiliates and we perform investment advisory services for various clients. We give advice and take action in the performance of our duties with respect to any of our other clients which may differ from the advice given, or the timing or nature of action taken, with respect to other clients. We have no obligation to purchase or sell for a client any security or other property which we purchase or sell for our own account or for the account of any other client, if it is undesirable or impractical to take such action. We may give advice or take action in the performance of our duties with respect to any of our clients which may differ from the advice given, or the timing or nature of action taken by our affiliates on behalf of their clients. Further, we may provide discretionary investment advisory services for some clients while providing non-discretionary investment advice for other clients in the same strategy. This creates conflicts including, with respect to the timing of trades and the potential for front-running.

Conflicts of Interest Relating to Investment in Affiliated Accounts

To the extent permissible under applicable law, we will, from time to time, invest some or all the temporary investments of client accounts in accounts managed by our affiliates. In addition, we may invest client accounts in other affiliated pooled vehicles. For example, our Structured Credit Strategy has the ability to purchase notes of CLOs for which we or one of our affiliates serve as investment manager and the inherent conflicts of interest are addressed in the following section.

Conflict of Interest Relating to Structured Credit Strategies

Clients in our Structured Credit Strategy may invest in Alcentra sponsored CLOs, including, without limitation, CLO warehouses. From time to time Alcentra and/or its affiliates or clients may be the risk retention holder in certain sponsored CLOs. Such purchases of CLOs (including CLO warehouses) by the structured credit client creates potential conflicts of interest. No fees will be borne by the structured credit client with respect to Alcentra sponsored warehouses.

Alcentra or its affiliates may receive compensation with respect to investment management services provided to sponsored CLOs, which may include, but are not limited to investment management fees. In the case of sponsored CLOs purchased by structured credit clients directly in the primary market, the structured credit client will receive a full rebate of all such management fees given the inherent conflict of interest risk of supporting in-house strategies at the expense of structured credit client interests. Alcentra Structured Credit clients also transact in the secondary market where the CLO Managers do not rebate management fees. .

Conflicts of Interest Relating to “Proprietary Accounts”

Our affiliates, our existing and future employees, and we will, from time to time invest in products managed by Alcentra and our related persons or we may establish “seeded” funds or accounts for the

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

Other Conflicts of Interest

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

Item 7. Types of Clients

We provide discretionary advisory services to investment companies, pooled investment vehicles, pension and profit sharing plans as well as corporations and other businesses.

Account Requirements

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

Account Requirements for Separate Accounts

We require clients to execute a written investment management agreement with us, granting us authority to manage their assets. Generally, client accounts are subject to minimum account sizes in the region of \$50 – \$150 million which vary depending upon the strategy of the account and qualified institutional buyer status. Separate accounts may also be subject to minimum annual fees; *please refer to Item 5. Fees and Compensation* for more information.

Account Strategy	Minimum Account Size
European Liquid Loan Strategy	\$150 million (or equivalent in other currency)
Structured Credit Strategy	\$100 million (or EUR equivalent)
European Private Credit Strategy	€100 million (or equivalent in other currency)
Multi-Credit Strategy	\$100 million (or equivalent in other currency)
Global Special Situations Strategy	\$100 million (or equivalent in other currency)

We reserve the right to waive the minimum account size requirements.

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

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

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

- European Liquid Loan Strategy
- Global Special Situations Strategy
- Structured Credit Strategy
- European Private Credit Strategy
- Multi-Credit Strategy

Strategies**European Liquid Loan Strategy**

This strategy invests in liquid loans typically originated in Europe or the United States. European liquid loans are corporate loans of below investment grade issuers bearing floating interest rates, typically referenced against Sterling Overnight Index Average (“SONIA”), the European Interbank Offered Rate (“EURIBOR”), or the Secured Overnight Financing Rate (“SOFR”). These loans are generally senior secured obligations, which are at or near the top of an issuer's capital structure.

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

The methods of analysis for the European Liquid Loan Strategy can be divided into credit analysis and portfolio management:

Credit analysis is performed on the individual investments that comprise a portfolio. Investment evaluation is approached from both a top-down industry analysis that includes a review of the current economic outlook, observed default trends in the industry and performance drivers specific to that business and a bottom-up review of the operating performance, and risk metrics of each company. Our analysts also conduct one-on-one meetings with key senior management when possible and attend conferences and teleconferences where we can meet with and get to know management from a large range of issuers within a given industry. The credit analysis process incorporates an analyst’s review

and screen of the financial fundamentals followed by a quantitative analysis of corporate earnings, cash flow, leverage and more. To assess the future direction of credit quality, we build our own pro-forma financials based on input/data received from the company, rating agency contacts and other sources. A qualitative evaluation of product lines, competitive position, and company USP, market trends and dynamics, management quality and customer base and more will lead to a presentation to and review by a committee tasked with LCT's credit analysis oversight. For each credit, the analysts will include a positioning rating to reflect their view on the potential risk adjusted returns, as well as an Environmental, Social and Governance criteria ("ESG") score, considering our view on key ESG risks. Generally, the committee will assess the relative risks and returns and either reject the investment, ask for additional evaluative analysis and information or approve the credit. Alongside internal counsel and independent research firms' analysts will also review the relevant legal documentation. Typically following an investment, the credit analyst responsible for the transaction will monitor company and investment performance via discussions and conference calls with management, industry specialists and buy and sell side traders and analysts. As well as ongoing ad-hoc performance analysis and reviews across investments between analysts, Portfolio Managers and the Head of Credit Research the LCT conducts quarterly performance reviews ("QPR") covering sector trends, recent performance, changes in outlook and projections, price movements and relative values and changes in risk metrics.

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

Global Special Situations Strategy

The Global Situations Strategy has a mandate to invest on both the long and short side, across the capital structure in a variety of instruments including secured or unsecured loans, bonds and other

types of credit instruments and claims, common equity (both publicly listed and OTC) as well as derivatives such as options, warrants and credit default swaps. The latter provide the strategy with the ability to express a negative view of an obligor's creditworthiness, or alternatively, hedge its exposure to risk that it may have on the long side.

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

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

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

Structured Credit Strategy

Alcentra provides discretionary investment services to private funds, Cayman Islands open-ended unit trusts, and managed accounts with structured credit strategies. We also serve as sub-adviser for an open-ended mutual fund under an agreement with an unaffiliated third-party. The Structured Credit Strategy invests primarily in securities that are secured or collateralized by non-investment grade U.S. and European liquid loans (collateralized loan obligations or "CLOs"). Structured credit investments can include CLO (both rated and unrated), subordinate notes/shares of CLO warehouses and tranches of other securitized products. CLO securities are issued in tranches with different seniorities of security and cash flow, and consequently different credit risks. Cash flows from collateral are used to pay the manager, trustee and other service providers of the transaction and make principal and interest payments to the note holders in the order of seniority (senior notes first, followed by the junior notes). Equity shares are entitled to the residual interest proceeds generated by the collateral; however, this cash flow may be deferred or eliminated since the interests of equity shareholders are subordinated to the interests of holders of other tranches. The rates of interest payments (or "coupons") on the senior

notes are set to be lower than the coupons on the more junior notes, reflecting the lower risk assumed by the senior note holders. We and Alcentra NY, use a disciplined approach to investment selection and portfolio management and investment decisions are predicated upon a complete credit analysis. The team applies asset specific default and recovery assumption as well as additional default stresses to form an expected return on an investment. The team uses internal systems to model transaction cashflows and will review the transaction documentation and structure in detail.

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

European Private Credit Strategy

European Private Credit invests in middle market companies through first lien, second lien, unitranche, and, to a lesser extent given the current credit environment, mezzanine debt and primary equity investments.

With a typical term of up to seven years and an expected investment horizon of three to four years. Additional returns may be pursued from transactions where the funds also makes equity co-investments alongside a debt investment. The funds are focused on senior secured investments but are able to allocate up to 30% to more junior tranches.

Investment Process: Alcentra Private Credit sources investment opportunities largely in mid to upper-mid market sized companies that most commonly conduct a material part of their business in Europe. Borrowers typically have an enterprise value of €150m - €500m although the funds have flexibility to invest in smaller and larger companies. Borrowers typically have some or all of the following characteristics: (i) a solid financial track record; (ii) a leading and defensible market position; (iii) operate in a stable or growing industry; (iv) are a cash generative business with strong debt service capabilities; (v) and have an experienced, incentivized management team. Alcentra undertakes comprehensive due diligence and credit analysis on each investment opportunity, with a strong focus on sensible capital structures and cash flow generation capability. Alcentra will typically seek investments with a loan to value ratio of 40-50%.

No investments will be made directly in real estate assets, or asset-backed securities.

Sourcing: Alcentra will originate opportunities in the European mid-market space through several channels including direct approaches from European corporates, banking and sponsor relationships, and debt advisory firms across Europe.

The deal teams undertake comprehensive analysis on each investment opportunity including financial, commercial, legal and ESG-related due diligence as well as utilizing expert networks

and Alcentra's broader sector focused Alcentra analyst team. The due diligence process also includes an in-depth analysis of the optimal structure for the investment and drafting of appropriate documentation to obtain adequate risk/return characteristics. The due diligence process consists of three stages:

Stage 1- Initial Due Diligence: An Alcentra analyst will prepare a Preliminary Investment Paper which is submitted to a committee for discussion and vote in order to determine the suitability of the asset for continued due diligence leading to the potential inclusion in the Fund's portfolio.

Stage 2- In Depth Due Diligence Review: If the committee gives its preliminary approval to the potential investment, the responsible deal team will perform more in-depth due diligence as needed to progress with or decline the investment opportunity. Recommendations are submitted in a Final Paper to the Investment Committee for discussion and vote.

Stage 3-Execution Phase: Once Alcentra has made the final decision to invest, the deal team will continue to work with internal and external legal counsel to draft all loan documentation.

Multi-Credit Strategy

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

Alcentra provides discretionary sub-investment services to a private fund with a multi-credit strategy and a separately managed account. The private fund is divided into sleeves for each of the underlying strategies. Portfolio management for specific sleeves is delegated from our affiliate, Alcentra NY, under a sub-advisory agreement. Each sleeve of a multi-credit account managed under a sub-advisory agreement utilizes the investment process of the underlying strategy described above.

Risks

Below is a summary of the different risks dependent upon the investment strategy. There are also different risks depending on the type of client account we manage (i.e. our CLO investors have different risks than our private middle market debt fund investors and our high yield investors have a different set of risks).

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

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

- *General Risks.* Each investment strategy we offer invests in a variety of securities and employs a number of investment techniques that involve certain risks. Investments involve risk of loss that clients and investors in our clients, as applicable, should be prepared to bear. We do not guarantee or represent that our investment program will be successful. Our past results are not necessarily indicative of our future performance and our investment results may vary over time. We cannot assure you that our investments of your money will be profitable, and in fact, you could incur substantial losses. Your investments with us are not a bank deposit and are not insured or guaranteed by the FDIC or any other government agency.
- *Allocation Risk.* The asset classes in which the strategy seeks investment exposure can perform differently from each other at any given time (as well as over the long term), so the strategy will be affected by its allocation among the various asset classes. If the strategy favors exposure to an asset class during a period when that class underperforms, performance may be hurt.
- *Bank Loans and Participations Risk.* Bank loans and derivatives of bank loans and participations are subject to unique risks, including: (i) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors' rights laws; (ii) so-called lender liability claims by the issuer of the obligations; (iii) environmental liabilities that may arise with respect to collateral securing the obligations; and, (iv) limitations on the ability of the strategy to directly enforce its rights with respect to participations. In analyzing each

bank loan assignment or swap, we must compare the relative significance of the risks against the expected benefits of the investment. Successful claims by third parties arising from these and other risks will be borne by the investors.

- *Banking Industry Risk.* The risks generally associated with concentrating investments in the banking industry, such as interest rate risk, credit risk, and regulatory developments relating to the banking industry.
- *Call Risk.* Some bonds / mezzanine debt instruments (collectively “bonds”) give the issuer the option to call, or redeem, the bonds before their maturity date. If an issuer “calls” its bond during a time of declining interest rates, the strategy might have to reinvest the proceeds in an investment offering a lower yield, and therefore might not benefit from any increase in value as a result of declining interest rates. During periods of market illiquidity or rising interest rates, prices of “callable” issues are subject to increased price fluctuation.
- *Closed-End Investment Companies – Valuation Risk.* The interests of a closed-end investment company at times trade above (a premium) or below (a discount) the net asset value of such entity’s portfolio. At times, discounts could widen, or premiums could shrink either diluting positive performance or compounding negative performance. There is no assurance that discounted entities will appreciate to their net asset value.
- *Convertible Securities Risk.* Convertible securities may be converted at either a stated price or stated rate into underlying shares of common stock. Convertible securities generally are subordinated to other similar but non-convertible securities of the same issuer. Although to a lesser extent than with fixed-income securities, the market values of convertible securities tend to decline as interest rates increase. In addition, because of the conversion feature, the market values of convertible securities tend to vary with fluctuations in the market value of the underlying common stock. Although convertible securities are designed to provide for a stable stream of income, they are subject to the risk that their issuers may default on their obligations. Convertible securities also offer the potential for capital appreciation through the conversion feature, although there can be no assurance of capital appreciation because securities prices fluctuate. Convertible securities generally offer lower interest or dividend yields than non-convertible securities of similar quality because of the potential for capital appreciation.
- *Corporate and Other Debt Obligations Risk.* Corporate and other debt obligations, including commercial paper, are subject to the risk of an issuer's inability to meet principal and interest payments on the obligations.
- *Counterparty Creditworthiness Risk.* Under certain conditions, a counterparty to a transaction could default and the market for certain securities or financial instruments in which the counterparty deals may become illiquid.
- *Counterparty Risk.* The risk that a counterparty in a repurchase agreement or other derivative investment could fail to honor the terms of its agreement.

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

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

indirectly) by client and investors in the clients, as applicable, and may, therefore, affect any returns that would otherwise be available to investors in the clients.

- *Derivatives Risk.* A small investment in derivatives could have a potentially large impact on a strategy's performance. The use of derivatives involves risks different from, or possibly greater than, the risks associated with investing directly in the underlying assets, and the use of derivatives may result in losses. Derivatives in which we may invest can be highly volatile, illiquid and difficult to value, and there is the risk that changes in the value of a derivative held by the strategy will not correlate with the underlying instruments or the strategy's other investments in the manner intended. Derivative instruments also involve the risk that a loss is sustained as a result of the failure of the counterparty to the derivative instruments to make required payments or otherwise comply with the derivative instruments' terms. As many derivatives have a leverage component, adverse changes in the value or level of the underlying asset, reference rate or index can result in a loss substantially greater than the amount invested in the derivative itself on its nominal value. Certain derivatives have the potential for unlimited loss, regardless of the size of the initial investment. Certain types of derivatives, including swap agreements, forward contracts and other over-the-counter transactions, involve greater risks than the underlying obligations because, in addition to general market risks, they are subject to illiquidity risk, counterparty risk, credit risk and pricing risk. Additionally, some derivatives involve economic leverage, which could increase the volatility of these investments as they fluctuate in value more than the underlying instrument. *See also "Leverage Risk."*
- *Emerging Market Risk. Fixed Income.* The securities of issuers located in emerging markets tend to be more volatile and less liquid than securities of issuers located in the markets of more mature economies, and generally have less diverse and less mature economic structures and less stable political systems than those of developed countries. The fixed income securities of issuers located in emerging markets can be more volatile and less liquid than those of issuers in more mature economies. In addition, such securities often are considered to be below investment grade credit quality and predominantly speculative. The imposition of sanctions, confiscations, trade restrictions (including tariffs) and other government restrictions by the United States and other governments, or problems in share registration, settlement or custody, may also result in losses.
- *Floating Rate Loan Risk.* Unlike publicly traded common stocks which trade on national exchanges, there is no central place or exchange for loans to trade. Loans trade in an over-the-counter market, and confirmation and settlement, which are effected through standardized procedures and documentation, may take significantly longer than seven days to complete. Loans trade in an over-the-counter market and are confirmed and settled through standardized procedures and documentation. Extended trade settlement periods may, in unusual market conditions with a high volume of shareholder redemptions, present a risk to shareholders regarding the fund's ability to pay redemption proceeds within the allowable time periods stated in this prospectus. The secondary market for floating rate loans also may be subject to irregular trading activity and wide bid/ask spreads. The lack of an active trading market for certain floating rate loans may impair the ability of the portfolio to realize full value in the event of the need to sell a floating rate loan and may make it difficult to value such loans. There may be less readily available, reliable information about certain floating rate loans than is the case

for many other types of securities, and the strategy's portfolio managers may be required to rely primarily on their own evaluation of a borrower's credit quality rather than on any available independent sources. The value of collateral, if any, securing a floating rate loan can decline, and may be insufficient to meet the issuer's obligations in the event of non-payment of scheduled interest or principal or may be difficult to readily liquidate. In the event of the bankruptcy of a borrower, the portfolio could experience delays or limitations imposed by bankruptcy or other insolvency laws with respect to its ability to realize the benefits of the collateral securing a loan. The floating rate loans in which the portfolio invests typically will be below investment grade quality and, like other below investment grade securities, are inherently speculative. As a result, the risks associated with such floating rate loans are similar to the risks of below investment grade securities, although senior loans are typically senior and secured in contrast to other below investment grade securities, which are often subordinated and unsecured. Floating rate loans may not be considered to be "securities" for purposes of the anti-fraud protections of the federal securities laws, including those with respect to the use of material non-public information, so that purchasers, such as the fund, may not have the benefit of these protections.

- *Fixed-Income Market Risk.* The market value of a fixed-income security may decline due to general market conditions that are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. The fixed-income securities market can be susceptible to increases in volatility and decreases in liquidity. Liquidity can decline unpredictably in response to overall economic conditions or credit tightening. Increases in volatility and decreases in liquidity may be caused by a rise in interest rates (or the expectation of a rise in interest rates), which are at or near historic lows in the United States and in other countries. During periods of reduced market liquidity, the fund may not be able to readily sell fixed-income securities at prices at or near their perceived value. If the portfolio needed to sell large blocks of fixed-income securities to meet redemption requests or to raise cash, those sales could further reduce the prices of such securities. An unexpected increase in portfolio redemption requests, including requests from investors who may own a significant percentage of the portfolio, which may be triggered by market turmoil or an increase in interest rates, could cause the portfolio to sell its holdings at a loss or at undesirable prices and adversely affect the portfolio's price and increase the portfolio's liquidity risk, portfolio expenses and/or taxable distributions. Economic and other market developments can adversely affect fixed-income securities markets. Regulations and business practices, for example, have led some financial intermediaries to curtail their capacity to engage in trading (i.e., "market making") activities for certain fixed-income securities, which could have the potential to decrease liquidity and increase volatility in the fixed-income securities markets. Policy and legislative changes worldwide are affecting many aspects of financial regulation. The impact of these changes on the markets, and the practical implications for market participants, may not be fully known for some time.
- *Forward Foreign Currency Exchange Transactions.* We engage in spot transactions and use forward/fx swap contracts to protect against uncertainty in the level of future exchange rates. For example, these portfolios use forward contracts in connection with existing portfolio

positions to lock in the U.S. dollar value of those positions, to increase a portfolio's exposure to foreign currencies that rise in value relative to the U.S. dollar or to shift the portfolio's exposure to foreign currency fluctuations from one country to another. The precise matching of the forward/swap contract amounts and the value of the securities involved will not generally be possible because the future value of such securities in foreign currencies will change as a consequence of market movements in the value of those securities between the date the forward contract is entered into and the date it matures. Accordingly, it may be necessary for a portfolio to purchase additional foreign currency on the spot (that is, cash) market and bear the expense of such purchase if the market value of the security is less than the amount of foreign currency the portfolio is obligated to deliver and if a decision is made to sell the security and make delivery of the foreign currency. Conversely, it may be necessary to sell on the spot market some of the foreign currency received upon the sale of the portfolio security if its market value exceeds the amount of foreign currency the portfolio is obligated to deliver. Per current market convention, Alcentra typically does not employ ISDAs for foreign currency exchange transactions with maturities less than 3 months. In order to minimize risk, we roll these contracts monthly.

- *Foreign Currency Risk.* Investments in foreign currencies are subject to the risk that those currencies will decline in value relative to the U.S. dollar, or in the case of hedged positions, that the U.S. dollar will decline relative to the currency being hedged. Currency exchange rates can fluctuate significantly over short periods of time. A decline in the value of foreign currencies relative to the U.S. dollar will reduce the value of securities held by the strategy and denominated in those currencies. Foreign currencies are also subject to risks caused by inflation, interest rates, budget deficits and low savings rates, political factors, and government controls.
- *Foreign Government Obligations and Securities of Supranational Entities Risk.* Investing in the sovereign debt of emerging market countries creates exposure to the direct or indirect consequences of political, social or economic changes in the countries that issue the securities or in which the issuers are located. The ability and willingness of sovereign obligors in emerging market countries or the governmental authorities that control repayment of their debt to pay principal and interest on such debt when due depends on general economic and political conditions within the relevant country. Certain countries in which the strategy may invest have historically experienced, and may continue to experience, high rates of inflation, high interest rates and extreme poverty and unemployment. Some of these countries are also characterized by political uncertainty or instability. Additional factors which influence the ability or willingness to service debt include a country's cash flow situation, the availability of sufficient foreign exchange on the date a payment is due, the relative size of its debt service burden to the economy as a whole and its government's policy towards the International Monetary Fund ("IMF"), the International Bank for Reconstruction and Development ("IBRD") and other international agencies. The ability of a foreign sovereign obligor to make timely payments on its external debt obligations also will be strongly influenced by the obligor's balance of payments, including export performance, its access to international credits and investments, fluctuations in interest rates and the extent of its foreign reserves. A governmental obligor may default on its obligations. Some sovereign obligors in emerging market countries have been

among the world's largest debtors to commercial banks, other governments, international financial organizations, and other financial institutions. These obligors, in the past, have experienced substantial difficulties in servicing their external debt obligations, which led to defaults on certain obligations and the restructuring of certain indebtedness.

- *Foreign Investment Risk.* Special risks associated with investments in foreign companies include exposure to currency fluctuations, less liquidity, less developed or less efficient trading markets, lack of comprehensive company information, political or economic instability, seizure or nationalization of assets, imposition of taxes or repatriation restrictions and differing auditing and legal standards. The securities of issuers located in emerging markets can be more volatile and less liquid than those of issuers in more mature economies. The imposition of sanctions, confiscations, trade restrictions (including tariffs) and other government restrictions by the United States and other governments, or problems in share registration, settlement, or custody, may also result in losses, particularly in light of the: (1) recent sanctions levied against Russian interests due to the conflict in Ukraine and, (ii) the December 2020 Presidential Executive Order prohibiting U.S. persons from transacting in certain securities and derivatives of publicly traded securities of any company designated as a "Communist Chinese military company".
- *Futures Contracts.* Futures contracts generally provide a high degree of liquidity and a low level of counterparty performance and settlement risk. While the use of futures contracts by a portfolio can amplify a gain, it can also amplify a loss. This loss can be substantially more money than the initial margin posted by the portfolio pursuant to the contracts. There is no assurance of market liquidity for futures contracts, whether traded on an exchange or in the over-the-counter market and, as a result, there may be times where a portfolio would not be able to close a future investment position when it wanted to do so. Upon entering into a futures transaction, a portfolio will generally be required to deposit an initial margin payment with the futures commission merchant (the "futures broker"). The initial margin payment will be deposited with a portfolio's custodian in an account registered in the futures broker's name; however, the futures broker can gain access to that account only under specified conditions. As the future is marked-to-market to reflect changes in its market value, subsequent margin payments, called variation margin, will be paid to or by the futures broker on a daily basis. Prior to expiration of the future, if a portfolio elects to close out its position by taking an opposite position, a final determination of variation margin is made, additional cash is required to be paid by or released to the portfolio, and any loss or gain is realized for tax purposes. Position limits also apply to futures traded on an exchange. An exchange can order the liquidation of positions found to be in violation of those limits and may impose certain other sanctions. Initial margin is posted to a collateral pool which may be used to cover third-party liabilities in an event of default by a clearing broker or a major clearing broker's client.
- *Government Securities Risk.* Not all obligations of the U.S. government's agencies and instrumentalities are backed by the full faith and credit of the U.S. Treasury. Some obligations are backed only by the credit of the issuing agency or instrumentality, and in some cases there is some risk of default by the issuer. Any guarantee by the U.S. government or its agencies or instrumentalities of a security held by the strategy does not apply to the market value of such security. A security backed by the U.S. Treasury or the full faith and credit of the United States

is guaranteed only as to the timely payment of interest and principal when held to maturity. In addition, because many types of U.S. government securities trade actively outside the United States, their prices rise and fall as changes in global economic conditions affect the demand for these securities.

- *Health Care Sector Risk.* For investments focused in the health care and related sectors, the value of your investment will be affected by factors particular to those sectors and may fluctuate more widely than that of a strategy which invests in a broad range of industries. Health care companies are subject to government regulation and approval of their products and services, which can have a significant effect on their market price. The types of products or services produced or provided by these companies may quickly become obsolete. Moreover, liability for products that are later alleged to be harmful or unsafe can be substantial and have a significant impact on the health care company's market value and/or share price. Biotechnology and related companies are affected by patent considerations, intense competition, rapid technology change and obsolescence, and regulatory requirements of various federal and state agencies. In addition, some of these companies are relatively small and have thinly traded securities, not yet offer products or offer a single product, and have persistent losses during a product's transition from development to production, or erratic revenue patterns. The stock prices of these companies are very volatile, particularly when their products are up for regulatory approval and/or under regulatory scrutiny.
- *High-Yield Bond Risk.* High yield bonds involve greater credit risk, including the risk of default, than investment grade bonds, and are considered predominantly speculative with respect to the issuer's ability to make principal and interest payments. The prices of high-yield bonds can fall dramatically in response to bad news about the issuer, its industry, or the economy in general. Such securities are generally not exchange traded and, as a result, these instruments trade in the over-the-counter marketplace, which is less transparent than the exchange-traded marketplace. In addition, certain clients will invest in bonds of issuers that do not have publicly traded securities, making it more difficult to hedge the risks associated with such investments. High-yield securities face ongoing uncertainties and exposure to adverse business, financial or economic conditions which could lead to the issuer's inability to meet timely interest and principal payments. The market values of certain of these lower-rated and unrated debt securities tend to reflect individual corporate developments to a greater extent than do higher-rated securities which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than are higher-rated securities. Companies that issue such securities are often highly leveraged and may not have available to them more traditional methods of financing. It is possible that a major economic recession could disrupt severely the market for such securities and may have an adverse impact on the value of such securities. In addition, it is possible that any such economic downturn could adversely affect the ability of the issuers of such securities and increase the incidence of default of such securities.
- *Interest Rate Risk.* Prices of bonds and other fixed-income securities tend to move inversely with changes in interest rates. Typically, a rise in rates will adversely affect fixed rate fixed-income securities and, accordingly, will cause the value of the fund's investments in these securities to decline. During periods of very low interest rates, which occur from time to time

due to market forces or actions of governments and/or their central banks, including the Board of Governors of the Federal Reserve System in the U.S., the fund may be subject to a greater risk of principal decline from rising interest rates. Risks associated with rising interest rates are heightened given that interest rates in the United States and other countries are at or near historic lows. When interest rates fall, the values of already-issued fixed-income securities generally rise. However, when interest rates fall, the fund's investments in new securities may be at lower yields and may reduce the fund's income. The magnitude of these fluctuations in the market price of fixed-income securities is generally greater for securities with longer effective maturities and durations because such instruments do not mature, reset interest rates or become callable for longer periods of time. Unlike investment grade bonds, however, the prices of high yield bonds may fluctuate unpredictably and not necessarily inversely with changes in interest rates. In addition, the rates on floating rate instruments adjust periodically with changes in market interest rates. Although these instruments are generally less sensitive to interest rate changes than fixed rate instruments, the value of floating rate loans and other floating rate securities may decline if their interest rates do not rise as quickly, or as much, as general interest rates.

- *Investment Strategy Risk.* The strategy's sustainability investment criteria may limit the number of investment opportunities available to the strategy, and, as a result, at times the strategy's returns may be lower than those of strategies that are not subject to such special investment considerations.
- *Initial Public Offering ("IPO") Risk.* The prices of securities purchased in IPOs can be very volatile. The effect of IPOs on a strategy's performance depends on a variety of factors, including the number of IPOs the strategy invests in relative to the size of the strategy and whether and to what extent a security purchased in an IPO appreciates or depreciates in value. Therefore, IPO investments may magnify the returns of the strategy.
- *Issuer Risk.* A security's market value may decline for a number of reasons which directly relate to the issuer, such as management performance, financial leverage and reduced demand for the issuer's products or services, or factors that affect the issuer's industry, such as labor shortages or increased production costs and competitive conditions within an industry.
- *Lender Liability Considerations/Equitable Subordination.* In recent years, a number of judicial decisions in the United States have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories, including equitable subordination (collectively termed "lender liability"). Generally, lender liability is founded upon the premise that the institutional lender has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in the creation of a fiduciary duty owed to the borrower. Funds that we manage, as a creditor, may be subject to allegations of lender liability. Furthermore, funds may be unable to control the conduct of the other lenders under a loan syndication agreement requiring less than a unanimous vote, yet funds may be subject to lender liability for such conduct.
- *Leverage Risk.* The companies in which client accounts will invest expect to employ considerable leverage, a significant portion of which may be at floating interest rates. The

leveraged capital structure of the companies will increase the sensitivity of client accounts' investments to any deterioration in a company's revenues, condition or industry, competitive pressures, an adverse economic environment or rising interest rates. In the event any such company cannot generate adequate cash flow to meet debt service, client accounts may suffer a partial or total loss of capital invested in the company, which could adversely affect client account returns.

- *Liquidity Risk.* When there is little or no active trading market for specific types of securities or other instruments, it can become more difficult to sell the securities or other instruments at or near their perceived value. In such a market, the value of such securities or other instruments and the value of your investment may fall dramatically, even during periods of declining interest rates. Investments that are illiquid or that trade in lower volumes may be more difficult to value. The market for below investment grade securities may be less liquid and therefore these securities may be harder to value or sell at an acceptable price, especially during times of market volatility or decline. Liquidity risk also exists when a particular derivative instrument is difficult to purchase or sell. If a derivative transaction is particularly large or if the relevant market is illiquid (as is the case with many privately negotiated derivatives), it may not be possible to initiate a transaction or liquidate a position at an advantageous time or price. Investments in foreign securities tend to have greater exposure to liquidity risk than domestic securities. No active trading market may exist for some of the floating rate loans in which we invest, and certain loans may be subject to restrictions on resale. Because some floating rate loans that we invest in may have a more limited secondary market, liquidity risk is more pronounced for the fund than for mutual funds that invest primarily in other types of fixed-income instruments or equity securities. Liquidity risk also may refer to the risk that we will not be able to pay redemption proceeds within the allowable time period stated in the client agreements because of unusual market conditions, an unusually high volume of redemption requests, or other reasons. To meet redemption requests, the fund may be forced to sell securities at an unfavorable time and/or under unfavorable conditions, which may adversely affect the account.
- *Loan Valuation Risk.* Because there may be a lack of centralized information and trading for certain loans in which we may invest, reliable market value quotations may not be readily available for such loans and their valuation may require more research than for securities with a more developed secondary market. Moreover, the valuation of such loans may be affected by uncertainties in the conditions of the financial market, unreliable reference data, lack of transparency and inconsistency of valuation models and processes.
- *Management Conflicts Risk.* The adviser and its affiliates may participate in the primary and secondary market for loan obligations. Because of limitations imposed by applicable law, the presence of the adviser and its affiliates in the loan obligations market may restrict the Firm's ability to acquire some loan obligations or affect the timing or price of such acquisitions. The Firm and its affiliates engage in a broad spectrum of financial services and asset management activities in which their interests or the interests of their clients may conflict with those of the fund. In addition, because of the financial services and asset management activities of the Firm and its affiliates, the Firm may not have access to material non-public information regarding the borrower to which other lenders have access.

- *Market Risk.* The market value of a security may decline due to general market conditions that are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates, outbreaks of an infectious disease, or adverse investor sentiment generally. A security's market value also may decline because of factors that affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. Global economies and financial markets are becoming increasingly interconnected, and conditions and events in one country, region or financial market may adversely impact issuers in a different country, region or financial market. These risks may be magnified if certain events or developments adversely interrupt the global supply chain; in these and other circumstances, such risks might affect companies world-wide.
- *Market Sector Risk.* A given strategy may significantly overweight or underweight certain companies, industries or market sectors, which may cause the strategy's performance to be more or less sensitive to developments affecting those companies, industries or sectors.
- *Micro-Cap Company Risk.* Micro-Cap stocks may offer greater opportunity for capital appreciation than the stocks of larger and more established companies; however, they also involve substantially greater risks of loss and price fluctuations. Micro-Cap companies carry additional risks because their earnings and revenues tend to be less predictable (and some companies may be experiencing significant losses), and their share prices tend to be more volatile and their markets less liquid than companies with larger market capitalizations. Micro-Cap companies may be newly formed or in the early stages of development, with limited product lines, markets or financial resources, and may lack management depth. In addition, there may be less public information available about these companies. The shares of micro-cap companies tend to trade less frequently than those of larger, more established companies, which can adversely affect the pricing of these securities and the Firm's ability to sell these securities. Also, it may take a long time before the value of your investment realizes a gain, if any, on an investment in a micro-cap company.
- *Midsized Company Risk.* Midsized companies carry additional risks because the operating histories of these companies tend to be more limited, their earnings and revenues less predictable (and some companies may be experiencing significant losses), and their share prices more volatile than those of larger, more established companies.
- *Non-Diversification Risk.* The strategy is non-diversified, which means that the strategy may invest a relatively high percentage of its assets in a limited number of issuers. Therefore, the strategy's performance may be more vulnerable to changes in the market value of a single issuer or group of issuers and more susceptible to risks associated with a single economic, political or regulatory occurrence than a diversified strategy.
- *Non-Investment Grade Debt Securities.* Mezzanine and other non-investment grade debt securities are generally unrated and/or ranked below investment grade rated investments that have greater credit and liquidity risk than more highly rated debt obligations. Such securities are typically issued in traditional private placements or in connection with acquisitions and other business combinations and have no trading market. Moreover, mezzanine and lower

ranked debt securities are generally unsecured and subordinate to other obligations of the obligor and are subject to many of the same risks as those associated with high-yield debt securities. Adverse changes in the financial condition of the obligor of mezzanine and lower ranked debt securities or in general economic conditions (including, for example, a substantial period of rising interest rates or declining earnings) or both may impair the ability of the obligor to make payment of principal and interest. Issuers of non-investment grade debt securities may be highly leveraged, and their relatively high debt-to-equity ratios create increased risks that their operations might not generate sufficient cash flow to service their debt obligations.

- *Participation Interests and Assignments Risk.* A participation interest gives the portfolio an undivided interest in a loan in the proportion that the portfolio's participation interest bears to the total principal amount of the loan, but does not establish any direct relationship between the portfolio and the borrower. If a floating rate loan is acquired through a participation, the portfolio generally will have no right to enforce compliance by the borrower with the terms of the loan agreement against the borrower, and the portfolio may not directly benefit from the collateral supporting the debt obligation in which it has purchased the participation. As a result, the portfolio will be exposed to the credit risk of both the borrower and the institution selling the participation. The portfolio also may invest in a loan through an assignment of all or a portion of such loan from a third party. If a floating rate loan is acquired through an assignment, the portfolio may not be able to unilaterally enforce all rights and remedies under the loan and with regard to any associated collateral.
- *Preferred Stock Risk.* Preferred stock is a class of a capital stock that typically pays dividends at a specified rate. Preferred stock is generally senior to common stock, but subordinate to debt securities, with respect to the payment of dividends and on liquidation of the issuer.
- *Prepayment Risk.* Some securities give the issuer the option to prepay or call the securities before their maturity date, which may reduce the market value of the security and the anticipated yield-to-maturity. If an issuer "calls" its securities during a time of declining interest rates, we may have to reinvest the proceeds in an investment offering a lower yield, and therefore might not benefit from any increase in value as a result of declining interest rates. During periods of market illiquidity or rising interest rates, prices of "callable" issues are subject to increased price fluctuation.
- *Private Funds Rules and Other Recent SEC Rulemaking.* In August 2023, the SEC adopted new rules and amendments to existing rules under the Advisers Act (collectively, the "Private Funds Rules") specifically related to investment advisers and their activities with respect to private funds they advise. The Private Funds Rules will, among other changes, impose required quarterly reporting by private funds to investors concerning detailed information on performance, investments, adviser-compensation, fees and expenses, capital inflows and capital outflows; require registered investment advisers to obtain an annual audit for all private funds that meets the requirements of the existing Advisers Act custody rule; require registered investment advisers to obtain a fairness or valuation opinion and make certain disclosures, in connection with adviser-led secondary transactions (also known as GP-led secondaries); restrict advisers from engaging in certain practices unless they satisfy certain disclosure requirements and, in some cases, consent requirements, which practices include, without

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

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

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

- *Recent Developments in the Banking Sector.* Actual events involving limited liquidity, defaults, non-performance or other adverse developments that affect financial institutions, transactional counterparties or other companies in the financial services industry or the financial services industry generally, or concerns or rumors about any events of these kinds or other similar risks, have in the past and may in the future lead to market-wide liquidity problems.

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

Should similar extraordinary events continue to occur, there is risk that more of these smaller and/or regional banks, or other financial institutions, may become in danger of default and/or face a risk of closure, receivership or other government intervention. Should additional banks be closed by governmental authorities, placed into receivership or conservatorship, or otherwise require government intervention, there is no assurance that the FDIC will guarantee uninsured depositors at any other financial institution. Even without additional bank closures, uncertainty caused by recent bank failures – and general concern regarding the financial health and outlook for other financial institutions – could have an overall negative effect on banking systems and financial markets generally. The recent developments may also have other implications for broader economic and monetary policy, including interest rate policy, and may impact the financial condition of banks and other financial institutions outside of the United States. For the foregoing reasons, there can be no assurances that conditions in the global financial markets will not worsen and/or adversely affect the clients or one or more of their investments or their overall performance.

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

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

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

Item 9. Disciplinary Information

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

Item 10. Other Financial Industry Activities and Affiliations**Alcentra NY, LLC (“Alcentra NY”)**

Alcentra NY is an affiliate of the Adviser, and an indirect, wholly-owned subsidiary of Franklin Resources, Inc. The Adviser and Alcentra NY, LLC provide discretionary and non-discretionary investment advisory services to each other under sub-advisory agreements. In addition to the sub-advisory relationship described in *Item 8. Methods of Analysts, Investment Strategies and Risk of Loss*, Alcentra NY also provides us with various services under certain intercompany agreements.

Affiliated Advisers

Alcentra is affiliated with the investment advisers listed below.

- Alcentra NY, L.L.C. (“Alcentra NY”): a U.S. registered investment adviser with the SEC.
- Benefit Street Partners, L.L.C. (“BSP”): a U.S. registered investment adviser with the SEC.
- Franklin BSP Lending Adviser, L.L.C. (“FBSPL Adviser”): a U.S. registered investment adviser with the SEC.
- BSP CLO Management LLC (“BSP CLO”): a U.S. registered investment adviser with the SEC.
- Franklin BSP Capital Adviser LLC (“Franklin BSP”): a U.S. registered investment adviser with the SEC.
- K2/D&S Management Co., L.L.C. (“K2/D&S”): a U.S. registered investment adviser with the SEC.

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

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

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

Affiliated Private Funds and Sponsors

As discussed in Items 4-8 above, we act as investment adviser to various private funds. Related persons, sponsor and/or act as the general partner of such mezzanine & private credit debt private

funds. *Please see Form ADV, Part I – Schedule D, Section 7.A and Section 7.B for a list of our affiliated private funds and sponsors.* Our management persons' relationship to these funds, the affiliated general partner and other affiliates as well as the related conflicts of interest are disclosed to underlying investors before they invest. For example, the general partner receives performance-based compensation (i.e. carried interest) from certain of the private credit private funds, which creates an incentive for our management persons to recommend investments that are riskier than might otherwise be the case. Also, such management persons have conflicts of interest in allocating their time and service among such funds, the Firm and certain other Franklin Templeton entities. *Please see the applicable fund's offering materials for further information regarding such conflicts.*

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

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

A copy of the Code of Ethics is available to any client or prospective client upon request by calling James Algar at +44 2033983279 or by writing to James.Algar@alcentra.com, Chief Compliance Officer.

Material Non-Public Information and Limitations in Securities Transactions

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

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

We have put in place policies to address the manner in which we and Alcentra NY and BSP handle private information, including MNPI that it may receive from issuers. The policy creates a joint restricted list based on the receipt of private information each firm gets from issuers they follow. Neither we nor Alcentra NY can transact in the public securities of issuers that appear on the joint restricted list.

Restricted List

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

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

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

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

Interest in Client Transactions

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

Principal Transactions

“Principal transactions” are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys any security from or sells any security to any client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated pooled investment vehicle and another client account. We generally do not engage in principal transactions. However, we may engage in principal transactions subject to the disclosure and consent requirements under the Advisers Act and as permitted under applicable law. When we engage in a principal transaction, we have an incentive to favor our own interests over the interests of our client. The Structured Credit strategy may purchase assets from, sell assets to or otherwise engage in transactions with affiliates of the Firm. The strategy is also permitted to invest in entities managed by the Firm and/or its affiliates. These investments may have limited or restricted liquidity.

Cross Transactions

From time to time, securities to be sold on behalf of a client may be suitable for purchase by another client. In such instances, if we determine in good faith that the transaction is in the best interest of each client, then we will arrange for the securities to be transferred between the client accounts at a fair market value (a “cross trade”). Cross trades present conflicts of interest, as there is an incentive for us to favor one client to the cross trade over the other. For example, if one client account pays performance fees to us, while the other client account pays only asset-based fees, we would have a financial incentive to favor the performance fee paying account in the cross-trade. However, note that cross trades are subject to Advisers Act restrictions, and will only be undertaken by us as permitted under applicable law. We do not receive fees or commissions when making these trades.

We may direct one client to sell securities or instruments to another client or affiliated client through a cross-transaction in which neither we nor an affiliated person receives compensation. Since Alcentra has an incentive to effect cross transactions between funds in order to position profitable trades into higher paying and/or performance fee funds, any such transaction is effected consistent with the funds’ offering materials and our policies and procedures. We generally only effect cross trades in securities or other instruments for which market quotations are readily available though, on occasion, we may effect cross trades in securities or other instruments for which a market quotation is not readily available.

Alcentra will effect cross trades in securities or other instruments for which market quotations are available and will use a mid of the best selling level and best buying level to ensure that each fund equally benefits from trade. If no market quotations are available, Alcentra will effect at a price, based

on numerous factors which include, but are not exclusive to; last quote price, Markit pricing source data and Alcentra pricing committee agreed pricing, for which Alcentra believes has a reasonable basis to fair and equitable to both the buyer and seller funds, subject to CIO approval. Alcentra will effect cross trades in securities or other instruments in the Structured Credit Strategy if Alcentra is the high bidder in a “bids wanted in competition” (BWIC) process. In such situations the cross trade is executed at the lesser of the bid price or a pre-defined fixed basis point amount above the next highest bidder (with the fixed amount varying by the rating of the asset in order to reflect different bid/offer spreads based on CLO tranche ratings).

Transaction costs are typically split pro-rata between the participating clients. Alcentra considers a variety of factors when determining the appropriateness of a cross transaction which include, but are not limited to, applicable legal rules and regulations, whether the trade is advantageous to both parties, investment objectives and strategies, applicable investment restrictions, appetite for the security, and cash availability.

Transactions in Same Securities

We or our affiliates may invest in the same securities that we or our affiliates recommend to clients. When we or an affiliate currently holds for our own benefit the same securities as a client, we have a conflict of interest. For example, we or our affiliate could be seen as harming the performance of the client’s account for our own benefit if we short-sell the securities in our own account while holding the same securities long in the client account, causing the market value of the securities to move lower. If our portfolio managers make inconsistent trading decisions, the basis for those decisions must be documented, and may be reviewed periodically by our compliance department to determine whether they were made on an appropriate basis.

Other Potential Interests in Client Transactions

Common investments do arise in connection with the CDO/CLO funds and the Global Special Situations strategy. Other Alcentra affiliates generally do not make the same investments as the Firm. When the Firm or an affiliate currently holds for our own benefit the same securities as a client, we could be viewed as having a potential conflict of interest. For example, we or our affiliate could be seen as harming the performance of the client’s account for our own benefit if we short-sell the securities in our own account while holding the same securities long in the client account, causing the market value of the securities to move lower. If our portfolio managers make inconsistent trading decisions, the basis for those decisions must be documented.

Interests in Recommended Securities/Products

We or our affiliates may recommend securities to clients, or buy or sell securities for client accounts, at or about the same time that we or one of our affiliates buys or sells the same securities for our (or the affiliate’s) own account. This practice gives rise to a variety of conflicts of interest, particularly with respect to aggregating, allocating and sequencing securities being purchased on both our (or our affiliate’s) behalf and our clients’ behalf. For example, we have an incentive to cause a client or clients to participate in an offering because we desire to participate in the offering on our own behalf and would otherwise be unable to meet the minimum purchase requirements. Likewise, we have an incentive to cause our clients to participate in an offering to increase our overall allocation of securities

in that offering, or to increase our ability to participate in future offerings by the same underwriter or issuer. On the other hand, we have an incentive to cause our clients to minimize their participation in an offering that has limited availability so that we do not have to share a proportionately greater amount of the offering to the client. Allocations of aggregated trades likewise raise a conflict of interest as we have an incentive to allocate securities that are expected to increase in value to ourselves. *See Item 12 for a discussion of our brokerage and allocations practices and policies.* Further, a conflict of interest could arise if a transaction in our own account closely precedes a transaction in related securities in a client account, such as when a subsequent purchase by a client account increases the value of securities that were previously purchased for ourselves. Our compliance personnel review periodic transaction reports and holdings reports on our accounts to evaluate the nature of sequenced transactions and to assess potential harm caused by trades in our account to client accounts.

On occasion, we may recommend the purchase or sale of securities that are issued by our parent company, Franklin Templeton, or underwritten by an affiliate, for client accounts if such recommendation or purchase or sale is in accordance with the client's guidelines and applicable law. In addition, we or a related person may recommend the purchase of securities in certain private funds which we manage and for which we may serve as sole director or managing member. We, our employees, and our related persons currently invest in certain private funds that may also include client assets managed by us, and we and such related persons will receive proportional returns associated with our investment. Additionally, we may receive an investment management fee in our capacity as investment adviser or sub-adviser and related persons (including affiliated broker-dealers) may receive certain amounts associated with placement agent fees, custodial fees, administrative fees, loads, or sales charges.

Interest in Affiliated Accounts

To the extent permissible under applicable law, we may decide to invest some or all of our temporary investments in money market accounts advised or managed by a Franklin Templeton affiliate. For example, cash remitted into some client accounts due to pay downs or sales of loans may be invested in Franklin Templeton overnight deposit products, including affiliated money market funds. In addition, we may invest client accounts in affiliated pooled vehicles. Further, to the extent permissible under applicable law, our strategies, including Structured Credit, may invest in the notes of CLOs that we manage. We have an incentive to allocate investments to these types of affiliated accounts to generate additional fees for us or our affiliates.

Conflicts Related to Purchases and Sales

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

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

A particular investment may be bought or sold for only one client or different amounts and at different times for one (or more than one) client, even though it could have been bought or sold for other clients at the same time. Likewise, a particular investment may be bought for one or more clients when one or more other clients are selling the investment. Conflicts also may arise when a client makes investments in conjunction with an investment being made by other clients or a client of the Adviser’s affiliate, or in a transaction where another client or client of such an affiliate has already made an investment. Investment opportunities may be appropriate for clients and/or clients of the Adviser’s affiliate at the same time, at different or overlapping levels of a portfolio company’s capital structure. Conflicts may arise in determining the terms of investments, particularly where these clients may invest in different types of securities in a single portfolio company. Questions may arise as to whether payment obligations and covenants should be enforced, modified or waived, or whether debt should be refinanced. Decisions about what action should be taken in a troubled situation, including whether or not to enforce claims, whether or not to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, whether or not or in what manner to exercise a voting or consent right, and the terms of any work out or restructuring may raise conflicts of interest, particularly in clients and clients of the Adviser’s affiliates that have invested in different securities within the same portfolio company.

Certain clients of the Adviser and its affiliates invest in bank debt, loans and securities of or other investments in companies in which other clients of the Adviser or its affiliates hold securities, loans or other investments, including equity securities, which may include a controlling position. In the event that such investments are made by a client, the interests of such client may be in conflict with the interest of such other client or client of the Adviser’s affiliates, particularly in circumstances where the underlying company is facing financial distress. The involvement of such persons at both the equity and debt levels, or in different levels of the debt structure of an issuer, could cause conflicts of interest. In certain circumstances, decisions made with respect to investments held by one client or client of the Adviser’s affiliates could adversely affect the investments of another client or another client of the Adviser’s affiliates. The involvement of such persons at multiple levels of the capital structure could also inhibit strategic information exchanges among fellow creditors. In certain circumstances, clients or the clients of the Adviser’s affiliates may be prohibited from exercising voting or other rights, and

may be subject to claims by other creditors with respect to the subordination of their interest. If additional capital is necessary as a result of financial or other difficulties, or to finance growth or other opportunities, the clients may or may not provide such additional capital, and if provided each client will supply such additional capital in such amounts, if any, as determined by the Adviser. The Adviser and its affiliates may seek to address these conflicts by adopting policies and procedures, which may include limiting investments by a client which produce such conflicts, limiting voting or roles on creditors' committees, procedures designed to ensure that the teams managing the investments make independent decisions through the enforcement of information barriers and similar procedures, or other procedures in the judgment of the Adviser.

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

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

Investments by Related Persons and Employees

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

Agency Transactions Involving Affiliated Brokers

Neither we, nor any of our officers or directors, acting as broker or agent, effects securities transactions for compensation for any client. We are part of a large diversified financial organization that includes broker-dealers. As a result, it is possible that a related person, other than our officers and directors, may, as agent, effect securities transactions for our clients for compensation.

Item 12. Brokerage Practices

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

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

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

The various Portfolio Managers for each of the Strategies have the authority to direct transactions in securities and other investments on behalf of our clients to brokers-dealers the Firm has selected and approved in accordance with its broker approval process. In doing so, we seek best execution of such transactions. When seeking best execution, we consider the overall costs and proceeds of particular investments, including the price of the security, broker-dealer mark-ups or mark-downs and related transaction costs. Transactions will not always be executed at the lowest available price or transaction cost but will be within a generally competitive range. Additionally, transactions which involve specialized services on the part of the broker-dealer usually entail higher transaction costs than would be the case with other transactions requiring more routine services or other broker-dealers that may not offer such products or services.

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

The European Private Credit team does not generally use broker-dealers because their investments in portfolio companies are conducted through private offerings whereby the funds' ownership is recorded on the books of the issuer. Most of the time the exit of portfolio company positions is effected through private transactions and not through broker-dealers/agent banks due to the nature of the transaction (i.e. pay-downs, pay-offs and/or refinancing by portfolio companies of their outstanding debts). However, in the few instances when the fund uses a broker-dealer/agent bank to effect the liquidation of its holdings in portfolio companies, best execution is the primary consideration in placing portfolio transactions with a particular broker-dealer. The team considers the price of the instrument, broker-dealer mark-ups or mark-downs and related transaction costs. Other considerations include a broker-

dealer's specific expertise and/or agent bank status with respect to a particular security, access to underwritten offerings, execution capabilities including such factors as responsiveness to Alcentra and back office settlement capabilities, the ability to generate credit investment ideas and the broker-dealer's financial stability.

Soft Dollars

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

A firm providing independent advice, restricted advice or portfolio management services to retail or Professional Clients in the United Kingdom are prohibited from receiving inducements (other than acceptable minor non-monetary benefits) in relation to those services. A firm can receive third party research without breaching that prohibition if it is received in return for:

1. Direct payment by the firm out of its own resources; or
2. Payment from a separate research payment account, provided that the firm meets specific requirements required by UK Financial Conduct Authority rules relating to the operation of the account.

Alcentra has made the decision to pay directly for research itself rather than pass those costs to its clients via a separate research account. However, in line with UK regulations the receipt of Fixed Income research is exempt from this requirement. As a matter of policy, we do not utilize "soft dollar" arrangements, but do receive research of the type that is customarily provided by brokers or dealers to their institutional customers, which may be useful to us in serving the accounts that we advise. Although our receipt of such research services does not reduce our normal independent research activities, it may enable us to avoid the additional expenses that we might otherwise incur if we were to attempt to independently develop comparable information.

Other Brokerage Practices Conflicts of Interest

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

1. receiving client referrals from a broker-dealer;
2. acting on a client's direction to use a particular broker-dealer; and
3. using affiliated broker-dealers.

Compensation for Client Referrals

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

Affiliated Brokerage

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

Brokerage for Client Referrals

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

Directed Brokerage

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

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

Trade Aggregation

We manage numerous clients with similar investment objectives. Additionally, we manage clients with different objectives that trade in the same investments. Despite such similarities, investment decisions relating to the clients' investments are made independent of each other in light of differing conditions and we will not necessarily purchase or sell securities at the same time or in the same proportionate amounts for all eligible clients. Therefore, not all clients will necessarily participate in the same investment opportunity or participate on the same basis and the performance resulting from such decisions will differ from client to client. However, if the same investment decision is made for two or more clients within or across investment strategies, we will seek to aggregate such transactions for the same security into a single "bunched" order to obtain best execution and/or price for participating clients. Each client who participates in an aggregated order generally receives an average price with all transaction costs shared on a pro-rata basis. An order for a new issue, will generally, not be aggregated with a secondary market transaction of the same issuer.

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

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

Trade Allocation

The Adviser seeks to allocate investment opportunities among the clients on a fair and equitable basis over time, taking into consideration each client's investment restrictions and various other factors as noted below. When allocating investment opportunities the Adviser is precluded from favoring any client or set of clients under the same strategy over another, considering different fee structures as an incentive in allocating investment opportunities to a client or clients that have the potential to pay a larger fee, or recommending or causing a client to enter into transactions for the purpose of benefiting the direct or indirect securities holdings of the Adviser or its affiliates or employees. When allocating investment opportunities, the Adviser first seeks to ascertain the amount of the asset available while keeping in mind each client's overall investment objective and cash availability. We use our best judgment as determined by our investment teams in allocating investments among the clients. Alcentra considers a wide range of factors in determining allocations of investments among clients, including, but not limited to, each client's available cash, investment objectives, limitations outlined in each client's offering materials, and certain position considerations such as concentration limitations and round lots. In addition, we give special consideration to our clients in the ramping stage, nearing an upcoming determination date or the end of a reinvestment period, avoiding an event of default, or bringing a client into compliance with indenture or other restrictions. Such determinations will be maintained in writing by the portfolio managers of the relevant clients. For more information investors should refer to the offering materials of the fund or the client's investment advisory agreement following the relevant strategy.

The trade allocation and trade error policies and procedures allow for reallocation of certain trades after their initial allocation. As part of this reallocation process, we follow our policies and procedures which state that reallocations are only permitted under certain circumstances (such as to correct a misallocation) and require the approval of Compliance or Legal.

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

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

Aggregation/Allocation Across Multiple Portfolio Managers and Advisers

CLO warehouse clients and CLO clients that are initially identified as “ramping” clients at the time of the order being placed, may be allocated more than their pro rata share. For these purposes, Alcentra allows for adjustments to allocations to such ramping clients up to a 2x factor and such appropriate factor applied as determined from time to time. This ramping provision is applied in a manner such that only the allocations to other CLO and CLO warehouse clients are affected.

Co-Investments – Fund Investors

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

Advisory Affiliates

Alcentra is affiliated with Benefit Street Partners L.L.C., BSP CLO Management LLC, K2/D&S, FBSPL Adviser and Franklin BSP, investment advisers registered with the SEC (collectively the “Affiliates”). The Affiliates and their relying advisers generally focus primarily on different investment strategies than the Adviser. However, clients of the Adviser and the Affiliates may invest in the same portfolio companies, including in the same security or in different securities of such a portfolio company.

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

The Adviser is a subsidiary of Franklin Resources, Inc., a global investment management organization (together with its affiliated advisers (but excluding the Adviser), referred to in this section as “Franklin Templeton”). Clients of the Adviser and/or Franklin Templeton may invest in the same portfolio companies, including in the same security or other instrument or in different securities of or instruments issued by a portfolio company and Franklin Templeton has no obligation to inform the Adviser or the Funds of any such investments or offer such investments to the Funds. In the ordinary course of conducting the Funds’ activities, interests of the Funds may therefore conflict with the interests of other clients of the Adviser and/or Franklin Templeton. In addition, as a diversified financial services organization, Franklin Templeton and its affiliates engage in a broad spectrum of activities including financial, advisory, investment and other activities where their interests may conflict with the interests of the Funds. Certain Funds authorize the advisory committee to resolve and give consent to certain transactions and conflicts of interest on behalf of the Fund, including certain

transactions or conflicts requiring consent of a client of a registered investment adviser under the Advisers Act. Any such consent shall be binding on the Funds. Franklin Templeton may provide investment advisory services and other services to clients and receive fees for such services in connection with transactions in which those clients may have interests that conflict with those of the Funds. Franklin Templeton may also give advice to clients that may cause them to take actions adverse to the Fund's investments. In addition, Franklin Templeton may have relationships with clients seeking to invest in an existing portfolio company of the Funds or clients that compete with an existing portfolio company of the Funds. Further, although it is not expected, it is possible that Franklin Templeton could create investment vehicles in the future that may compete with the Funds for investment opportunities. Franklin Templeton will have no obligation to forego or share such investment opportunities with the Funds, and investments made by Franklin Templeton in such opportunities could preclude the Funds from investing in such opportunities.

In connection with its advisory business, Franklin Templeton may come into possession of information that could potentially limit the ability of the Funds to engage in potential transactions. In order to avoid such limitation, the Adviser intends to control the flow of such information, such as by erecting information barriers to restrict the transfer of such information between the Adviser and Franklin Templeton. In the event that an information barrier designed to protect the Funds is breached (including inadvertently), changed or removed, the Funds will likely face the same restrictions on its investment activities as it would have faced had the information barrier not been established in the first place or face restrictions resulting from such changes to the information barrier, as the case may be. The Adviser will generally not rely on the expertise of Franklin Templeton and its investment professionals and will not share such investment professionals in managing and/or advising the Adviser's clients.

Item 13. Review of Accounts

The Quarterly Risk & Performance Meeting is the key periodic review of risk metrics against internal risk thresholds and the main governance tool of Investment Risk.

Key metrics (which vary by fund) that are measured include:

- Overall performance drivers
- Watchlists
- Asset, price rating and industry mix
- Benchmark deviation
- Key movers
- Liquidity
- Manager concentration
- Stress testing

European Liquid Loan Strategy

Each fund's investments are frequently reviewed by the assigned portfolio manager and/or the relevant Credit Analyst for the investment. In addition, the investment team and the portfolio administration team meet regularly to review relevant data to assess each CLO's compliance with terms established by the indentures. Supplementary in-depth reviews by the portfolio managers may be triggered by market or economic factors, severe deterioration in credit performance, collateral value, cash flow or rating. Trustees or administrators for the CLOs prepare monthly written reports for the Firm and the investors in the vehicles. Reports are distributed directly to the underlying investors in the funds by the Trustee or administrator. In addition, the Firm makes the reports available to investors by posting them to the Firm password protected website. We typically prepare a monthly written commentary on overall market conditions for fund investors under this strategy.

European Private Credit Strategy

The European Private Credit Team team conducts due diligence on proposed investments and compiles information supporting its analysis for consideration in the first instance by a committee tasked with oversight of European private credit strategy investments. If an investment opportunity is approved by the committee, it is then presented to the fund's independent board for consideration.

Monitoring is conducted by the credit analyst responsible for the relevant investment as well as the Private Credit Portfolio Team. Typically, Alcentra will receive private, monthly management accounts from the companies to which it lends. The relevant analyst and Portfolio Team will track monthly data for each borrower using proprietary systems and standardised monitoring reports. In many cases, analysts will regularly meet key executive management in invested companies. The investment team will meet weekly to discuss developments with portfolio companies. All credits will be reviewed in detail by the investment committee at quarterly portfolio reviews, based by work done by investment

analysts in a process led by the Portfolio Team. Annual audited financial statements, as well as unaudited quarterly reports are provided to the funds' investors. The quarterly reports include a summary of fund investments made during the related quarterly period, information on existing portfolio positions, and fund performance data and a statement of each fund net asset value at the beginning and end of such quarterly period.

Multi-Credit Strategy

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

Global Special Situations Strategy

The Special Situations Strategy team is responsible for the ongoing monitoring of any approved investments, continually analysing and reassessing any changes or developments that may affect the company's financial performance. These may include but will not be limited to: the evolution of the company's earnings and cash flow, industry developments, macroeconomic factors and changes in capital structure.

Structured Credit Strategy

The Portfolio Manager of the Structured Credit team reviews the portfolios on a weekly basis.. The Portfolio manager also provides additional narrative on the portfolio and current market conditions at the Quarterly Risk and Performance meetings. The team monitor investments utilizing proprietary internal cash flow models as well as third party systems. The criteria typically includes:

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

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

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

Item 14. Client Referrals and Other Compensation

Unaffiliated Solicitors and Placement Agents

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

Item 15. Custody

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

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

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

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

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

Physical Custody

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

Item 16. Investment Discretion

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

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

Item 17. Voting Client Securities

As part of the contractual relationship between us and our clients, typically through an investment advisory agreement, a client may delegate to us its right to exercise voting authority in connection with the securities we manage for that client. Voting rights are most commonly exercised by casting votes by proxy at shareholder meetings on matters that have been submitted to shareholders for approval. Consistent with applicable rules under the Advisers Act, we have adopted and implemented written proxy voting policies and procedures that are reasonably designed: (i) to vote proxies, consistent with our fiduciary obligations, in the best interests of clients; and (ii) to prevent conflicts of interest from influencing proxy voting decisions made on behalf of clients. We provide these proxy voting services as part of our investment management service to client accounts and do not separately charge a fee for this service.

Clients that have granted us with voting authority are not permitted to direct us on how to vote in a particular solicitation. Clients that have not granted us voting authority over securities held in their accounts will receive their proxies in accordance with the arrangements they have made with their service providers. We generally do not provide proxy voting recommendations to clients who have not granted us voting authority over their securities.

A copy of the Alcentra proxy voting policies and procedures, as well as information regarding the voting of securities, is available upon request by contacting our Chief Compliance Officer at the address designated on Page 1 of this Form ADV Part 2.

Class Actions / Legal Proceedings

It is our policy that we typically do not advise, initiate or take any other action on behalf of clients relating to securities held in the client's account managed by Alcentra in any legal proceeding (including, without limitation, class actions, class action settlements and bankruptcies). Alcentra typically does not file proofs of claims relating to securities held in the client's account and typically does not notify the client or the client's custodian of class action settlements or bankruptcies relating in any way to such account. Typically, custodians submit filings in connection with class action settlements and may also handle bankruptcy filings. Each client should consult with its custodian and other service providers to ensure such coverage.

Item 18. Financial Information

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