

## **IVY HILL ASSET MANAGEMENT, L.P.**

### **Form ADV Part 2A Firm Brochure**

**Updated: March 28, 2024**

**This brochure provides information about the qualifications and business practices of Ivy Hill Asset Management, L.P. (“Ivy Hill” or the “Firm”). If you have any questions about the contents of this brochure, please contact us at 212.710.2122 or [proll@aresmgmt.com](mailto:proll@aresmgmt.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 Ivy Hill also is available on the SEC’s website at:  
[www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)**

*Registration with the SEC as an investment adviser does not imply that Ivy Hill or any principals or employees of Ivy Hill possess a particular level of skill or training in the investment advisory or any other business.*

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## **Item 2 - Material Changes**

Ivy Hill makes changes throughout its brochure in an effort to improve and clarify the descriptions of its and its affiliates' business practices and compliance policies and procedures or in response to evolving industry and firm practices. While Ivy Hill does not believe that these changes are material, Ivy Hill has made updates to this brochure to enhance certain disclosures and provide additional information regarding (i) the investment strategies managed by Ivy Hill; (ii) the allocation of investments among our Clients; (iii) fees and expenses charged, or that are expected in the future to be charged, to our Clients; (iv) certain risks of investing in our Clients; (v) activities of Ivy Hill's affiliated broker-dealers; and (vi) actual and potential conflicts of interest that may arise in the course of our investment and other activities, including related to affiliated service providers.

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## Item 4 - Advisory Business

Ivy Hill is a Delaware limited partnership that was formed in November 2007. Ares Capital Corporation (“Ares Capital”) currently directly or indirectly owns 100% of Ivy Hill's equity and voting interests. Ivy Hill Asset Management GP, LLC (“Ivy Hill GP”) is the general partner of Ivy Hill, and Ares Capital is the sole member of Ivy Hill GP. Ares Capital is a closed-end, non-diversified specialty finance company that is regulated as a business development company under the Investment Company Act of 1940, as amended (the “Investment Company Act”), and is externally managed by Ares Capital Management LLC (“ACM”), a wholly owned subsidiary of Ares Management LLC (“Ares Management”). Both ACM and Ares Management are SEC-registered investment advisers and are subsidiaries of Ares Management Corporation (“Ares Corp”), a publicly traded, leading global alternative investment manager. References to Ares Management in this brochure include, as the context requires, affiliates through which Ares Management provides investment advisory services.

Ivy Hill, either directly or through one or more subsidiaries, provides the services described below to its advisory clients, which are comprised of various pooled investment vehicles, including collateralized loan obligations (“CLOs”), private investment funds and separately managed accounts (collectively, the “Clients”). In some situations, Ivy Hill may form special purpose entities to serve as investment vehicles for investors. Ivy Hill, or a subsidiary of Ivy Hill, serves as general partner, managing member, investment adviser, sub-adviser, manager and/or sub-manager of each of its Clients. The Clients’ underlying investors are generally either accredited investors and qualified purchasers (as noted in Item 7 below) or non-U.S. persons, depending on the applicable eligibility requirements of the respective Client. We refer to these investors as “Underlying Investors.”

Ivy Hill’s investment advisory business is principally focused on investing in and managing middle market senior secured loans, including revolving credit facilities, through co-mingled structured investment vehicles, including CLOs, private investment funds and separately managed accounts. Ivy Hill tailors its advisory services to the specific investment objectives and restrictions of each Client. The investment objective of the Clients is generally to seek a total return while generating current income. Many Clients have investment restrictions that are particular to such Client. Investment restrictions may include, among others, prohibitions on investing in certain types of assets (e.g., equity securities), restrictions on issuer domiciles, restrictions on price or rating of investments and limitations on the percentage a particular type of investment can comprise of a Client’s investment portfolio.

Underlying Investors and prospective investors of each Client should refer to any applicable confidential private placement memorandum, offering memorandum, indenture, limited partnership agreement, limited liability company agreement, investment management agreement and other governing documents for each such Client (the “Governing Documents”) for more detailed information on the investment objectives, investment restrictions and risks related to the applicable Client. Prior performance, while illustrative of Ivy Hill’s investment philosophy and experience, is not indicative of future performance and there is no assurance that any investment objectives will be achieved.

In accordance with common industry practice, Ivy Hill or a Client's general partner, managing member, investment adviser or manager may enter into "side letters" or similar agreements pursuant to which certain Underlying Investors are granted specific rights, benefits, or privileges (including, without limitation, with respect to differences, including discounts to and/or sharing of, management fees, performance allocations, performance hurdles, withdrawals, access to information, minimum investment amounts, co-investment opportunities, reporting obligations, and other rights or terms including those that may be requested in light of particular investment, legal, regulatory or public policy characteristics of an Underlying Investor). These rights, benefits or privileges are not always made available to all Underlying Investors nor in some cases are they required to be disclosed to all Underlying Investors. The disclosure and extension of any such rights, benefits or privileges are governed by the corresponding Governing Documents and/or applicable law. Ivy Hill does not participate in any wrap fee programs.

As of December 31, 2023, the amount of regulatory assets Ivy Hill manages on a discretionary basis was approximately \$13,691,819,689 ("RAUM"). RAUM is calculated by aggregating the gross value of all Clients and other securities accounts (including proprietary accounts) for which Ivy Hill provides continuous and regular supervisory or management services. In instances where Ivy Hill only provides such services for a portion of a Client or account, only the value of the portion of the Client or the account for which Ivy Hill performs continuous and regular supervisory or management services is included in Ivy Hill's RAUM. Ivy Hill does not manage any client assets on a non-discretionary basis.

## **Item 5 - Fees and Compensation**

### ***Compensation and Fee Schedules***

Underlying Investors and prospective investors of each Client should review the Governing Documents of the applicable Client for more detailed information on fees and compensation payable with respect thereto, including advisory fees payable with respect to a particular Client.

### ***Advisory Fees***

Underlying Investors in private Clients are generally all "qualified purchasers" as defined in Section 2(a)(51) of the Investment Company Act, and, as such, information regarding the fees and compensation payable by such Underlying Investors is not required to be provided herein. In certain circumstances, the advisory fees and performance compensation payable by Underlying Investors are negotiable. Ivy Hill also charges certain Clients administration, agency, servicing fees, and similar non-advisory fees and expenses.

Different Clients are subject to different advisory fees as compensation for the investment advisory services rendered to the applicable Client (each, an "Advisory Fee"). Advisory Fees are set forth in each Client's Governing Documents. The precise amount of, and the manner and calculation of, the Advisory Fees for each Client are intended to be reflective of the underlying investment mandate and associated investment risk of the Client and are established by Ivy Hill and disclosed in each Client's Governing Documents. Advisory Fees charged to some Clients may differ from

fees charged to other Clients; in those and other situations, such differences are subject to separately negotiated terms and may (or may not) be disclosed to other Clients or Underlying Investors. In certain circumstances, the Advisory Fees payable to Ivy Hill by Underlying Investors will vary among such Underlying Investors and may be negotiable. Moreover, employees and certain business associates and “friends and family” of Ivy Hill or Ares Management generally will not pay Advisory Fees or performance-based compensation with respect to their direct or indirect investments in each Client.

Advisory Fees paid by a Client are indirectly borne by its Underlying Investors. Underlying Investors and prospective investors should note that similar advisory services may (or may not) be available from other investment advisers for similar or lower fees and that fees may differ among Underlying Investors of the same Client.

In addition to managing the Clients, Ivy Hill, from time to time, invests in debt and/or equity securities issued by certain Clients, and Ares Capital has also invested, and may in the future invest, in securities issued by one or more Clients. In addition, persons affiliated with ACM and entities managed by affiliates of ACM, including entities managed by Ares Management, have invested, and may in the future invest, in securities issued by one or more Clients. While Ivy Hill endeavors at all times to act in the best interests of its Clients, Underlying Investors and prospective investors should be aware that Ivy Hill’s receipt of compensation from each Client and the investment by Ivy Hill, Ares Capital or entities managed by affiliates of ACM, including entities managed by Ares Management, in a Client may create potential conflicts of interest.

### ***Management Fees***

We generally receive an annual management fee from our Clients based upon a percentage of the Client’s capital commitments, contributed capital, net asset value, cost basis of investments or invested capital during the term of the account. A Client’s Governing Documents set forth the terms under which management fees will be reduced, offset or otherwise be limited, and Underlying Investors should expect to bear the full specified management fee rate until it is reduced in the circumstances and/or on the date(s) specified in the Governing Documents. In the case of partial sales of investments, recapitalizations of investments, or distributions from investments, each Client’s Governing Documents will be used to determine any impact on whether and the extent to which management fees for Clients will be reduced (in whole or in part). Pursuant to the terms of each Client’s Governing Documents, the management fee may change at the end of a Client’s investment period, the end of a Client’s term or in connection with the raise of a successor fund.

With respect to Clients for which management fees are based upon a percentage of the Client’s contributed capital, cost basis of investments or invested capital, the amount of management fees payable will not be impacted by fluctuations in value of a Client’s investments, unless the circumstances causing such fluctuation separately require a change or adjustment pursuant to the management fee calculation provisions of a Client’s Governing Documents. Our Clients’ Governing Documents outline the circumstances whereby the basis upon which the management fee is calculated would be changed or adjusted in connection with an investment having experienced a change in value, such as a write down due to a permanent impairment, a loss for tax purposes or a complete write-off of the investment (a “Fee Base Adjustment”).

Each Client's Governing Documents contain specific provisions regarding the circumstances that would result in a Fee Base Adjustment. As a general matter, the determination of whether an investment should result in a Fee Base Adjustment and the timing of that determination is subjective in nature. Fee Base Adjustments are not intended to capture investments experiencing temporary declines in value or declines in value due to market conditions or other factors that are not specific to an investment. For example, we could be entitled to receive management fees with respect to an investment that is valued at zero on a particular measurement date if we determine the decline in the investment's value is due to a temporary decline in value or a decline in value due to market conditions or other factors that are not specific to an investment. Determinations of Fee Base Adjustments are based on each Client's Governing Documents and are highly dependent on the totality of the specific facts and circumstances and may include, but are not limited to, the length of time the investment has had a loss in value, the cause of the loss in value, the contractual terms of the investment, the availability of exit or refinance opportunities, the status of negotiations with third parties, the status of any restructuring, bankruptcy or other legal proceeding, our expectation with respect to the future business prospects of the investment, our decision to commit time and additional resources to the effort to recover the value in the investment and whether the change in value may potentially be reversible.

The criteria for determining Fee Base Adjustments will differ from Client to Client and investment to investment, and there can be no expectation that a determination of a Fee Base Adjustment with respect to one investment based on certain facts can be replicated with respect to another investment, as the facts and circumstances with respect to each investment will inherently differ. Because Ivy Hill has discretion in determining whether and when the circumstances surrounding an investment should result in a Fee Base Adjustment, a conflict of interest exists because a determination of a Fee Base Adjustment will have a negative economic impact on Ivy Hill where there is a decrease in management fees.

### ***Performance-Based Fees***

Ivy Hill also typically receives performance-based compensation from its Clients as described in "*Item 6 – Performance-Based Fees and Side-by-Side Management.*"

### ***Deduction of Fees; Timing of Payments; Termination***

For many of our Clients, Ivy Hill is authorized under the Client's Governing Documents to charge and deduct Advisory Fees directly, or indirectly through the applicable Client's trustee, from the assets of the Client at the times and in the amounts set forth in the Governing Documents.

Base Advisory Fees for many of Ivy Hill's Clients are payable in arrears, generally on a quarterly or semi-annual basis. Because such Advisory Fees are payable in arrears, they are not paid until after services have been rendered. Please refer to the Governing Documents of a Client for more detailed information on the timing of Advisory Fee payments.

Clients have the right to terminate the advisory or investment management agreements in accordance with the terms of such agreements.

### ***Other Fees and Expenses***

In certain circumstances, Ivy Hill incurs fees, costs, and expenses for the account or benefit of more than one Client. Under these circumstances, each such Client will typically bear an allocable portion of any such fees, costs, and expenses in proportion to the size of its investment in or commitment to the activity or entity to which such expense relates (subject to the terms of each Client's Governing Documents) or in such other manner as Ivy Hill considers fair and equitable under the circumstances. In the event that a Client's Governing Documents do not permit the payment of a particular expense, Ivy Hill will bear the amount allocable to such Client. In certain other circumstances, Ivy Hill elects to bear expenses that a Client's Governing Documents permit the Client to bear and may make such election for some Clients but not others. The differences in expenses borne by Clients, even with overlapping investment strategies, are subject to separately negotiated Governing Documents and are typically not disclosed among all Clients, subject to applicable law. Ivy Hill endeavors to allocate such fees, costs, and expenses in a manner that is fair and equitable under the circumstances to each Client relative to other Clients, taking into account the terms of the relevant Governing Documents.

There are four general categories of fees and expenses allocated to and among Clients. As discussed further below, these categories are: (1) Organizational Expenses; (2) Administrative Expenses; (3) Sourcing and Diligence Expenses; and (4) Oversight Expenses. Please refer to the individual Client Governing Documents for more detailed information related to the type of fees and expenses that will be charged or allocated to a particular Client.

*Organizational Expenses.* These expenses are related to the organization of Clients and related entities and the costs of negotiating and entering into the Clients' Governing Documents. Organizational Expenses are not directly related to operating or administering Clients or sourcing investments. Each Client, subject to its Governing Documents and to the extent permitted by applicable law, will typically pay or otherwise bear (generally up to an agreed amount) all fees, costs, expenses, and other liabilities incurred in connection with the formation and organization of, or pre-marketing and sale of interests in, such Client, its general partner or similar person and/or investment manager, including (but not limited to):

- commissions, costs, and all out-of-pocket legal, accounting, tax, filing, regulatory compliance, capital raising, printing, electronic database, state and local formation;
- commissions, costs, fees and expenses of any placement agent or finder;
- "blue sky" filings costs or similar non-U.S. filings and distributions;
- foreign registrations and foreign securities distributors;
- other related legal and organizational matters; and
- travel-related expenses (as defined below) in respect of the foregoing.

*Administrative Expenses.* In addition to the fees payable to Ivy Hill and as set forth in the applicable Governing Documents, Clients typically pay or otherwise bear all or a portion of the fees, costs, expenses, and other liabilities arising in connection with their operation and administration (including the operation and administration of any parallel funds, subsidiaries, alternative investment vehicles and other special purpose vehicles). Examples of administrative expenses that



a Client pays or otherwise directly or indirectly bears pursuant to its Governing Documents and to the extent permitted by applicable law include (but are not limited to):

- any sales or other taxes, fees or government charges that may be assessed against the Client or Ivy Hill or its affiliates in connection with the activities of such Client, including annual filing, franchise tax, registration and maintenance fees;
- capital payments, interest, fees, agent bank and other bank service fees and other expenses in respect of indebtedness for borrowed money and all costs and expenses associated with negotiating, structuring, entering into, maintaining and terminating any credit facility or other indebtedness for borrowing by a Client;
- computer software specific to the affairs of Clients and market data costs and research-related expenses, including, without limitation, news and quotation equipment, software and services;
- expenses of holding meetings or conferences with Underlying Investors, including travel-related expenses;
- costs related to or in connection with any governmental or other inquiry, investigation, audit, administrative proceeding or regulatory matter, litigation and threatened litigation involving a Client (including the amount of any judgments, settlements or fines paid in connection therewith) to the extent permitted by applicable law;
- indemnification obligations;
- fees, costs and expenses attributable to administrative, investment banking, commercial banking, accounting, auditing, appraisal, tax advisory, tax preparation, legal, external consulting, operating advisors, compliance, custodial and registration services provided to a Client;
- fees, costs and expenses relating to the holding and transacting of a portfolio investment, including, but not limited to, related press releases and other marketing activities respecting the portfolio investment;
- fees, costs and expenses, including premiums related to risk management services and insurance (including insurance to protect the Client, Ivy Hill, the general partner, their affiliates and their respective officers, directors, employees, partners, managers and members in connection with activities of the Client);
- the costs of dissolving and liquidating a Client's investment vehicles;
- costs of amendments to, and waivers, consents and approvals pursuant to, the Governing Documents;
- preparation, delivery and implementation of side letters and any related "most favored nations" election processes;
- the costs and expenses for tax and audit services to a Client;

- costs of preparing financial statements and reports to Underlying Investors, tax returns, tax estimates, tax reporting or any other administrative, compliance or regulatory filings or reports or the provision of other information to Underlying Investors or other parties;
- appraisal and valuation of the Client's and its subsidiaries' assets, including the cost of valuation review and assistance provided to third parties;
- services provided by any third-party service provider (such as an administrator, depository, custodian, tax and compliance professionals, independent directors, operating advisors or other service providers) to the Client, or its affiliates relating to the activities of such Client;
- fees, costs and expenses associated with compliance by the Client or its affiliates that are involved in the management of the Client with all applicable laws, rules and regulations, including certain expenses related to regulatory filings;
- costs and expenses of a Client's advisory board or committee and its members and its activities attributable to the Client (including expenses incurred by members of the advisory board or committee in connection with attendance at annual and special meetings of the advisory board or committee);
- any extraordinary expense of the Client;
- legal, tax and accounting expenses in connection with the foregoing;
- costs and expenses of attending industry and trade association meetings, conferences or similar meetings to source and evaluate investment opportunities; and
- transportation (which may include the use of private aircraft, including those owned by employees of Ares Management, car services, parking, etc.), accommodations, meals and entertainment related to the foregoing (collectively, "travel-related expenses").

Certain Clients will pay the cost of certain services that Ivy Hill or Ares Management employees provide (including a portion of compensation, benefits and overhead costs otherwise payable by Ivy Hill), including, without limitation, administration, tax advisory, compliance, legal, finance and accounting, investment administration and portfolio management and/or internal costs (including compensation, benefits and overhead costs) attributable to certain consultants. Such services typically consist of services that would otherwise be provided by a third party whose fees, costs and expenses would be paid by the Client.

*Sourcing and Diligence Expenses.* These expenses relate more generally to investment sourcing and diligence for a particular investment strategy and include fees, costs and expenses of identifying, investigating (including the conducting of due diligence with respect to), evaluating, structuring and negotiating potential investments for such strategy. Examples of sourcing and diligence expenses that a Client pays or otherwise bears pursuant to its Governing Documents and to the extent permitted by applicable law include (but are not limited to):

- commissions, brokerage fees and similar charges incurred in connection with the purchase or sale of securities (including any merger fees payable to third parties and whether or not any such purchase or sale is consummated);

- fees, costs, expenses and other liabilities and obligations incurred in identifying, sourcing, originating, evaluating, conducting due diligence, investigating, developing (including any retainers, success and finder's fees and other compensation paid to contractors, senior advisors, joint venture partners and sourcing and operating partners), negotiating, structuring, studying (including any market studies and/or the use of expert networks), financing, purchasing, settling, obtaining ratings, monitoring, advising or managing, valuing, disclosing (including press releases and other marketing), holding, and selling or otherwise disposing of portfolio investments (whether or not consummated);
- travel-related expenses;
- legal, tax, consulting and accounting expenses;
- costs and expenses of attending industry and trade association meetings, conferences or similar meetings to source and evaluate investment opportunities;
- costs and expenses of research and technology (including costs of specialty data subscription and license-based services and risk analysis software); and
- "broken deal expenses" including any such fees, costs, expenses and other liabilities incurred with respect to unconsummated investments which may include such expenses that would have been allocated to co-investors had such proposed investment been consummated.

*Oversight Expenses.* These expenses are incurred in connection with the oversight of portfolio companies. Examples of oversight expenses that a Client pays or otherwise bears pursuant to its Governing Documents and to the extent permitted by applicable law include (but are not limited to):

- travel-related expenses for an Ivy Hill employee to visit or inspect an investment;
- expenses of consultants (including expert networks and operating advisors);
- brokerage commissions, clearing and settlement charges, investment banking fees and expenses, bank charges, placement, syndication and solicitation fees, arranger fees, sales commissions, bridge financing expenses and other investment, marketing, execution, closing and administrative fees costs and expenses of portfolio investments;
- portfolio and risk management expenses (including hedging transactions and related costs); and
- expenses of any actual or potential litigation or other dispute or investigation or inquiry related to any portfolio investment.

Travel-related expenses incurred by Ivy Hill employees are subject to Ares Management's Travel & Expense Policy.

In most cases, Ivy Hill or its related parties will select a Client's service providers (including accountants, administrators, lenders, bankers, brokers, attorneys, consultants, and investment or commercial banking firms) and will determine the compensation of such providers without review by, or consent of, the Underlying Investors. In certain cases, service providers selected to provide

services to our Clients may be our subsidiaries, affiliates or related persons (“Affiliated Service Providers”). While the use of Affiliated Service Providers creates conflicts of interest because Ivy Hill or its related party has a potential incentive to recommend Affiliated Service Providers due to its financial or other business interests, Ivy Hill selects service providers that it believes are in the best interests of its Clients based on alignment with operational strategies and potential enhancement of portfolio company performance, among other factors. Ivy Hill uses reasonable diligence to periodically ascertain whether each service provider adequately fulfilling its obligations and meeting performance requirements, taking into account factors such as expertise, availability and quality of service, familiarity with the Client and Ivy Hill, and the competitiveness of compensation rates in comparison with other providers who meet the selection criteria. To the extent allowable under the Governing Documents, Clients will bear the fees, costs and expenses related to such services, including in the case of Affiliated Service Providers, and such fees, costs and expenses may differ from Client to Client. There can be no assurance that the rates charged for services provided by an Affiliated Service Provider would be the same or lower than those that would have been charged by a third-party service provider or that no other service provider is more qualified to provide the applicable services. Where an Affiliated Service Provider is retained to provide services to a Client, Ivy Hill or its related party indirectly receives fees payable to the Affiliated Service Providers, in addition to management fees and performance-based fees. In addition, service providers and/or their affiliates may simultaneously be engaged in separate and distinct arrangements with Ivy Hill, its related parties, its Clients, and even Client portfolio companies. As such, it is possible that the service provider will charge different rates which may result in more favorable rates or arrangements for Ivy Hill or its related parties than for its Clients or their portfolio companies. This has the potential to create an incentive for Ivy Hill or its related parties to select service providers, including Affiliated Service Providers, based on potential benefit to Ivy Hill or its related parties rather than its Clients.

For a further description of Affiliated Service Providers and related conflicts, please refer to “*Affiliated Service Providers*” in “*Item 10. Other Financial Industry Activities and Affiliations.*”

See discussion below in “*Item 12. Brokerage Practices*” for a description of the factors Ivy Hill considers in selecting or recommending broker-dealers and determining the reasonableness of their compensation.

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

### ***Performance-Based Fees***

For some of its Clients, Ivy Hill is entitled to an incentive fee as part of its compensation for management services. Any share of profits paid to Ivy Hill by a Client is separate and distinct from the Advisory Fees charged by Ivy Hill for advisory services. Ivy Hill, its employees, certain business associates and “friends and family” of Ivy Hill and Ares Management will generally not pay such performance-based fees or allocations with respect to their direct or indirect investments in Clients.

Performance-based fees and allocation arrangements received by Ivy Hill or its related persons may create incentives for Ivy Hill to recommend investments that may be riskier or more

speculative than those that would be recommended under different fee arrangements. Please refer to the Governing Documents of each Client for more complete information on the performance-based fee arrangements of each Client.

### ***Side-by-Side Management***

Ivy Hill and related parties of Ivy Hill, including affiliates of ACM, provide concurrent advisory services to clients for which the investment mandates, compensation and fee arrangements (including with respect to performance fees and fee offsets) and other circumstances differ from Client to Client. The potential for Ivy Hill and its related persons to receive greater fees from certain accounts creates a potential conflict of interest with respect to the allocation of investment opportunities, as Clients that pay higher fees may create incentives to direct investment ideas to, or to allocate investments in favor of such Clients.

To mitigate potential conflicts of interest, allocations of investment opportunities among Clients are determined by Ivy Hill in accordance with its investment allocation policy and consistent with its fiduciary duties and corresponding investment mandates. It is Ivy Hill's policy that all investment opportunities will, to the extent practicable, be allocated among its clients on a basis that over a period of time is fair and equitable to each client relative to other clients, taking into account relevant facts and circumstances, including, but not limited to:

- (i) differences with respect to available capital (e.g., current cash position and current or anticipated capital additions or withdrawals), size of a Client and lifecycle, including the remaining life, of a Client;
- (ii) differences with respect to investment objectives or strategies such as objectives or strategies:
  - a. regarding current and total return requirements,
  - b. emphasizing or limiting exposure to specific investments, including, but not limited to, type of security, jurisdiction, industry, or other characteristic of the investment,
  - c. regarding diversification, including industry or company exposure, currency and jurisdiction, or
  - d. regarding rating agency ratings;
- (iii) differences in risk profile at the time an opportunity becomes available;
- (iv) the potential transaction and other costs of allocating an opportunity among various Clients;
- (v) actual or potential conflicts of interest, including whether multiple Clients directly or indirectly have an existing investment in the issuer in question or the issuer of such security;
- (vi) the nature of the security or the transaction including size of investment opportunity, minimum investment amounts and the source of the opportunity;
- (vii) current and anticipated market conditions;
- (viii) prior or existing positions in an issuer/security; and

- (ix) differences in particular portfolio profile covenants or other contractual requirements, including requirements set forth in the debt agreements of funds utilizing leverage.

The President of Ivy Hill is generally responsible for transaction allocations within Ivy Hill. Allocations of investment opportunities are reviewed periodically to assess the effectiveness of the procedures. Ivy Hill and its affiliates may co-invest with certain Clients, as described in the Clients' Governing Documents.

When evaluating an investment opportunity, Ivy Hill will, in certain circumstances, determine that the division of an investment among multiple Clients may negatively impact the nature of the investment such that it would not be appropriate to divide the investment among the multiple Clients for which the investment is otherwise suitable. In certain circumstances, Ivy Hill will also determine that the differences among Clients, such as the length of each Client's investment period, may result in an inability to share an investment opportunity among existing Clients without increasing the potential for conflicts of interest to arise. If it believes such circumstances are likely to occur regularly, Ivy Hill will generally employ an allocation rotation process pursuant to its investment allocation policy that is designed to facilitate a fair and equitable allocation of such opportunities over time.

Certain of our Clients are subject to regulatory limitations on their ability to invest in the same issuer as other Ivy Hill or Ares Management Clients, and in some cases are precluded altogether from investing in an issuer in which another Client is invested or is investing. Ivy Hill, Ares Management and its affiliates have received an order from the SEC that permits Ivy Hill and its Clients to co-invest in portfolio companies with business development companies, registered closed-end investment companies and affiliated investment funds managed by Ares Management and its affiliates (the "Co-investment Exemptive Order"). Investments made in reliance on the Co-investment Exemptive Order are subject to compliance with certain conditions and other requirements, which could limit a Client's ability to participate in an investment opportunity. A Client's ability to participate in an investment opportunity with other Clients is subject to compliance with existing regulatory guidance, applicable regulations and Ivy Hill's investment allocation procedures. The foregoing factors in certain circumstances may:

- adversely impact the price paid or received by the Client or the size of a position purchased or sold by a Client, including commission prices;
- preclude a Client from participating in an investment; or
- limit the rights that a Client may exercise with respect to an investment.

In addition, there may be conflicts in the allocation of investments among Ivy Hill, its Clients and clients managed by Ares Management or its related parties or one or more of their controlled affiliates or among the clients they manage, including investments made pursuant to the Co-investment Exemptive Order.

One Client is permitted to hold, acquire or dispose of positions in an investment in which another Client directly or indirectly invests or has invested. In addition, multiple Clients and/or multiple clients of Ares Management are permitted to directly or indirectly hold or acquire positions in the same or different securities of the same portfolio companies. For example, a Client may invest in



equity securities issued by a portfolio company in which another Client holds debt securities, and a Client may invest, both directly and indirectly through investment funds managed by third parties, in the equity securities of a portfolio company in which another Client holds debt securities. In addition, there have been circumstances where portfolio companies held by different Clients transact with one another, which has resulted in, and in the future may again result in, changes to multiple Clients' portfolio companies that may not be aligned. For example, one Client may exit a portfolio company while another Client increases its investment in a portfolio company, or Clients may hold different securities of the same portfolio company after a transaction. Such investments and transactions may raise potential conflicts of interest for our Clients, particularly if different Clients invest in different classes or types of securities or investments of the same underlying portfolio company. In that regard, actions taken by one Client may be adverse to another Client, including, but not limited to, during a restructuring, bankruptcy or other insolvency proceeding or similar matter. In addition, actions taken by a Client may adversely impact another Client where one Client invests directly in a portfolio company that is owned indirectly by another Client through interests in an investment fund that holds securities of that same issuer. In such cases, the Client that is directly invested in the issuer may pursue or enforce its rights in a manner that may be detrimental to the other Client as an indirect investor. In certain circumstances, Ivy Hill will take actions at the time of an initial investment and on an ongoing basis, as appropriate, to the extent it determines in its sole discretion any such action is necessary or advisable to seek to mitigate potential conflicts of interest for a Client. Such conflict mitigation may include the appointment of an independent third party with decision-making authority with respect to a Client, limiting the amount of an investment in an issuer or fund that owns an issuer by one or more Clients, or agreeing to limit future rights that would otherwise be available to a Client.

From time to time, a Client will subscribe for or otherwise purchase an interest in another Client, provided that the sale or purchase is consistent with the Governing Documents and Ivy Hill's fiduciary obligations to each such Client. In such situations, while the Firm endeavors at all times to act in the best interests of all of its Clients, its receipt of compensation from each Client and the contribution of additional capital by a Client to another Client may create potential conflicts of interest. In certain circumstances, Ivy Hill may choose to reduce or offset the advisory fees of a Client investing in another Client by the amount of advisory fees applicable to the Client's investment in such other Client.

## **Item 7 - Types of Clients**

### ***Types of Clients***

Ivy Hill provides investment advice to various pooled investment vehicles, including CLOs, private investment funds and separately managed accounts. Our Underlying Investors in the Clients are comprised primarily of banks, institutional investors, privately managed funds, insurance companies, government and private pension funds, sovereign wealth funds and high net worth individuals. Ivy Hill or its related persons may establish certain funds ("Feeder Funds") to address particular tax or regulatory requirements. Each Feeder Fund, if formed, would be a limited partner of or investor in a Client and interests in such Feeder Fund would be held by the investors who elect to participate in the Client through such Feeder Fund. Prospective investors should refer

to the Governing Documents of the applicable Client for complete details on any Feeder Fund established with respect to such Client.

Underlying Investors may have conflicting investment, tax and other interest with respect to Client investments. The results of a Client's activities may affect Underlying Investors differently, depending on their different situations. As a consequence, conflicts of interest may arise in connection with decisions made by Ivy Hill that benefits one Underlying Investor over another Underlying Investor. In selecting investments for a Client, Ivy Hill will consider the investment and tax objectives of the Client as a whole and not the objectives of any individual Underlying Investor. However, there can be no assurance that a result will not be more advantageous to some Underlying Investors than to other Underlying Investors.

### ***Minimum Investment Requirements***

The minimum investment of each Client is stated in its Governing Documents and generally ranges from \$100,000 to \$25,000,000, although we are typically permitted to waive this minimum at our discretion.

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

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

Ivy Hill's investment philosophy and portfolio construction generally involves deliberate company-specific research and analysis and an assessment of the overall macroeconomic environment and financial markets.

Ivy Hill invests in and manages primarily middle market senior secured loans, including revolving credit facilities, through commingled structured investment vehicles, including CLOs, private investment vehicles and separately managed accounts. Its objective is to construct portfolios that balance the benefits of diversification, credit quality, defensive industry allocations, and efficient and flexible portfolio financing.

Ivy Hill's investment process emphasizes due diligence on companies, with a focus on principal protection, relative value and adherence to portfolio guidelines. The strategy employed by Ivy Hill generally emphasizes, among other things, the importance of the following:

- A comprehensive analysis of issuer creditworthiness, including a quantitative and qualitative assessment of the issuer's business;
- An evaluation of management;
- An analysis of business strategy and industry trends;
- An in-depth examination of capital structure, financial results and projections;
- Control of investment risk; protection of principal;
- Long-term value creation; avoidance of short-term trading mentality;
- Relative value analysis;



- Broad access to deal flow;
- Active portfolio monitoring;
- Investment memoranda and periodic updates; and
- Investment committee presentations and discussions.

Additionally, in analyzing a prospective investment, Ivy Hill's analysts seek information from a wide variety of sources including agent banks, fixed income and equity analysts, financial sponsors, rating agencies, and industry sources. Ivy Hill seeks to identify those issuers exhibiting superior fundamental risk-reward profiles and strong defensible business franchises while focusing on relative value of the investment across the industry as well. The process through which Ivy Hill makes an investment decision involves extensive research into the target company, its industry, its growth prospects and its ability to withstand adverse conditions.

### **Material Risks**

*Not all possible risks are described below, and risks described below may not be applicable to all Clients. Underlying Investors are requested to refer to the applicable Client Governing Documents for more complete information on investment strategies employed and the corresponding risks associated with such investment strategies.*

**General Market Risks.** Investments made by Clients are materially affected by conditions in the global financial markets and economic and political conditions throughout the world, such as interest rates, the availability and cost of credit, persistent inflation, changes in laws (including laws relating to taxation of the Clients, taxation of the Underlying Investors and the possibility of changes to regulations applicable to alternative asset managers), political uncertainty and social unrest, trade policies, commodity prices, currency exchange rates and controls and national and international political circumstances (including wars and other forms of conflict, civil unrest, terrorist acts and security operations), general economic uncertainty and catastrophic events such as fires, floods, earthquakes, tornadoes, hurricanes and pandemics could materially affect our business to the extent it materially affects global economies or global financial markets. These factors are outside of Ivy Hill's control and may affect the level and volatility of securities prices and the liquidity and value of investments, and Ivy Hill may not be able to or may choose not to manage its exposure to these conditions, which may result in adverse consequences for its Clients and result in substantial losses to the Clients.

Global financial markets have experienced heightened volatility in recent periods, including as a result of economic and political events in or affecting the world's major economies, such as the conflict between Russia and Ukraine and more recently between Israel and Hamas and the ongoing instability in the Middle East region. Sanctions imposed by the U.S. and other countries in connection with hostilities between Russia and Ukraine and the tensions between China and Taiwan have caused additional financial market volatility and affected the global economy. Concerns over increasing inflation, economic recession, as well as interest rate volatility and fluctuations in oil and gas prices resulting from global production and demand levels, as well as geopolitical tension, have exacerbated market volatility. Market uncertainty and volatility have also been magnified as a result of the upcoming 2024 U.S. presidential and congressional elections

and resulting uncertainties regarding actual and potential shifts in U.S. and foreign, trade, economic and other policies.

In addition, numerous structural dynamics and persistent market trends have exacerbated volatility and market uncertainty. Concerns over significant volatility in the commodities markets, sluggish economic expansion in foreign economies, including continued concerns over growth prospects in China and emerging markets, growing debt loads for certain countries, uncertainty about the consequences of the U.S. and other governments withdrawing monetary stimulus measures and speculation about a possible recession all highlight the fact that economic conditions remain unpredictable and volatile. U.S. debt ceiling and budget deficit concerns have increased the possibility of additional credit-rating downgrades and economic slowdowns or a recession in the U.S. In recent periods, geopolitical tensions, including between the U.S. and China, have escalated. Further escalation of such tensions and the related imposition of sanctions or other trade barriers may negatively impact the rate of global growth, particularly in China, where growth has slowed. Moreover, there is a risk of both sector-specific and broad-based volatility, corrections and/or downturns in the commodities, equity and credit markets. Any of the foregoing could have a significant impact on the markets in which we operate and result in adverse consequences for our Clients and result in substantial losses to our Clients.

**Monetary Policy and Governmental Intervention and the Effects of Inflation.** In an effort to combat inflation, the U.S. Federal Reserve (the “Federal Reserve”) and other central bankers increased interest rates in 2023. Although the Federal Reserve left its benchmark rates steady in the fourth quarter of 2023, it has indicated that additional rate increases in the future may be necessary to mitigate inflationary pressures, which are expected to continue to have a significant effect on interest rates and on the U.S. and world economies generally to an unpredictable extent, which in turn may affect the performance of the Clients’ investments. Such stimuli, unless successfully managed and scaled back and wound down at the appropriate time and in the appropriate amounts, together with the passing of any U.S. legislation calling for historically significant amounts of government spending, run a severe risk of being inflationary.

Certain of our Clients and their portfolio companies are in industries that have been impacted by inflation. Although the U.S. inflation rate decreased in the fourth quarter of 2023, it remains well above the historic levels over the past several decades. Such inflationary pressures have increased the costs of labor, energy and raw materials and have adversely affected consumer spending, economic growth and our Clients’ portfolio companies’ operations. If such portfolio companies are unable to pass any increases in their costs of operations along to their customers, it could adversely affect their operating results. In addition, any projected future decreases in the operating results of our Clients’ portfolio companies due to inflation could adversely impact the fair value of those investments. Any decreases in the fair value of our Clients’ investments could result in future realized or unrealized losses.

**Enhanced Scrutiny and Regulation of the Private Fund Industry.** The advisory business of Ivy Hill and its Clients, as well as the financial services industry generally, are subject to extensive regulation, including periodic examinations, by governmental agencies and self-regulatory organizations or exchanges in the U.S. and foreign jurisdictions in which we operate relating to, among other things, antitrust law, anti-money laundering laws, anti-bribery laws, laws relating to

foreign officials, tax laws and privacy laws with respect to client information and the regulatory oversight of the trading and other investment activities of alternative asset management funds and their investment advisers. Each of the regulatory bodies with jurisdiction over Ivy Hill and our Clients have regulatory powers dealing with many aspects of financial services, including the authority to grant, and in specific circumstances to cancel, permissions to carry on particular activities. Our Clients may be adversely affected as a result of new or revised legislation or regulations imposed by the SEC, the Commodity Futures Trading Commission, FINRA or other U.S. or foreign governmental regulatory authorities or self-regulatory organizations that supervise the financial markets. Our Clients may also be adversely affected by changes in the interpretation or enforcement of existing laws and rules by these governmental authorities and self-regulatory organizations. Any failure to comply with these rules and regulations could expose Ivy Hill and the Clients to liability or other risks.

The additional legislation, increasing global regulatory oversight of fundraising activities and changes in law relating to the alternative asset management industry has included, among other things, increased registration, oversight and regulation of alternative asset management firms and disclosure with respect to these firms and the vehicles they sponsor or advise, which could impact Ivy Hill and its management activities. Recently, the SEC and its staff have focused more narrowly on issues relevant to alternative asset management firms, including by adopting a number of new rules that will impact the regulation of private investment funds. Such oversight and regulation may cause a Client to incur significant additional expenses, may divert the attention of Ivy Hill and its personnel and may result in fines if a Client is deemed to have violated any regulations. Regulation generally as well as regulation more specifically addressed to the alternative asset management industry, including tax laws and regulation, could increase the cost of acquiring, holding or divesting portfolio investments, the profitability of portfolio companies and the cost of operating a Client. There can be no assurance that Ivy Hill or its funds will avoid regulatory examination or enforcement actions. Even if an investigation or proceeding does not result in sanctions or fines being imposed against Ivy Hill or its affiliates, Ivy Hill, its affiliates, and any Clients may be subject to negative publicity in relation to such investigation or proceeding.

In addition, in recent periods there has been an increasing level of public discourse, debate and media coverage regarding the appropriate extent of regulation and oversight of the financial industry, including investment firms, as well as the tax treatment of certain investments and income generated from such investments. There is ongoing uncertainty regarding prospective changes in law and regulation affecting the U.S. private equity industry. The likelihood of occurrence and the effect of any such changes is highly uncertain and could have an adverse impact on our Clients, their portfolio companies and the Underlying Investors.

**Risks Related to ESG Considerations.** Ivy Hill seeks to integrate certain environmental, social and governance (“ESG”) factors into its investment process in accordance with Ares Management’s Responsible Investment Program (the “Responsible Investment Program”) and subject to its fiduciary duty and any applicable legal, regulatory or contractual requirements. There is no guarantee that Ivy Hill will be able to successfully implement the Responsible Investment Program while achieving a Client’s investment strategy. In addition, applying ESG factors to investment decisions is qualitative and subjective by nature, and there is no guarantee that the

criteria utilized by Ivy Hill, or any judgment exercised by Ivy Hill, will reflect the beliefs or values of any particular Underlying Investor. There are also significant differences in interpretations of what ESG characteristics mean by region, industry and topic. Ivy Hill's interpretations and decisions are expected to differ from others' views and could also evolve over time. In addition, in evaluating an investment for a Client, Ivy Hill expects to depend upon information and data provided by a number of sources, including those related to the relevant investments and/or other various reporting sources which could be incomplete, inaccurate or unavailable, and which could cause Ivy Hill to incorrectly assess a company's ESG practices and/or related risks and opportunities. Ivy Hill does not intend to independently verify all of the ESG information reported by portfolio companies or other third parties. Further, considering ESG qualities when evaluating an investment for a Client could result in the selection or exclusion of certain investments based on Ivy Hill's view of certain ESG-related and other factors and could cause Ivy Hill not to have such Client make an investment that it would have made otherwise or to make a decision with respect to an investment differently than it would have made otherwise in the absence of such consideration, which could negatively impact such Client's performance. Additionally, ESG factors are only some of the many factors that Ivy Hill expects to consider in making an investment.

Further, ESG practices are evolving rapidly and there are different principles, frameworks, methodologies, and tracking tools being implemented by other asset managers, and Ivy Hill's adoption and adherence to such principles, frameworks, methodologies and tools is expected to vary over time. There is also a growing regulatory interest across jurisdictions in improving transparency regarding the definition, measurement and disclosure of ESG factors. At the same time, "anti-ESG" sentiment has also gained momentum across the U.S., with several states and Congress having proposed or enacted "anti-ESG" policies, legislation, or initiatives or issued related legal opinions. The Responsible Investment Program could become subject to additional regulation in the future, and Ares Management and Ivy Hill cannot guarantee that its current approach will meet future regulatory requirements or predict the manner in which any such future requirements (including any enforcement with respect thereto) could affect a Client or its investments, including with respect to future classifications, administrative burdens and costs.

**No Assurance of Investment Return.** The past performance of Ivy Hill, its affiliates and their respective investment professionals with respect to other portfolios and Clients is not indicative of the results that Ivy Hill will achieve with the underlying assets, particularly in light of recent volatility and risks in the markets. The past performance of Ivy Hill, its affiliates and their respective investment professionals over a particular period is not indicative of the results that may be expected in future periods. Furthermore, the strategies and risks guiding a Client's acquisitions and dispositions of investments may differ substantially from investments and strategies undertaken by Ivy Hill, its affiliates and their respective investment professionals with respect to other portfolios, investment vehicles or accounts. There can be no assurance that a Client's investments will perform as well as past investments of Ivy Hill, its affiliates and their respective investment professionals, that a Client will be able to avoid losses, or that a Client will be able to make investments similar to the past investments of Ivy Hill, its affiliates or their respective investment professionals.

The task of identifying investment opportunities and managing such investments may be difficult. There can be no assurance that any Client will be able to make or realize any particular investment or generate returns. Investing involves a risk of loss that Clients and Underlying Investors in such Clients should be prepared to bear, including the risk of a total loss of investment. Clients and Underlying Investors should carefully consider, among other factors, the material risks discussed below involved with Ivy Hill's investment strategies. Underlying Investors are requested to refer to the applicable Client Governing Documents of the applicable Client for more information on investment strategies employed and the corresponding risks associated with such investment strategies.

**Key Personnel and Access to the Ares Management Platform.** The ability of a Client to achieve its investment objective will be dependent on the diligence, skill, judgment, business contacts and personal reputations of senior professionals or other key personnel. These individuals possess substantial experience and expertise in investing, are responsible for locating and executing our Clients' investments, and have significant relationships with the institutions that are the source of many of our investment opportunities. Therefore, the departure or misconduct of one or more of these individuals could have a material adverse effect on the ability of the Client to achieve its investment objectives, cause certain Underlying Investors to withdraw capital or otherwise have a material adverse effect on our business. Further, if such individuals join competitors or form competing companies, it could result in the loss of significant investment opportunities. Additionally, Ivy Hill believes that it significantly benefits from its access to the Ares Management platform (including, without limitation, access to market deal flow, credit diligence and portfolio administration, accounting, tax, human resources, information technology and legal/compliance support), but there can be no assurance that Ivy Hill will continue to have access to the Ares Management platform on the same terms as it has historically had access or at all.

**Other Obligations of Investment Professionals.** Ivy Hill, its affiliates and their principals and personnel are in no way prohibited from spending, and intend to spend, substantial business time in connection with other businesses and activities, including, but not limited to, managing investments, advising or managing vehicles or accounts whose investment objectives are the same as or overlap with those of any Clients, participating in actual or potential investments of any Client, providing consulting, merger and acquisition, structuring or financial advisory services, including with respect to actual, contemplated or potential investments of a Client, or acting as a director, officer or creditors' committee member of, adviser to, or participant in, any corporation, fund, trust or other business entity.

**Restrictions on Transactions Due to Other Ivy Hill Businesses.** Ivy Hill and Ares Management sponsor and advise a range of types of Clients and each expects to continue to develop its investment advisory and related businesses by forming additional vehicles and obtaining new Clients in the future. Ivy Hill, Ares Management or their personnel are expected to acquire material non-public information or other confidential information in connection about a company while pursuing an investment opportunity or while monitoring an investment (including service on a portfolio company's board of directors, steering committee or in a similar capacity) for a particular Client, which may give rise to a potential conflict of interest when it results in our having to restrict the ability of other Clients to trade in the securities of such company. With limited exceptions, Ivy Hill and Ares Management do not establish information barriers between their



internal investment teams. In addition, a Client may hold positions in securities or other assets or be subject to contractual or legal restraints that could prevent a different Client from being able to initiate a transaction that it might otherwise have initiated or to sell an investment that it otherwise might have sold or, in its judgment, such position(s) or restraint(s) may make such a transaction inadvisable.

The investment activities of one or more Clients may be inconsistent with the investment activities of another Client. Furthermore, subject to its Investment Allocation Policy, Ivy Hill may have duties to Clients that Ivy Hill may consider in determining whether to undertake a transaction, with the result that a Client may not participate in certain transactions in which it might otherwise have participated.

**Participation of AMCM in Capital Markets Activity.** Ares Management Capital Markets LLC (“AMCM”), a wholly owned subsidiary of Ares Management, is a broker-dealer currently registered with the SEC and is a member of the Financial Industry Regulatory Authority. AMCM is authorized to provide the following services to Ares Management and its affiliates, including our Clients, and third parties: (i) underwriting firm commitment and best-efforts offerings of securities (as well as acting as a selling group participant), (ii) marketing registered and private funds, (iii) conducting private placements, (iv) acting as a broker or dealer for corporate debt securities, (v) acting as an underwriter or sponsor for investment companies, and (vi) providing capital markets advisory services.

AMCM acts as a placement agent for certain Clients sponsored by Ares Management and its affiliates, including Ivy Hill. AMCM is authorized to provide capital markets advisory services, acting as, among other roles, an underwriter and syndicator of securities of corporate issuers in private and public offerings for Ares Management and its affiliates, including our Clients. In addition, AMCM is authorized to and may in the future manage or otherwise participate in underwriting syndicates with respect to the securities of portfolio companies in which our Clients invest, including in respect of securities or other instruments of such portfolio companies in which our Clients have not invested. AMCM may also provide capital markets services to third parties that are not portfolio companies including third parties that are competitors of Ivy Hill or one or more of its affiliates or portfolio companies of Clients. Where AMCM provides services to third parties, including to competitors, it will come into possession of information that it is prohibited from acting on (including on behalf of a Client) or disclosing to Ivy Hill as a result of applicable confidentiality requirements or applicable law, even though such action or disclosure would be in the best interests of a Client. Please see “*Item 10. Other Financial Industry Activities and Affiliations*” for further information regarding AMCM.

**Allocation of Investment Opportunities.** Certain Clients have overlapping investment objectives, including Clients that have different fee structures, and conflicts have the potential to arise with respect to our decision regarding how to allocate investment opportunities among these Clients. We expected to be presented with investment opportunities that fall within the investment objectives of more than one Client. While Ivy Hill seeks to manage such potential conflicts of interest in good faith, there may be situations in which the interests of one Client with respect to a particular investment or other matter conflict with the interests of one or more other Clients. In certain circumstances, we will allocate an investment opportunity that is appropriate for two or

more Clients in a manner that excludes one or more Clients or results in a disproportionate allocation based on factors or criteria that we determine, such as differences with respect to available capital, the size of a Client, remaining life of a Client, differences in investment objectives or current investment strategies, such as objectives or strategies regarding current and total return requirements, emphasizing or limiting exposure to specific investments, including, but not limited to, type of security, jurisdiction, industry, or other characteristic of the investment, diversification, differences in risk profile at the time an opportunity becomes available, the potential transaction and other costs of allocating an opportunity among various Clients, actual or potential conflicts of interest, including whether multiple Clients have an existing investment in the security in question or the issuer of such security, the nature of the security or the transaction including the size of investment opportunity, minimum investment amounts and the source of the opportunity, current and anticipated market and general economic conditions, existing positions in an issuer/security, prior positions in an issuer/security and other considerations deemed relevant to us, including the rotation of investment opportunities.

The determinations made by Ivy Hill in connection with the allocation of investment opportunities will frequently be subjective in nature and consequently, (a) an investment that was determined as appropriate for one Client may ultimately prove to have been more appropriate for another Client, and (b) where potential overlaps among Clients exist, Ivy Hill may, in accordance with its investment allocation policy, forego investment opportunities suitable for a Client. All of the foregoing could in certain circumstances (i) adversely affect the price paid or received by a Client or the size of the position purchased or sold by a Client, (ii) preclude a Client from participating in an investment or (iii) limit the rights a Client may exercise with respect to an investment.

**Overlapping Investments with Other Ivy Hill Clients.** Multiple Clients and/or multiple clients of Ares Management are permitted to directly or indirectly hold or acquire positions in the same or different securities of the same portfolio companies. For example, a Client may invest in equity securities issued by a portfolio company in which another Client holds debt securities, and a Client may invest, both directly and indirectly through investment funds managed by third parties, in the equity securities of a portfolio company in which another Client holds debt securities. In addition, there have been circumstances where portfolio companies held by different Clients transact with one another, which has resulted in, and in the future may again result in, changes to multiple Clients' portfolio companies that may not be aligned. For example, one Client may exit a portfolio company while another Client increases its investment in a portfolio company, or Clients may hold different securities of the same portfolio company after a transaction. Such investments and transactions may raise potential conflicts of interest for our Clients, particularly if different Clients invest in different classes or types of securities or investments of the same underlying portfolio company. In that regard, actions may be taken by some Clients that may be inconsistent, if not adverse to other Clients, including, but not limited to, interests in different parts of a company's capital structure during a restructuring, bankruptcy or other insolvency proceeding or similar matter.

Where Clients invest in different parts of the capital structure of a portfolio company, their respective interests may diverge significantly in the case of financial distress of the company. In a bankruptcy proceeding, a Client's interest may be subordinated or otherwise adversely affected

by virtue of another Client's involvement and actions relating to their investment. This may result in loss or substantial dilution of one Client's investment, while another Client recovers all or part of amounts due to it. In addition, where one Client is a creditor of a portfolio company in which another Client holds more junior securities, that Client is permitted to take actions in its own interests with respect to its rights as a creditor (e.g., with respect to breaches of covenants) that may be adverse to the interests of the other Client as a junior creditor or an equity holder. There can be no assurance that the terms of or the return on each Client's investment will be equivalent to or better than the terms of or the returns obtained by other Clients participating in the transaction. Ivy Hill's ability to implement a Client's strategies effectively may be limited to the extent that contractual obligations entered into in respect of investments made by other Clients impose restrictions on Clients engaging in transactions that we may otherwise be interested in pursuing.

**Investments In Loans Syndicated by Other Ares Management Clients.** Certain Clients of Ares Management and its affiliates including Ares Capital may syndicate all or a portion of their investments and receive compensation in connection therewith, including with respect to investments in which other Clients invest. In certain circumstances, Clients may syndicate all or a portion of an investment to other Clients. For purposes of determining a Client's allocable portion of certain fees relating to such syndication, including arrangement fees, the basis for such determination may be the size of the syndicating Client's investment in, or commitment to, such portfolio investment relative to the size of the whole investment (e.g., all loan tranches and/or including investors that are not Clients).

**Valuation Risk.** Many investments made by Clients are illiquid and thus have no readily available market prices. Where required by a Client's Governing Documents, Ivy Hill values these investments based on its estimate, or an independent third party's estimate, of their fair value as of the date of determination, which often involves significant subjectivity. There is no single standard for determining fair value in good faith and in many cases fair value is best expressed as a range of fair values from which a single estimate may be derived. Ivy Hill estimates the fair value of our investments based on third-party models, or proprietary models, which include discounted cash flow analyses, adjusted EBITDA and other techniques and may be based, at least in part, on independently sourced market parameters. The estimates and assumptions used in these models include the timing and expected amount of cash flows, the appropriateness of discount rates used, and, in some cases, the ability to execute, the timing of and the estimated proceeds from expected financings, some or all of which factors may be ascribed more or less weight in light of the particular circumstances. The actual results related to any particular investment often vary materially as a result of the inaccuracy of these estimates and assumptions. In addition, because many of the illiquid investments held by Clients are in industries or sectors which are unstable, in distress or undergoing some uncertainty, valuations of such investments may be subject to rapid and/or significant changes caused by, among other matters, sudden company-specific or industry-wide developments or significant market volatility.

Because such valuations will be inherently uncertain, may fluctuate significantly over short periods of time and will be based on estimates and other material assumptions, Ivy Hill's determinations of fair value may differ materially from the values that would have been used if a readily available



market for these investments existed and may differ materially from the values that a Client may ultimately realize on such investments.

**Conflicts of Interest in Determinations of Fair Value and Fee Base Adjustment.** Clients' Governing Documents provide Ivy Hill and its affiliates with wide-ranging authority to make determinations, including those related to investment purchases and dispositions (and their timing), determinations of fair value and other matters that in each case have the potential to affect Ivy Hill's compensation. In making such determinations, Ivy Hill and its affiliates are subject to potential conflicts of interest. As a general matter, the determinations of fair value and Fee Base Adjustments are subjective in nature and are highly dependent on the totality of the specific facts and circumstances with respect to each investment. In instances where a Client pays management fees on the basis of net asset value and/or fair value of investments and Ivy Hill and/or Ares Management personnel determine the fair value of the investments, such personnel will have a conflict of interest in determining fair value, as an investment's loss in value will result in a decrease in management fees paid to Ivy Hill. Similarly, in instances where Clients pay management fees based on contributed capital, cost basis of investments or invested capital and the Clients' Governing Documents contain specific provisions regarding the circumstances that would result in a Fee Base Adjustment, a conflict of interest exists because a determination of a Fee Base Adjustment will have a negative economic impact on Ivy Hill where there is a decrease in management fees. In addition, the amount and timing of incentive fee received by Ivy Hill or its affiliates with respect to a Client will depend in part on the value of such Client's assets and liabilities. Due to the subjective nature of determining the fair value of assets and liabilities, the amount of incentive fee received, or the timing of receipt of such incentive fee, could be different in respect to amount or timing had a readily available market value been available.

Ivy Hill's wide-ranging authority on the determination of Fee Base Adjustments under Clients' Governing Documents, and the criteria used in valuing an investment, or determining whether an investment should result in a Fee Base Adjustment, have the potential to be subjective, to be influenced by market information and other factors and to vary over time. There can be no assurance that a third party or investor would agree with the substance or timing of Ivy Hill's determination that an investment should result in a Fee Base Adjustment, and except as set forth in the Clients' Governing Documents, Ivy Hill is not obligated to follow any third-party methodology in making its determination on whether an investment meets the relevant standards or whether value can be recovered or retained during the Client's holding period, as applicable. As a general matter, the standards for determining that an investment should result in a Fee Base Adjustment are intended to be high, and are not intended to apply to investments experiencing temporary declines in value. Because a determination of a Fee Base Adjustment will have a negative economic impact on Ivy Hill where there is a decrease in management fees, Ivy Hill faces potential conflicts of interest in determining whether an investment meets, or continues to meet, the relevant criteria.

**Competition for Investment Opportunities.** There can be no assurance that there will be a sufficient number of suitable investment opportunities to enable our Clients to invest all of their commitments in opportunities that satisfy the Client's investment objectives, or that such investment opportunities will lead to completed investments by the Client. The process of

identifying, structuring, implementing and realizing on attractive investment opportunities is highly competitive. The investment management business is intensely competitive, with competition based on a variety of factors, including investment performance, business relationships, quality of service provided to investors, investor liquidity and willingness to invest, fund terms (including fees), brand recognition and business reputation. Clients will compete with a number of private equity funds, specialized funds, hedge funds, corporate buyers, traditional asset managers, investment banks, and other investment managers and other financial institutions, as well as domestic and international pension funds and sovereign wealth funds, as well as other current and future Clients and accounts managed or advised by Ivy Hill. A Client's competitors may be substantially larger and have greater financial, technical, marketing and other resources and more personnel than Ivy Hill or Ares Management. Some of a Client's competitors may have higher risk tolerances or different risk assessments or lower return thresholds than us, which could allow them to consider a wider variety of investments and to bid more aggressively than us for investments that we want to make.

As a result, competitive pressures faced by a Client may have a material adverse effect on a Client's investment performance. Also, as a result of this competition, Clients may not be able to secure attractive investment opportunities from time to time and may not be able to identify and make investments that meet a Client's investment objectives.

**Macroeconomic Factors.** The performance of a Client's investments could be adversely affected by macroeconomic factors, including general economic conditions affecting capital markets and participants therein (such as the obligations on or issuers of the client's investments). Such macroeconomic factors include (i) economic downturns and uncertainties affecting economies and capital markets worldwide, (ii) new or continuing military conflicts, incidents of terrorism and domestic unrest occurring inside or outside the United States and other consequences thereof and similar events, (iii) concerns about financial performance, accounting and other issues relating to various companies and (iv) recent and proposed changes in applicable laws, regulations or accounting and reporting standards.

**Investment and Trading Risks.** Clients primarily invest in loans and other fixed income securities and instruments, including, without limitation, "higher yielding" (and, therefore, potentially higher risk) debt securities and instruments. Such securities and instruments will be primarily below "investment grade" or non-rated and may face ongoing uncertainties and exposure to adverse business, financial or economic conditions which could lead to the obligor's inability to meet timely interest and principal payments. The market for such investments is often limited, and the market prices of such investments are also subject to abrupt and erratic market movements and changes in liquidity and above-average price volatility, and the spread between the bid and asked prices of such investments may be greater than those prevailing in other more liquid markets.

**Leverage.** A Client's investment strategy may involve the use of leverage (whether on a temporary or long-term basis), including, but not limited to, the use of subscription lines. A Client may also participate in leveraged acquisitions of portfolios of debt instruments. Such investments are inherently more sensitive to declines in revenues and to increases in expenses. Utilization of leverage is a speculative investment technique and involves risks to Underlying Investors. The leverage provided will result in interest expense and other costs incurred in connection with such

borrowings, which may not be covered by available cash flows. In addition, a Client may enter into a subscription line with one or more lenders in order to finance its operations, including the acquisition, financing or refinancing of the Client's investments. Because amounts borrowed under a subscription line typically are secured by pledges of the relevant general partner's right to call capital from the limited partners, limited partners may be obligated to contribute capital on an accelerated basis if the Client fails to repay the amounts borrowed under a subscription line or experiences an event of default thereunder. While leverage may enhance total returns to Clients and their Underlying Investors, if investment results fail to cover borrowing costs, then returns will be lower than if there had been no leverage.

In addition, the portfolio investments in which our Clients invest may use leverage for a variety of purposes, including, but not limited to, funding growth initiatives, leveraging existing investments to permit distributions or additional investments and bridging funding for investments in advance of capital calls. Leverage generally magnifies opportunities for gain and risk of loss from a particular investment. The leverage used by our portfolio investments may take the form of indebtedness for borrowed money as well as financial leverage in the form of short sales, forward contracts, options, derivatives, and other similar transactions, which may expose our Clients to greater risks than if such portfolio investments did not use leverage. This leverage could accelerate and magnify declines in the value of our portfolio investments in a down market. Gains made with borrowed funds generally would cause the portfolio investments' value to increase faster than without borrowed funds. However, losses incurred with borrowed funds would cause the portfolio investments' value to decrease faster and more significantly than without the use of borrowed funds. A portfolio company financing from a subscription line, rather than from a Client-level equity commitment, has the potential to increase the Client's returns, particularly in instances where the relevant amount has been drawn for an extended period of time. Money borrowed for the purpose of leveraging investments will also be subject to interest costs as well as financing, transaction and other fees and costs that may not be recovered by returns on the portfolio investments.

**Counterparty Risk.** Many of our Clients depend on the services of banks, prime brokers, custodians, counterparties, administrators, investment banks, clearinghouses, exchanges, lenders and other agents to carry out certain transactions on behalf of the Client. The terms of these contracts are often customized and complex, and many of these arrangements occur in markets or relate to products that are not subject to regulatory oversight.

A Client is subject to the risk that the counterparty to one or more of these contracts defaults, either voluntarily or involuntarily, on its performance under the contract or experiences insolvency, closure, seizure, receivership or other financial distress or difficulty (each, a "distress event"). Any such distress event may occur suddenly and without notice to Ivy Hill. Moreover, if a counterparty defaults, Ivy Hill may be unable to take action to cover a Client's exposure, either because it lacks contractual recourse or because market conditions make it difficult to take effective action. This inability could occur in times of market stress, which is when defaults are most likely to occur.

If a financial institution such as a bank or broker experiences a distress event, Ivy Hill and its affiliates, our Clients and/or their portfolio companies may be unable to access deposits, borrowing facilities or other services, either permanently or for an indeterminate period of time. Although

assets held by regulated financial institutions in the United States frequently are insured up to stated balance amounts by organizations such as the Federal Deposit Insurance Corporation, in the case of banks, and the Securities Investor Protection Corporation, in the case of certain broker-dealers, amounts in excess of the relevant insurance are subject to risk of total loss, and any non-U.S. financial institutions that are not subject to similar regimes pose potentially increased risk of loss.

In the event of the insolvency of a prime broker, custodian, counterparty or any other party that is holding assets of a Client as collateral, a Client might not be able to recover equivalent assets in full as it will rank among the prime broker's, custodian's or counterparty's unsecured creditors in relation to the assets held as collateral. In addition, the Client's cash held with a prime broker, custodian or counterparty generally will not be segregated from the prime broker's, custodian's or counterparty's own cash, and the Client may therefore rank as an unsecured creditor in relation thereto and may not be able to recover the full amount of the cash held on the Client's behalf.

In connection with certain loan transactions entered into by our Clients, a financial intermediary such as an investment bank may arrange loans and hold assets on behalf of investors participating in such loan, including a Client. If such financial intermediary becomes insolvent or bankrupt, there is significant uncertainty as to whether creditors of such intermediary have access to the assets related to such loans depending on such financial intermediary's role in such transaction and a Client may not be able to recover such assets held by such financial intermediary.

Any distress event has a potentially adverse effect on the ability of Ivy Hill to manage its Clients and their portfolio companies, and on the ability of Ivy Hill, any Client or any portfolio company to maintain operations, which in each case could result in operational burdens, significant losses and unconsummated investment acquisitions and dispositions. Although Ivy Hill seeks to do business with counterparties that it believes are creditworthy and capable of fulfilling their respective obligations to the Clients, Ivy Hill is under no obligation to use a minimum number of financial institutions or other counterparties with respect to any Client, or to maintain account balances at or below the relevant insured amounts.

**Cross Transactions.** Ivy Hill may seek to effect a purchase or sale of an investment (a "cross-transaction") between its Clients. Such transactions generally will not require the consent of a Client under applicable law and, accordingly, Ivy Hill may cause such transactions to be effected without such prior consent.

**Distressed Securities.** A Client may invest in securities, private claims and obligations of domestic and foreign entities which are experiencing significant financial or business difficulties. In addition, an investment held by a Client may, after the time of investment by the Client, experience significant financial or business difficulties or otherwise not perform as expected. A Client may lose a substantial portion or all of its investment in a distressed environment or may be required to accept cash or securities with a value less than a Client's investment. The market prices of such investments are also subject to abrupt and erratic market movements and above average price volatility, and the spread between the bid and asked prices of such investments may be greater than normally expected due to a variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, which may significantly affect the

results of a Client's activities. Investments in distressed securities, particularly in connection with reorganizations, may involve litigation generally related to issues related to control and preference/priority among classes, claimants and other related matters. Such litigation can be time-consuming and expensive and can frequently lead to unpredicted delays or losses that by their nature involve business, financial, market and/or legal risks.

**Prepayment Risks.** The frequency at which prepayments (including voluntary prepayments and accelerations due to defaults) occur on bonds and loans will be affected by a variety of factors including the prevailing level of interest rates and spreads as well as economic, demographic, tax, social, legal and other factors. The upside potential of an investment prepayable at par may be limited, and there may not be suitable replacement assets for reinvestment in the case of unexpected prepayments, resulting in substantial losses.

**Portfolio Risk Factors.** The risks of debt instruments include (among others): (i) limited liquidity and secondary market support, (ii) the possibility that earnings of the relevant obligor may be insufficient to meet its debt service obligations, (iii) the declining creditworthiness and potential for (or actual) insolvency of the relevant obligor of such debt during periods of economic downturn or otherwise, (iv) that the relevant obligor is often a small or mid-size company serving only local or regional interests, (v) spread compression over the reference interest rate available for reinvestment during any period in which prepayments are received, and (vi) if subordinated, subordination to the prior claims of other debt or senior lenders. Debt instruments are generally subject to market value volatility that may not be apparent from historical volatility studies and that could be significant at times. An economic downturn could severely disrupt the market for debt instruments and adversely affect the value of outstanding debt and the ability of the relevant obligor to repay or refinance such debt. Moreover, the default history for debt instruments is limited, actual defaults may be greater than indicated by historical data and the timing of defaults may vary significantly from historical observations.

In certain circumstances, the collateral securing a debt instrument, if any, might not be sufficient to satisfy the relevant obligor's obligations in the event of nonpayment of scheduled interest or principal, and may be difficult to liquidate on a timely basis or at all. Additionally, a decline in the value of the collateral could cause the debt to become substantially unsecured, and circumstances could arise (such as in the bankruptcy of an obligor) which could cause the security interest in the debt instrument's collateral to be invalidated or subordinated.

In some cases, the portfolios of one or more Clients may also include unsecured debt instruments. Unsecured debt instruments are subject to the same investment risks generally applicable to debt instruments described above and are subject to the additional risk that the assets and cash flows of the relevant obligor may be insufficient to repay the scheduled payments to the lender after giving effect to any secured obligations of the relevant obligor. Unsecured debt instruments will be subject to certain additional risks to the extent that such debt is not secured by collateral or may not be restricted by certain financial covenants or certain limitations upon additional indebtedness. Unsecured debt instruments are also expected to be more illiquid than senior secured debt instruments for this reason.



**Investment in Reorganizations and Restructurings.** The Clients may make investments in restructurings that involve companies that are experiencing or are expected to experience severe financial difficulties. In addition, an investment held by a Client may, after the time of investment by the Client, experience significant financial or business difficulties or otherwise not perform as expected, which could result in a restructuring. These severe financial difficulties may never be overcome and may cause such companies to become subject to bankruptcy proceedings. In such situations, a Client's investment would be subject to the risk that such bankruptcy proceeding (including, among other things, high administrative costs incurred in connection therewith) may adversely and permanently impact the value of the company. In addition, such investments could subject a Client to certain additional potential liabilities that may exceed the value of the Client's original investment therein. Furthermore, investments in distressed companies and restructurings may be adversely affected by statutes relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and the court's discretionary power to disallow, subordinate or disenfranchise particular claims.

An investment in a company involved in a reorganization proceeding or restructuring entails significant risks and such investment may be adversely impacted if a Client's evaluation of the anticipated outcome of the investment situation should prove incorrect.

**Participation on Creditors' Committees.** Subject to any applicable tax guidelines and other limitations in such Client's Governing Documents, Ivy Hill, on behalf of a Client, may, in limited circumstances, participate on committees formed by creditors to negotiate the management of financially troubled companies that may or may not be in bankruptcy or Ivy Hill, on behalf of a Client, may seek to negotiate directly with debtors with respect to restructuring issues. If Ivy Hill does join a creditors' committee on behalf of a Client, the participants of the committee would likely be interested in obtaining an outcome that is in their respective individual best interests and there can be no assurance of obtaining results favorable to the Client. By participating on such a committee, a Client may be deemed to have duties to other creditors represented by the committee, which might expose the Client to liability to such other creditors who disagree with Ivy Hill's actions on behalf of such Client.

**Highly-Leveraged Borrowers.** The issuers of debt in which a Client may invest are likely to be highly or substantially leveraged. Leverage generally magnifies both the Client's opportunities for gain and its risk of loss from a particular investment. These companies may be subject to restrictive financial and operating covenants and the leverage may impair these companies' ability to finance their future operations and capital needs. As a result, these companies' flexibility to respond to changing business and economic conditions and to take advantage of business opportunities may be limited. Although a Client's debt instruments may be in the senior position of the capital structure, a borrower's leverage (including any junior debt instruments) may adversely impact a Client in a number of ways, creating a greater possibility of default or bankruptcy of the borrower.

In addition, it is possible that the pledging of collateral (if any) to secure a Client's debt investments (or certain payments made in respect of a Client's debt investments) could be found to constitute a fraudulent conveyance or preferential transfer which would be nullified or subordinated to the

rights of other creditors of the borrower under applicable law. In addition, Clients may also utilize leverage, which magnifies the risk of loss and will increase the exposure of such Clients to adverse economic factors such as rising interest rates and downturns in the economy. In the event that a Client is unable to meet principal or interest payments on its indebtedness, the value of an Underlying Investor's investment in such Client could be significantly reduced or even eliminated.

**Special Situations.** A Client may invest in companies involved in (or the target of) acquisition attempts or tender offers or companies involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions. In any investment opportunity involving any such type of business enterprise, there exists the risk that the transaction in which such business enterprise is involved will be unsuccessful, will take considerable time or will result in a distribution of cash or a new security the value of which will be less than the purchase price paid by a Client the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, a Client may be required to sell its investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which a Client may invest, there is a potential risk of loss by a Client of its entire investment in such companies. In connection with such transactions (or otherwise), a Client may purchase securities or other financial instruments on a when-issued basis, which means that delivery and payment take place sometime after the date of the commitment to purchase and is often conditioned upon the occurrence of a subsequent event, such as approval and consummation of a merger, reorganization or debt restructuring. The purchase price or interest rate receivable with respect to a when-issued security may be fixed when a Client enters into the commitment, thus such securities or other financial instruments are subject to changes in their market value prior to delivery.

**Changes in Interest Rates.** The Clients are exposed to risks associated with changes in interest rates. General interest rate fluctuations may have a substantial negative impact on the Clients' investments and investment opportunities and, accordingly, may have a material adverse effect on the Clients' investment objectives and rates of return on invested capital.

**Illiquidity of Debt Instruments.** Debt instruments and interests in debt instruments have significant liquidity risks and market value risks since they are not generally traded in organized exchange markets, but are traded by banks and other institutional investors engaged in loan syndications (if traded at all). Such liquidity risks are particularly prevalent with respect to middle market debt instruments. In such cases, the primary resale opportunities for such debt instruments and interests (if any) are privately negotiated transactions with a limited number of potential purchasers. This may restrict the ability of a Client to dispose of investments in a timely fashion or at a favorable price or at all. The inability to dispose of a debt instrument or interest in a debt instrument could result in losses to a Client, including the loss of its entire investment. The debt of highly-leveraged companies or companies in default also may be less liquid than other debt. If a Client voluntarily or involuntarily sells such a debt instrument (or an interest in those types of debt securities), it may not receive the fair market value therefor.

**Revolving Credit Facilities and Unfunded Loans.** Revolving credit facilities, which are loan commitments that are unfunded at the time of investment, are written agreements in which the lender commits itself to make a loan or loans up to a specified amount within a specified time

period. The loan commitment sets out the terms and conditions of the lender's obligation to make the loans. The portion of the amount committed by a lender under a loan commitment that the borrower has not drawn down is referred to as "unfunded." A lender typically is obligated to advance the unfunded amount of a loan commitment at the borrower's request, subject to certain conditions regarding, among other things, the creditworthiness of the borrower. Borrowers with deteriorating creditworthiness may continue to satisfy their contractual conditions and therefore be eligible to borrow at times when a Client might prefer not to lend. In addition, a lender may have assumptions as to when the borrower may draw on an unfunded loan commitment when the lender enters into the commitment. If the borrower does not draw as expected, the commitment may not result in as attractive an investment as originally anticipated for our Clients.

**Economic Recessions or Downturns.** Economic recessions or slowdowns could impair the portfolio companies of the Clients and impact the Clients' investment performance. Many of these portfolio companies may be susceptible to economic slowdowns or recessions (including the recent recession and slowdowns or recessions more or less severe) and may be unable to repay loans during these periods. Therefore, during these periods, a Client's non-performing, credit risk or defaulted assets may increase. Economic slowdowns or recessions could lead to financial losses in a Clients' portfolio and a decrease in its cash flows and assets.

**Investments in Privately Held Middle-Market Companies.** The Clients primarily invest in privately held U.S. middle-market companies. Non-investment grade loans to middle-market businesses may carry more inherent risks than non-investment grade loans to larger, publicly traded entities. Investments in privately held middle-market companies involve a number of significant risks, including, among others, the following:

- these companies may have limited financial resources and may be unable to meet their obligations, which may be accompanied by a deterioration in the value of any collateral;
- these companies typically have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns;
- there is generally little public information about these companies. These companies and their financial information are not subject to the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and other regulations that govern public companies, and a Client may be unable to uncover all material information about these companies, which may prevent such Client from making a fully informed investment decision and contribute to such Client losing money on its investments;
- these companies generally have less predictable operating results and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position;
- these companies may have difficulty accessing the capital markets to meet future capital needs; and



- there is ordinarily a more limited secondary trading market for the sale of interests in smaller, private companies, which may limit exit opportunities for our Clients.

Accordingly, investments in middle-market companies involve higher risks than investments in companies that have larger businesses, greater financial resources or are otherwise able to access traditional credit sources. Middle-market and leveraged loans have historically experienced greater default rates than has been the case for investment grade and larger loans.

**Debt Investments.** Debt instruments are subject to credit and interest rate risks. Credit risk refers to the likelihood that an obligor will default in the payment of principal or interest on a debt instrument. Financial strength and solvency of an obligor are the primary factors influencing credit risk. In addition, lack or inadequacy of collateral or credit enhancement for a debt instrument may affect its credit risk. Credit risk may change over the life of a debt instrument and debt instruments that are rated by rating agencies are subject to downgrade at a later date.

Interest rate risk refers to the risks associated with market changes in interest rates. Interest rate changes may affect the value of a debt instrument indirectly (especially in the case of fixed rate obligations) or directly (especially in the case of instruments whose rates are adjustable). In general, rising interest rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive effect on the price of a fixed rate debt instrument. Adjustable rate instruments also react to interest rate changes in a similar manner although generally to a lesser degree (generally depending on the index chosen and the characteristics of the reset terms, including the frequency of reset and reset caps or floors, among other factors). Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules.

**Changes to the Method of Determining LIBOR and Other Reference Rates.** To the extent a Client's investments (whether made, acquired or otherwise) are subject to a variable interest rate based on (or calculated in reference to) the London Interbank Offered Rate ("LIBOR") or any other reference rate, benchmark or index, the Client will be subject to certain material risks, some of which are described below.

Certain reference rates have historically been, might presently be, and/or in the future become, the subject of manipulation, regulatory scrutiny and/or reform, phase-out, permanent discontinuation, replacement and other changes which could have resulted and/or result in (i) any such reference rate being artificially lower (or higher) than it otherwise would have been; (ii) changes to the applicable calculation methodology; and/or (iii) market uncertainty as to the current and/or future status of any such reference rate. Actions by regulators and law enforcement agencies may result in changes to the manner in which certain reference rates are determined, their discontinuance, or the establishment of alternative reference rates. To the extent any Client investment bears interest based on (or calculated with reference to) a reference rate, any such investment might not appropriately embed a return that is commensurate with its risk exposure.

In July 2017, the Chief Executive of the U.K. Financial Conduct Authority (the "FCA") as supervisor of ICE Benchmark Administrator ("IBA"), the administrator of LIBOR, announced that

the FCA would phase out LIBOR by the end of 2021 (later extended to the end of June 2023 for USD LIBOR only). IBA ceased publishing GBP, EUR, CHF and JPY LIBOR rates on January 1, 2022 and ceased publishing overnight and 12-month USD LIBOR on June, 30 2023.

In order to avoid disruption for users of LIBOR who were unable to transition to risk-free rates prior to relevant deadlines, the FCA required the continued publication of certain LIBOR settings on a changed or “synthetic” methodology (“Synthetic LIBOR”). Synthetic LIBOR settings have been largely transitioned out, and supervised users of all financial contracts other than cleared derivatives are permitted to use these settings in respect of legacy contracts only. The FCA has announced that it intends to compel the publication of these Synthetic LIBOR settings permanently from the following dates: in respect of the GBP Synthetic LIBOR settings, on March 31, 2024, and in respect of the USD Synthetic LIBOR settings, on September 30, 2024.

The nominated replacement for USD LIBOR is the Secured Overnight Financing Rate (“SOFR”) and the nominated replacement for GBP LIBOR is the Sterling Overnight Interbank Average Rate (“SONIA”). In March 2020, the Federal Reserve began publishing 30-day, 90-day and 180-day tenor SOFR Averages and a SOFR Index and in July 2020, Bloomberg began publishing fall-backs that the International Swaps and Derivatives Association implemented in lieu of LIBOR with respect to swaps and derivatives. In July 2021, the CME Group’s forward-looking SOFR term rates were formally recommended by the Alternative Reference Rates Committee.

SOFR and SONIA have a limited history. The future performance of SOFR and SONIA, and SOFR- and SONIA-based reference rates, is uncertain. Future levels of SOFR and SONIA may bear little or no relation to historical levels of SOFR, LIBOR or other rates. SOFR and SONIA are transaction-based rates, and each has been more volatile than other benchmark or market rates during certain periods. Accordingly, use of SOFR or SONIA may result in market inefficiencies. For these reasons, among others, there is no assurance that SOFR or SONIA, or rates derived from SOFR or SONIA, will perform in the same or similar way as USD LIBOR would have performed at any time, and there is no assurance that SOFR- or SONIA-based rates will be a suitable substitute for USD LIBOR.

Even if one or more replacement reference or benchmark rates, such as SOFR or SONIA, are adopted across all public and private credit markets, any transition away from LIBOR to one or more alternative reference rates is complex and could have a material adverse effect on a Client’s investments and/or a Client’s business, financial condition and results of operations, which, in turn could have a material adverse effect on the Client’s ability to achieve its investment objectives.

**United Kingdom (“UK”) Exit from the European Union (“EU”).** Following the UK’s exit from the EU on January 31, 2020 and a transitional period, European Economic Area (“EEA”) “passporting rights” facilitating market access into the EEA by UK firms, and into the UK by EEA firms, are no longer available. Various EU laws have been “on-shored” into domestic UK legislation and certain transitional regimes and deficiency-correction powers exist to ease the transition.

The Trade and Cooperation Agreement (the “TCA”) governs certain matters between the UK and the EU. While the TCA includes a commitment by the UK and the EU to keep their markets open

for persons wishing to provide financial services through a permanent establishment, it does not substantively address future cooperation in the financial services sector or reciprocal market access into the EU by UK firms under equivalence arrangements or otherwise. In addition, the Temporary Marketing Permission Regime (the “TMPR”) allows our alternative investment fund managers (“AIFMs”) to continue to market those funds in the UK that were in existence on December 31, 2020, on broadly the same terms as previously applied. Unless extended, the TMPR lasts until December 31, 2025.

While the TCA and the TMPR provides clarity in some areas, there remains considerable uncertainty as to the future position of the UK and the arrangements which will apply to its relationships with the EU and other countries. There can be no assurance that any renegotiated laws or regulations will not have an adverse impact on our Clients and their Underlying Investors, including the ability of a Client to achieve its investment objectives.

The legal, political and economic uncertainty generally resulting from the UK’s exit from the EU may adversely affect both EU and UK-based businesses, including Ares and our Clients’ portfolio companies, as applicable. This uncertainty may also result in an economic slowdown and/or a deteriorating business environment in the UK and in one or more EU member states.

**Lender Liability Claims.** There may be circumstances where a Client’s debt investments could be subordinated to claims of other creditors or the Client could be subject to lender liability claims. If one of a Client’s portfolio companies were to enter bankruptcy, even though such Client may have structured its interest as senior debt, depending on the facts and circumstances, a bankruptcy court might recharacterize such Client’s debt holding as an equity investment and subordinate all or a portion of such Client’s claim to that of other creditors. In addition, lenders can be subject to lender liability claims for actions taken by them where they become too involved in the borrower’s business or exercise control over the borrower.

**Misconduct by Employees or Service Providers.** Misconduct by (i) our employees, (ii) Ares Management’s employees, (iii) portfolio company directors, officers or employees, and (iv) service providers to the foregoing and/or their respective affiliates could undermine the due diligence efforts of a Client and/or the Ivy Hill and cause significant losses to a Client. Misconduct may include entering into transactions without authorization, the failure to comply with operational and risk procedures, including due diligence procedures, misrepresentations as to investments being considered by a Client, the improper use or disclosure of confidential or material non-public information, or sexual or other harassment, which could result in litigation or serious financial harm, including limiting a Client’s business prospects or future marketing activities, and non-compliance with applicable laws or regulations (and the concealing of any of the foregoing). Such activities may result in reputational damage, litigation, business disruption, market or industry segment volatility and/or financial losses to a Client. Ivy Hill and Ares Management have controls and procedures through which we seek to minimize the risk of such misconduct occurring; however, no assurances can be given that such misconduct will be able to be identified or prevented.

**Cybersecurity Risks.** Ivy Hill, Ares Management and its service providers and other market participants depend on complex information technology and communications systems to

efficiently conduct business functions. These systems are subject to a number of different threats or risks that could adversely affect Clients and/or Underlying Investors, despite Ivy Hill and Ares Management's efforts and the efforts of its service providers to adopt controls, processes and practices intended to mitigate these risks and protect the security of computer systems, software, networks and other technology assets, as well as the confidentiality, integrity and availability of information belonging to a Client or Underlying Investors. For example, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of, or prevent access to Ivy Hill and Ares Management's systems, the systems of its service providers, counterparties or data within these systems. Third parties may also attempt to fraudulently induce employees, Underlying Investors, third-party service providers or other users of Ivy Hill and Ares Management's systems to disclose personal or other sensitive information in order to gain access to its data or that of its Clients and Underlying Investors. A successful penetration or circumvention of the security of our systems or those of our service providers could result in the loss or theft of an Underlying Investor or Client data, the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system or costs associated with system repairs. Such incidents could cause Clients, service providers, Ares Management or Ivy Hill to incur regulatory penalties, reputational damage, additional compliance costs or financial loss. Similar types of operational and technology risks are also present for our Clients' portfolio companies, which could have material adverse consequences for such portfolio companies and may cause a Client's investments to lose value.

**Effects of Public Health Emergencies.** A major public health emergency could impact the U.S. and global economy. Disruptions to commercial activity (such as the imposition of quarantines or travel restrictions) or, more generally, a failure to contain or effectively manage a public health emergency, has, and may in the future, adversely impact our and our Clients' business and operations, as well as the business and operations of our Clients' portfolio companies. For example, such disruptions have adversely affected, and in the future could again, impair certain industries in which certain of our Clients' portfolio companies operate, including energy, hospitality, travel, retail and restaurant industries. Additionally, while restrictions have generally been lifted globally, and the World Health Organization has declared the end of the COVID-19 global health emergency, the COVID-19 pandemic contributed, and any future public health crisis could contribute, to adverse impacts on global commercial activity and supply chain operations and significant volatility in the equity and debt markets. Such volatility could increase credit and liquidity risk and materially and adversely affect our and our Clients' business and operations, as well as the business and operations of our Clients' portfolio companies.

**Social Media and Publicity Risk.** The use of social networks, message boards, internet channels and other platforms has become widespread within the United States and globally. As a result, individuals now have the ability to rapidly and broadly disseminate information or misinformation, without independent or authoritative verification. Any such information or misinformation regarding Ivy Hill or its affiliates, our Clients or their portfolio companies could have a material and adverse effect on the value of our Clients.

## Item 9 - Disciplinary Information

Except as described below, neither Ivy Hill nor any of its executive officers, members of its investment committees or portfolio management committees or other “management persons” as defined in Form ADV has been subject to legal or disciplinary events related to this Item.

On May 26, 2020, without admitting or denying any wrongdoing, Ares Management consented to the entry of an administrative and cease-and-desist order (the “Order”) instituted by the SEC. According to the Order, in 2016, Ares Management’s written policies and procedures regarding the prevention of misuse of potentially material nonpublic information (“MNPI”) were not sufficiently implemented and enforced in certain circumstances when Ares Management had an employee serving on the board of directors of a public company in which one of its Clients was invested. The Order did not find any misuse of MNPI by Ares Management or its employees; however, the Order included findings of violations of Section 204A and Section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder with respect to the implementation and enforcement of its written procedures. The Order includes cease and desist provisions and a censure, and payment of a civil penalty in the amount of \$1 million.

From time to time, Ivy Hill and/or its employees are subject to regulatory inquiries, litigation, investigations, disputes related to investment and employment-related matters and other potential claims arising out of the ordinary course of business. Neither Ivy Hill nor any of its management persons has been the subject of any material legal or disciplinary proceedings that we believe are material to a Client’s evaluation of its business or the integrity of its management.

## Item 10 - Other Financial Industry Activities and Affiliations

### ***Registered Broker-Dealers***

Neither Ivy Hill nor any of its management persons is registered or has an application pending to register as a broker-dealer or a registered representative of a broker-dealer.

Ares Management Capital Markets LLC (“AMCM”), a wholly owned subsidiary of Ares Management, the Firm’s parent company, is a broker-dealer currently registered with the SEC and is a member of the Financial Industry Regulatory Authority. AMCM is authorized to provide the following services to Ares Management and its affiliates, including our Clients, and third parties: (i) underwriting firm commitment and best-efforts offerings of securities (as well as acting as a selling group participant), (ii) marketing registered and private funds, (iii) conducting private placements, (iv) acting as a broker or dealer for corporate debt securities, (v) acting as an underwriter or sponsor for investment companies, and (vi) providing capital markets advisory services.

AMCM acts as a placement agent for certain Clients sponsored by Ares Management and its affiliates, including Ivy Hill. Certain Ares Management employees that are involved in marketing activities are registered representatives of AMCM. Although a Client will not directly pay any compensation to AMCM for such services, Ivy Hill is responsible for paying certain expenses of the operation of AMCM. Such payments may be considered to be compensation to AMCM. If



compensation is received, such compensation would be made on a fully disclosed basis. Any such compensation would generally be determined through negotiation and charged at market rates.

AMCM is authorized to provide capital markets advisory services, acting as, among other roles, an underwriter and syndicator of securities of corporate issuers in private and public offerings for Ivy Hill and its affiliates, including our Clients. In addition, AMCM is authorized to and may manage or otherwise participate in underwriting syndicates with respect to the securities of portfolio companies in which our Clients invest, including in respect of securities or other instruments of such portfolio companies in which our Clients have not invested. AMCM may also provide capital markets services to third parties that are not portfolio companies including third parties that are competitors of Ivy Hill or one or more of its affiliates or portfolio companies of Clients. To the extent allowable under the Governing Documents and subject to any approvals required thereunder, Clients may pay AMCM for any advisory, underwriting, arranging or similar broker-dealer fees, discounts or commissions in connection with securities offerings or loan syndications. While it is our expectation and belief that such fees, commissions and other compensation will be reasonable and generally will be charged at market rates for the relevant activities, such compensation may not in each case be negotiated at arm's length and may be in excess of fees, commissions or other compensation that may be charged by an unaffiliated third party. Subject to a Client's Governing Documents, Clients generally will not have the right to share in, or receive management fee or performance-based fee offset for, any compensation received by AMCM. AMCM will only serve as a broker-dealer in a transaction for a Client or its portfolio investment if we determine it is consistent with our fiduciary duties.

AMCM's business continues to evolve and expand. It is possible that AMCM would earn fees for engaging in other transactions that relate to a Client or its portfolio investments. For example, to the extent allowable under a Client's Governing Documents and subject to any approvals required thereunder, AMCM could participate in the arranging, underwriting or structuring of debt financing for a Client, in which case it would receive arranging fees, underwriting fees, structuring fees and/or similar fees for such services. Where such financing is obtained through the issuance of debt (or debt and equity) securities by any special purpose vehicle or other entity established for the purpose of facilitating such financing by a Client, AMCM could receive fees in connection with the placement or syndication of such securities.

Ares Wealth Management Solutions, LLC ("AWMS"), a wholly owned subsidiary of Ares Management, the Firm's parent company, is a broker-dealer currently registered with the SEC and the Financial Industry Regulatory Authority. AWMS's primary business is the wholesale distribution of real estate investment trusts ("REITs"), non-traded registered investment companies and business development companies, and private placements of real estate related securities offered by certain funds sponsored by Ares Management and its affiliates.

### ***Affiliated Service Providers***

We are authorized, in our discretion, to recommend to a Client or one of its portfolio investments that it contract for services or, in providing services to a Client, directly engage with an Affiliated Service Provider or other related person of ours (including a portfolio investment of a Client), or an entity or person with which or whom we or our personnel have a relationship or from which or whom we or our personnel otherwise derive financial, personal or other benefit.

Our recommendation to a Client or one of its portfolio investments that it engage with an Affiliated Service Provider or other related person of ours creates actual and potential conflicts of interest. When engaging an Affiliated Service Provider or other related person, including a portfolio investment of a Client, we will generally have a financial, personal or other business incentive to recommend the Affiliated Service Provider or other related person even if another person is more qualified to provide the applicable services and/or can provide such services at a lesser cost.

To the extent allowable under the Governing Documents, Clients will bear the fees, costs and expenses related to such services, including in the case of Affiliated Service Providers, and such fees, costs and expenses may differ from Client to Client. In such cases, we indirectly receive such fees payable to the Affiliated Service Providers, in addition to management fees and performance-based fees.

In addition, portfolio investments owned by certain Clients provide services to or otherwise have business dealings with, and therefore receive fees or value from, other Clients or their portfolio investments. This and other similar arrangements with portfolio investments creates actual and potential conflicts of interest. We may have an incentive to cause a Client or its portfolio investment to transact with a portfolio investment service provider in order to benefit the Client that owns the portfolio investment service provider, or cause the portfolio investment service provider to provide services or engage in transactions with a Client or portfolio investment on terms or for compensation not favorable to the provider in order to benefit the other Client. There can be no assurances that amounts charged by any such portfolio investment service providers will be consistent with those charged by similarly situated companies, which could provide the same services at more favorable rates. Some of the services performed by portfolio investment service providers could also be performed by us. Fees paid by a Client or its portfolio investments to the portfolio investment service provider, or value created by other portfolio investment service providers or vendors, do not offset or reduce the management fee or performance-based fees payable by a Client and are not otherwise shared with a Client.

### ***Relationships with Related Persons***

Ivy Hill is directly or indirectly wholly owned by Ares Capital Corporation (“Ares Capital”), a closed-end, non-diversified specialty finance company that is regulated as a business development company under the Investment Company Act. Ares Capital is externally managed by ACM, an SEC-registered investment adviser and the investment manager of most of Ares’ U.S. direct lending funds and institutional accounts. Ares Management is the parent company of ACM and an SEC-registered investment adviser.

In addition, Ares Management is also the parent company of the following SEC-registered investment advisers:

- Ares Capital Management II LLC (“ACM II”), the investment adviser of Ares Dynamic Credit Allocation Fund, Inc. (NYSE: ARDC), a non-diversified closed-end registered management investment company. ACM II also provides advisory services to certain other registered investment companies; and

- Ares Commercial Real Estate Management LLC (“ACREM”), which provides advisory services to Ares Commercial Real Estate Corporation (“ACRE”; NYSE: ACRE), a publicly traded commercial mortgage REIT. ACREM also provides advisory services to non-traded REITs and certain other institutional funds and accounts;

Ares Management is also the majority owner of CION Ares Management, LLC (“CAM”), an SEC-registered investment adviser and the investment adviser of CION Ares Diversified Credit Fund.

In addition, several advisory entities controlled by Ares Management are relying advisers included in Ares Management’s umbrella registration. Some of these relying advisers are registered with foreign financial regulatory authorities, including:

- the UK Financial Conduct Authority in the United Kingdom;
- the Commission de Surveillance du Secteur Financier in Luxembourg;
- the Cayman Islands Monetary Authority;
- the Securities and Futures Commission in Hong Kong;
- the Monetary Authority of Singapore;
- the Financial Services Commission in the Republic of Mauritius; and
- the Australian Securities and Investments Commission.

Additionally, Ares Management has related persons that are exempt, unregistered investment advisers to certain of Ares Management’s clients and are the general partners and, in many cases, limited partners of the Ares Management funds and other investment vehicles that are limited partnerships.

From time to time, Ivy Hill invests in debt and/or equity securities issued by certain Clients and Ares Capital has also invested, and may in the future invest, in securities issued by one or more Clients. In addition, persons affiliated with ACM and entities managed by affiliates of ACM, including entities managed by Ares Management, have invested, and such entities and/or entities managed by ACM may in the future invest, in securities issued by one or more Clients. While Ivy Hill endeavors at all times to act in the best interests of its Clients, Underlying Investors should be aware that the investment by Ivy Hill, Ares Capital or entities managed by affiliates of ACM, including entities managed by Ares Management, in a Client may create potential conflicts of interest.

Certain Ivy Hill personnel may spend substantially all of their business time on one or more Client as required pursuant to the terms of the relevant Governing Documents. In connection with investment activities, employees may from time to time be given access to confidential information relating to companies in which Clients invest. As a result, Clients may, under certain circumstances, be prohibited for a period of time from engaging in transactions with respect to the



debt or securities of such a portfolio company, which prohibition may have an adverse effect on Clients.

Clients have from time to time purchased assets from or sold assets to Ares Capital or another Client. As part of Ivy Hill's investment strategy for Clients, it may purchase additional assets for Clients from, or it may sell assets from one or more of the Clients to, Ares Capital or another Client. While assets may be sold or purchased at prices that are consistent with those that could have been obtained from third parties, and although these types of transactions generally require approval of an independent party, there may be inherent conflicts of interest in such transactions.

Principals, officers and certain employees of Ivy Hill, members of their families and related persons of Ivy Hill may participate directly or indirectly as investors in the Clients as described in the Governing Documents of the Clients, which may be through privately negotiated transactions at varying prices.

Ivy Hill may recommend to clients the purchase or sale of investments in which it, or principals, officers, employees an employee or related person thereof, has a financial interest. In addition, Ivy Hill permits its principals, officers and employees to engage in personal securities transactions, subject to compliance with its Code of Ethics.

For a general discussion of how Ivy Hill addresses resulting conflicts of interest, see the discussion under "*Item 11- Code of Ethics, Participation or Interest in Client Transactions and Personal Trading*" below.

### ***Selection or Recommendation of Other Advisers***

Ivy Hill does not recommend or select other third-party investment advisers for its Clients. Except for its related parties, ACM, Ares Management (ACM's parent company), ACM II and ACREM, each a subsidiary of Ares Management, and Ares Management's related person, CAM, Ivy Hill does not have other business relationships with other advisers that create a material conflict of interest.

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

### ***Code of Ethics***

Ivy Hill has adopted a Code of Ethics (the "Code") pursuant to Rule 204A-1 under the Investment Advisers Act of 1940, as amended (the "Advisers Act"), that sets forth standards of business and fiduciary conduct that Ivy Hill requires of Covered Persons (as defined in the Code). The Code is reasonably designed to minimize actual or potential conflicts of interest between Covered Persons and the interest of Ivy Hill and its Clients and prevent violation of federal securities laws. The Code provides that no Covered Person may engage directly or indirectly in any business investment in a manner detrimental to the Clients or use confidential information gained by reason of his or her employment by or affiliation with Ivy Hill in a manner detrimental to the Clients. The Code includes, among other things: a) policies and procedures regarding personal securities

transactions; and b) disclosure and reporting obligations of personal securities transactions and holdings. The reporting and pre-clearance requirements of the Code apply to all Ivy Hill employees and immediate family members living in their household. Under the Code, transactions involving the purchase or sale of certain securities are subject to pre-clearance, reporting and minimum holding requirements. All Ivy Hill employees are required to make compliance certifications attesting to compliance with the Code on a quarterly and annual basis. The compliance certifications are administered through Ares Management's compliance portal.

The Code is available upon the written request of any Client, Underlying Investor or prospective investors.

### ***Participation or Interest in Client Transactions***

As general partners, limited partners or investors in certain of the Clients, Ivy Hill and its related persons have indirect beneficial interests in the securities or investments owned by such Clients and will share in any profits and losses generated by such Clients' investments. The Code requires that before, or at the time that, a Covered Person recommends or authorizes the purchase or sale of a Covered Security (as defined in the Code) by a Client, he or she must disclose to the Chief Compliance Officer ("CCO"): (i) any beneficial ownership in such Covered Security that he or she has or proposes to acquire; (ii) any interest he or she has or proposes to acquire in any third party account in which such Covered Security is held; (iii) any beneficial interest in any other security that may benefit from such proposed purchase, sale or other action; and (iv) any interest in or business relationship with the issuer of such Covered Security that a Covered Person or his or her Covered Family Members (as defined in the Code) has or proposes to acquire.

In addition, Ivy Hill and its related persons may, directly or through one or more entities, sell securities or investments in which they have a direct or indirect ownership interest to certain Clients in connection with certain "warehousing" transactions, provided that the sale is consistent with Ivy Hill's fiduciary obligations to such Clients. Such transactions will be fully disclosed in writing, and the written consent of the appropriate Client (which, in certain circumstances, may be provided by a Client's Transaction Committee or Independent Review Committee) will be obtained prior to the consummation of any such transaction in accordance with Section 206(3) of the Advisers Act and all other applicable state and federal securities laws.

Ivy Hill makes investments on its own behalf and on behalf of its affiliates. In addition, Ivy Hill and its affiliates may co-invest with certain of the Clients as permitted by the applicable Governing Documents and subject to certain regulatory limitations. In addition, related persons of Ivy Hill and one or more Clients may invest in the same or different securities of a portfolio company, and in certain cases, a Client may purchase an investment from or sell an investment to a related person of Ivy Hill. Any such co-investments or related transactions may raise potential conflicts of interest, particularly if a Client invests in different classes or types of securities of the same portfolio company. In that regard, actions may be taken by such other Client or related person that are adverse to a Client. In the case of transactions involving a Client purchasing from or selling to a related person of Ivy Hill, the Governing Documents generally provide for the review of such transactions by individuals otherwise unaffiliated with Ivy Hill.

Ivy Hill has adopted an investment allocation policy designed to ensure that all investment opportunities are, to the extent practicable, allocated among its Clients on a basis that over a period of time is fair and equitable to each Client relative to other Clients as well as a co-investment policy designed to ensure fair allocation of co-investment opportunities amongst the Clients. These policies are described in “*Item 6. Performance-Based Fees and Side-by-Side Management.*”

### ***Personal Trading***

The Code covers personal trading policies and procedures of all Covered Persons and their Covered Family Members. Under the Code, Covered Persons and their Covered Family Members are permitted to trade in securities for their own accounts so long as they follow the Code, which contains certain preclearance requirements, reporting requirements and other provisions that restrict trading by Covered Persons. Generally, for Covered Securities transactions in a Covered Person’s or a Covered Family Member’s account, Covered Persons are required to obtain preclearance approval from the Compliance Department. Covered Securities purchased by a Covered Person or a Covered Family Member are generally subject to a minimum holding period. The Code also requires that all Covered Securities holdings and transaction information in Covered Securities accounts be disclosed to the Compliance Department. Any transactions by a Covered Person in securities or investments that are held by one or more Clients are generally subject to a blackout period after any Client has traded in any security of that issuer and may further be restricted further by a Client’s Governing Documents. The Code’s procedures are administered by the Firm’s Compliance Department. On a quarterly basis, Covered Persons must certify to Covered Securities transactions, effected by them or their Covered Family Members, including the nature of the transaction, the price of the security and the name of the broker, dealer or bank with or through which the transaction was effected. On an annual basis, Covered Persons must provide a full accounting of Covered Securities holdings held by them and their Covered Family Members. Covered Securities transactions over which the Covered Person or their Covered Family Members had no direct or indirect influence or control are exempt from these reporting requirements. Lastly, Covered Persons are periodically required to certify that they have read and understand the Firm’s compliance policies and procedures, including the Code, and certify that they have complied with the provisions of the Code.

### ***Other Potential Conflicts***

Certain Ivy Hill employees and/or their Covered Family Members own private placement interests, including but not limited to, investments in private pooled investment vehicles, other private funds and in single business entities, which could result in a conflict of interest between a Client and the employee in light of a potential personal benefit to the employee. A conflict could arise when an employee invests in an issuer and/or their affiliates who may become a portfolio company, competitor, service provider, counterparty, sponsor or any other business partner of Ivy Hill and/or its Clients. In order to mitigate such potential conflicts, these investments are monitored through the pre-clearance and reporting requirements under the Code.

Ivy Hill also requires certain outside business activities to be reported and monitored to avoid potential or actual conflicts of interest. Such activities require prior written approval from the CCO and the Covered Person’s direct supervisor, may be subject to restrictions or conditions and such approval is revocable at any time.

Subject to the applicable Governing Documents, a Client is typically permitted to engage in cross trades with one or more other Clients, typically for purposes of rebalancing its portfolios, in order to further such participating Clients' investment programs, or for other reasons consistent with the investment and operating guidelines of such participating Clients. Neither Ivy Hill nor its affiliates will receive commission or similar fees in connection with such cross trades. Generally, the value of any positions that are cross-traded in this manner will be determined in a manner that is consistent with applicable policies.

Ivy Hill also requires certain outside business activities to be reported and monitored to avoid potential or actual conflicts of interest. Such activities require prior written approval from the CCO and the Covered Person's direct supervisor, may be subject to restrictions or conditions and such approval is revocable at any time.

## **Item 12 - Brokerage Practices**

Subject to the investment objectives, policies and restrictions of each Client as set forth in its Governing Documents, Ivy Hill has discretionary authority to determine the type, amount, and price of securities and investments to be bought and sold on behalf of each Client, including the selection of, and commissions paid to, any broker-dealers.

In selecting broker-dealers to effect transactions, Ivy Hill seeks to obtain best execution by considering various factors in addition to the quantitative factors such as price or spreads/commission rates, including, but not limited to, ability to maintain the confidentiality of trading intentions, timeliness and certainty of execution, liquidity of the securities or instrument traded, ability to place trades in difficult market environments, ability to access a variety of market venues, expertise in specific securities or instruments, credit quality, financial condition (counterparty risk) and business reputation. While Ivy Hill generally seeks reasonably competitive trade execution costs, Clients will not necessarily pay the lowest spread or commission available.

Ivy Hill is permitted to receive client or investor referrals from broker-dealers, which may provide an incentive for Ivy Hill to select or recommend certain broker-dealers for execution services. Please refer to the subsection entitled "*Third Party Compensation for Referrals*" in Item 14 below for additional information.

### ***Research and Other Soft Dollar Benefits***

Section 28(e) of the Exchange Act provides a safe harbor that permits investment advisers, when selecting brokers to execute transactions for client accounts, to take into account certain research products and services provided to the investment adviser by brokers. Ivy Hill does not engage in soft dollar arrangements.

## **Item 13 - Review of Accounts**

### ***Review of Client Accounts***

Ivy Hill monitors all portfolio investments on behalf of each Client on an ongoing basis. Investments are reviewed in the context of each client's (i) adherence to the investment objectives and guidelines as set forth in its Governing Documents and (ii) investment performance. Subsequent to an initial investment, such position is monitored on an ongoing basis by at least one investment professional. The monitoring may include ongoing dialogue with the agent bank, company management, fixed income and equity analysts, rating agencies and/or industry sources. In addition, a client's positions as well as a client's overall performance and adherence to its investment mandates and restrictions are monitored on an ongoing basis by Ivy Hill's senior investment professionals.

### ***Reports to Clients***

Ivy Hill provides reports to Underlying Investors or a Client's independent trustee as required by the applicable Governing Documents or otherwise agreed upon with a Client or Underlying Investor. Underlying Investors should refer to the applicable Client Governing Documents for further information on the reports required to be provided by Ivy Hill.

The Governing Documents of the Clients typically require quarterly and annual financial information to be distributed to a Client's Underlying Investors, and Ivy Hill also may provide written investor letters with respect to a Client and its performance. Ivy Hill distributes K-1 filings to the Underlying Investors, where applicable, and provides certain other reports and analyses to Underlying Investors and potential investors upon request.

With respect to certain Clients that are collateralized loan obligations or similar structured finance vehicles, the independent trustees of such Clients generally prepare monthly compliance reports. Additionally, Ivy Hill may prepare investor letters, portfolio profile summaries or pro forma results to supplement or further clarify a trustee report.

Finally, Ivy Hill holds investor meetings and calls as appropriate for certain of the Clients.

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

### ***Economic Benefits Received from Third Parties***

In connection with investments made by certain Clients, Ivy Hill or its related persons may receive commitment, structuring, monitoring and/or other transaction fees from portfolio investments in which one or more of the Clients may invest or propose to invest. The potential for Ivy Hill and its related persons to receive such economic benefits may create conflicts of interest as Ivy Hill and its related persons may have economic incentives to invest in portfolio investments that provide such benefits.

### ***Third Party Compensation for Referrals***

Clients or Ivy Hill may pay placement or structuring fees to placement agents or other third parties who assist in structuring Clients or placing investors in Clients. These fees may be payable by Underlying Investors, one or more of the Clients, the general partner of a Client, Ivy Hill or a combination thereof.

Certain of the solicitors or placement agents utilized to market Ivy Hill's Clients, as well as individuals employed by such solicitors or placement agents, may invest in the Clients and may not pay, or may pay reduced, advisory fees with respect to their Client investment(s). In addition, Ivy Hill may transact client orders through broker-dealers that also act as solicitors or placement agents for its Clients.

Ivy Hill endeavors at all times to put the interests of its Clients first as part of Ivy Hill's fiduciary duty. Nevertheless, the receipt of compensation by placement agents and the potential receipt of brokerage commissions by broker-dealers may create potential conflicts of interest and may affect the judgment of placement agents and broker-dealers when making referrals to Ivy Hill and its Clients. Moreover, potential conflicts of interest may arise between the interests of Clients in obtaining best price and execution and Ivy Hill's interest in receiving future referrals to the Clients from certain broker-dealers. Ivy Hill addresses these potential conflicts of interest by seeking to obtain best execution by considering the factors set forth in "*Item 12 - Brokerage Practices*" above.

## **Item 15 - Custody**

It is Ivy Hill's general policy to not have physical custody of any Client assets. However, Ivy Hill may be deemed to have custody of the assets of a certain Client because of the authority it or a related party has over such Client or its assets. It is Ivy Hill's policy generally to cause each Client with assets over which Ivy Hill is deemed to have "custody" to be audited annually and to distribute audited financial statements, prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), to such Client's Underlying Investors no later than 120 days after the end of each fiscal year. In addition, upon the final liquidation of any such Client, Ivy Hill will obtain a final audit and distribute audited financial statements prepared in accordance with GAAP to all Underlying Investors of such Client promptly after completion of the audit.

In the alternative, where Ivy Hill is deemed to have custody of a client account solely due to its ability to withdraw client funds to pay its advisory fees, Ivy Hill may comply with the custody rules under the Advisers Act by having a reasonable belief that a qualified custodian will send quarterly account statements to each Underlying Investor or Client. Ivy Hill urges all Clients and Underlying Investors to compare the reports they receive from Ivy Hill to the statements they receive from their custodians. Any issues or discrepancies should be communicated to Ivy Hill promptly.



## **Item 16 - Investment Discretion**

Ivy Hill has discretionary authority to determine the type, amount and price of securities and other investments to be bought and sold on behalf of each Client, including the selection of, and commissions paid to, broker-dealers. This discretionary authority is subject to the investment objectives, policies and restrictions as set forth in the Governing Documents of each such Client. In order to assume such discretionary authority, each Underlying Investor must complete the appropriate Client subscription documents or an investment advisory agreement prior to the establishment of an advisory relationship granting such authority.

## **Item 17 - Voting Client Securities**

In instances where a Client owns equity securities in which it has the right to vote via a proxy (each a “Voting Security”), Ivy Hill generally retains proxy voting authority with respect to these Voting Securities. Ivy Hill has adopted and implemented written Proxy Voting Policies and Guidelines (“Proxy Voting Guidelines”) that are reasonably designed to ensure that Ivy Hill votes proxies in the best interests of its advisory clients for whom Ivy Hill has voting authority.

The Proxy Voting Guidelines describe the positions Ivy Hill generally takes in voting proxies on particular issues and require Ivy Hill to keep records with respect to the votes cast.

The Proxy Voting Guidelines also provide that, in the event a particular proxy vote would involve a conflict between the interests of Ivy Hill and its affiliates and those of one or more clients of Ivy Hill, Ivy Hill, if it so elects, may:

- vote in accordance with the recommendations of a disinterested third party;
- refer the voting decision to the client; or
- abstain from voting.

Clients may obtain a copy of Ivy Hill’s Proxy Voting Guidelines or information about how Ivy Hill voted client proxies by contacting the Legal Department of Ivy Hill’s administrator at (310) 201-4100.

## **Item 18 - Financial Information**

Not Applicable.