

ITEM 1  
COVER PAGE

---

PART 2A OF FORM ADV: FIRM BROCHURE



**GLG Partners LP**

March 28, 2024

---

Riverbank House  
2 Swan Lane  
London EC4R 3AD  
England

Phone: +44 20 7144 1000

Website: <https://www.man.com/>

**This brochure (“Brochure”) provides information about the qualifications and business practices of GLG Partners LP (the “Firm”). If you have any questions about the contents of this Brochure, please contact us at +44 20 7144 1000 and/or [allincompliance@man.com](mailto:allincompliance@man.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.**

*The Firm is registered as an investment adviser with the SEC. Registration with the SEC does not imply a certain level of skill or training and no inference to the contrary should be made.*

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

## **ITEM 2**

### **MATERIAL CHANGES**

The Firm's last update to its Brochure was on September 26, 2023. Since this update, the following amendments have been made to the Brochure, which we do not deem to be material:

- Item 4. has been updated to reflect that the Firm is doing business as Man Group which represents the marketing/trading name of the Firm.
- Item 10. has been updated to add certain affiliated entities.
- Item 17. has been updated to reflect changes to the Global Proxy Voting Policy.

**Even though a concerted effort is made to keep clients/investors informed of notable changes to the Firm's business throughout the year, clients/investors are encouraged to review this update carefully, much like all of the Firm's reports and communications, in its entirety.**

**ITEM 3  
TABLE OF CONTENTS**

ITEM 1 COVER PAGE.....	i
ITEM 2 MATERIAL CHANGES .....	ii
ITEM 3 TABLE OF CONTENTS.....	iii
ITEM 4 ADVISORY BUSINESS .....	1
A. General Description of Advisory Firm .....	1
B. Description of Advisory Services .....	2
C. Availability of Customized Services for Individual Clients .....	3
D. Collateralized Loan Obligations .....	3
E. Wrap Fee Programs.....	4
F. Assets Under Management .....	4
ITEM 5 FEES AND COMPENSATION .....	5
A. Advisory Fees and Compensation .....	5
B. Payment of Fees .....	8
C. Additional Fees and Expenses .....	9
ITEM 6 PERFORMANCE-BASED FEES AND SIDE- BY-SIDE MANAGEMENT .....	11
ITEM 7 TYPES OF CLIENTS .....	12
ITEM 8 METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS .....	13
A. Methods of Analysis and Investment Strategies .....	13
B. Material, Significant or Unusual Risks Relating to Investment Strategies .....	14
C. Risk Associated With Particular Types of Investment Products.....	42
ITEM 9 DISCIPLINARY INFORMATION .....	65
A. Criminal or Civil Proceedings .....	65
B. Administrative Proceedings Before Regulatory Authorities.....	65

ITEM 10 OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS .....	66
A. Broker-Dealer Registration Status .....	66
B. Futures Commission Merchant, Commodity Pool Operator or Commodity Trading Adviser Registration Status .....	66
C. Material Relationships or Arrangements with Industry Participants.....	66
D. Material Conflicts of Interest Relating to Other Investment Advisers.....	67
ITEM 11 CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING .....	69
A. Code of Ethics .....	69
B. Securities in which the Investment Adviser or a Related Person Has a Material Financial Interest. ....	71
1. Cross Transactions and Principal Transactions .....	71
2. Allocation of Investment Opportunities.....	71
3. Valuation.....	73
C. Investing in Securities that the Investment Adviser or a Related Person Recommends to Clients .....	74
D. Conflicts of Interest Created by Contemporaneous Trading.....	75
ITEM 12 BROKERAGE PRACTICES .....	77
A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions .....	77
1. Payment of Research.....	78
2. Brokerage for Client Referrals.....	79
3. Directed Brokerage .....	79
B. Order Aggregation .....	80
C. Trade Error Policy and System Event.....	80
D. CLO Brokerage Practices .....	81
ITEM 13 REVIEW OF ACCOUNTS.....	82
A. Frequency and Nature of Review of Client Accounts or Financial Plans .....	82
B. Factors Prompting Review of Client Accounts Other than a Periodic Review .....	82

C. Content and Frequency of Account Reports to Clients .....	82
ITEM 14 CLIENT REFERRALS AND OTHER COMPENSATION .....	83
A. Economic Benefits for Providing Services to Clients.....	83
B. Compensation to Non-Supervised Persons for Client Referrals .....	83
ITEM 15 CUSTODY .....	84
ITEM 16 INVESTMENT DISCRETION .....	85
ITEM 17 VOTING CLIENT SECURITIES.....	86
A. Proxy Voting.....	86
B. Class Actions .....	88
ITEM 18 FINANCIAL INFORMATION .....	90

## ITEM 4 ADVISORY BUSINESS

### A. **General Description of Advisory Firm**

The Firm was formed on March 3, 2000, as a limited partnership, registered under the Limited Partnership Act of 1907 of England and Wales with its principal place of business in London, England.<sup>1</sup> The Firm which is authorized and regulated by the Financial Conduct Authority in the United Kingdom, offers advisory or sub-advisory services to non-U.S. and U.S. institutional managed accounts and pooled investment vehicles on either a discretionary or non-discretionary basis. The Firm offers discretionary investment advice and/or management services according to the stated investment objectives, restrictions and policies of each client. The general partner of the Firm is GLG Partners Limited and the limited partner is FA Sub 3 Limited both of which are ultimately owned by Man Group plc, which is listed on the London Stock Exchange and is a component of the FTSE 250 Index. Man Group plc, through its investment management subsidiaries (collectively, "Man"), is a global investment management business and provides a range of fund products and investment management services for institutional and private investors globally. As of December 31, 2023, Man had approximately \$167.5 billion of assets under management.<sup>2</sup> The Firm is doing business as Man Group which represents the marketing/trading name of the Firm.

The Firm has full discretionary advisory investment management authority with respect to investment decisions for pooled investment vehicles, including private funds (the "Private Funds") and managed accounts. The Firm also provides sub-advisory services to certain pooled investment vehicles including affiliated private funds (collectively with the Private Funds, the "Funds"). The Firm's advice with respect to the Funds and managed accounts is made in accordance with the investment objectives and guidelines as set forth in the applicable Fund offering memorandum or the managed account's investment management agreement. Certain clients of the Firm invest in the Funds and those clients have been reflected in responses to these questions as investors in the Funds. "Funds" include one or more funds that the Firm, its affiliates or employees<sup>3</sup> have seeded or invested over 25% of the capital of such Funds. Important

---

<sup>1</sup> The business of GLG Partners LP was established in 1995.

<sup>2</sup> Man assets under management as stated in the Man Group plc Annual Report include advisory-only assets over which Man has no decision making or trading authority and dedicated managed account platform services for which Man provides platform and risk management services but does not provide investment management services.

<sup>3</sup> "Employee(s)" for purposes of this Brochure includes personnel, partners, officers, directors (other than non-executive directors of Man Group plc) and other persons with similar status or performing similar functions.

information regarding each Fund and managed account, which includes investment objectives, risks, strategy, fees and other material information, including applicable conflicts of interest is contained in each Fund's offering documents and in each managed account's investment management agreement, as the case may be.

As used herein, the term "client" generally refers to each Fund and each beneficial owner of a managed account.

The Firm may offer advisory services to non-discretionary accounts whereby the Firm has on-going responsibility to select or make recommendations, based upon the needs of the client, as to financial instruments the account may purchase or sell and, if such recommendations are accepted by the client, the Firm would be responsible for arranging or effecting the purchase or sale.

Certain affiliated advisory firms are considered to be "Participating Affiliates" of the Firm (as that term is used in relief granted by the staff of the Securities and Exchange Commission ("SEC")) allowing investment advisers registered with the SEC to use portfolio management, research, operations, and trading resources of advisory affiliates and personnel subject to the supervision of an SEC-registered adviser. Professionals from such Participating Affiliates may render portfolio management, research, trading, or other related services to the Firm's clients and/or the Firm as affiliated "associated persons" of the Firm and are subject to supervision by the Firm. In addition, the Firm may provide portfolio management, research, or other related services to the Participating Affiliates under separate services agreements. Fees may be paid by and received from the parties under these arrangements.

The Firm complies with applicable U.S. securities regulations only with respect to its U.S. clients.

Man provides a number of centralized functions to the Firm, which includes trading, financing and cash management, risk management, operations, middle office accounting, finance, proxy voting, class actions, human resources, facilities, tax, legal, compliance, information technology, among other such services. The Firm utilizes investment management, research, investment models, trading, client servicing, sales and marketing capabilities of its affiliates in providing services to its clients.

In addition to these services, the Firm's affiliates may utilize its investment management, research, trade execution and other services in providing services to their clients. In some cases, certain of the Firm's investment personnel may provide investment management services to clients of the Firm as well as clients of one or more of its affiliates.

## **B. Description of Advisory Services**

Please see Item 8 herein.

*This Brochure generally includes information about the Firm and its relationships with its clients and affiliates. While much of this Brochure applies to all such clients and affiliates, certain information included herein applies to specific clients or affiliates only. Important information regarding each fund and managed account, which includes investment objectives, risks, strategy, fees and other material information, including applicable conflicts of interest regarding relationships with affiliates, is contained in each fund's offering documents and in each managed account's investment management agreement, as the case may be.*

**C. Availability of Customized Services for Individual Clients**

The Firm's investment decisions and advice with respect to each Fund are subject to the Fund's investment objectives and guidelines, as set forth in its offering documents. Similarly, the Firm's investment decisions and advice with respect to each managed account are subject to each client's investment objectives and guidelines, as set forth in the client's investment management agreement, as well as any written instructions provided by the client to the Firm.

A Fund may issue multiple classes, sub-classes, tranches, sub-tranches and/or series (or sub-series) of shares or interests, as applicable, in the future (or enter into "side letter" agreements with certain investor(s) that alter, modify or change the terms of the shares or interests, as applicable, held by the investor(s)), which may differ and may be more favorable from the shares or interests, as applicable, currently offered by the Fund in terms of, among other things, performance compensation, management fee, redemption rights (including redemption dates and notice periods), currency denomination, minimum and additional subscription amounts, informational rights and other rights. New classes, sub-classes, tranches, sub-tranches and/or series (or sub-series) of shares or interests, as applicable, may be issued (or "side letter" agreements may be entered into) by a Fund's board of directors, in its sole discretion, on behalf of the Fund, in consultation with the Firm, without providing prior notice to, or receiving consent from, existing investors. The terms of such classes, sub-classes, tranches, sub-tranches and/or series (or sub-series) or "side letter" agreements will be determined by the board of directors, in its sole discretion, in consultation with the Firm. In general, a Fund will not be required to notify investors upon entering into "side letter" agreements nor will a Fund be required to offer such additional and/or different rights and/or terms to any or all of the other investors.

**D. Collateralized Loan Obligations**

The Firm provides investment management services to certain collateralized loan obligation special purpose vehicles (each a "CLO"). Each CLO is a non-U.S. entity that issues rated notes ("Rated Notes") and non-rated notes ("Equity" and, together with the Rated Notes, "Notes") under an English law trust deed (a "Trust Deed"). The Notes of each CLO are secured by a portfolio of assets consisting primarily of "Leveraged Loans" (described further below) owned by that CLO and managed by the Firm pursuant to the terms of an investment management agreement between that CLO and the Firm. Investors who wish to obtain exposure to Leveraged

Loans and similar investments, including high yield bonds, may do so through purchasing Notes issued directly by the CLOs.

Investment management agreements and related Trust Deed documentation contain detailed specifications and requirements regarding the types of Leveraged Loans and other assets the Firm is permitted to acquire on behalf of the CLO and specify the circumstances in which the Firm can purchase and sell assets, as well as the overall composition of the portfolio (diversity, concentration, ratings, etc.). These investment guidelines are generally not tailored to the individualized needs of any particular investor or holder of Notes (each a “Noteholder”). At inception, however, specific asset criteria or portfolio guidelines may be established in consultation with certain key, prospective investors. Generally, prospective investors and Noteholders must independently consider whether a particular CLO meets their investment objectives and risk tolerances prior to investing.

In connection with the pre-launch phase of each CLO’s lifecycle, the Firm also acts as investment manager in respect of the “warehouse” assets acquired by that CLO. Generally, such warehouses are expected to be operative for the 6 to 12 month period prior to launch of a CLO, with optionality to extend for a further 12 months, depending upon market conditions. The Firm, its affiliates or funds managed by the Firm or its affiliates as well as one or more prospective Noteholders provide junior financing to such warehouses, with senior financing provided by the CLO underwriter/arranger. In addition, the Firm’s affiliate, GLG LLC, is collateral manager or investment manager to GLG LLC CLOs in which the Firm may invest on behalf of its clients giving rise to potential conflicts of interest. References to CLOs *infra* include such warehousing arrangements.

During the warehouse phase of each CLO, the Firm also acts as “mini-warehouse” provider, pursuant to which it purchases for its own balance sheet a certain portion (generally 5 to 10%) of the assets intended to be held by that CLO on its launch. The assets so purchased are sold onto the relevant CLO upon its launch. This activity is undertaken in order that the Firm is able to comply with applicable regulation requiring it to “originate” a certain portion of each CLO’s asset portfolio.

**E. Wrap Fee Programs**

The Firm does not participate in wrap fee programs.

**F. Assets Under Management**

The Firm managed approximately \$33.7 billion in regulatory assets under management on a discretionary basis as of December 31, 2023.

## **ITEM 5**

### **FEES AND COMPENSATION**

A fee schedule is omitted because this Brochure is being delivered only to qualified purchasers, as defined in section 2(a)(51)(A) of the Company Act.

The Firm does not maintain a basic fee schedule. The following is a general overview of the types of fees the Firm charges its clients.

#### **A. Advisory Fees and Compensation**

Fees for each client are determined on a case-by-case basis. Fees for institutional managed accounts are negotiated directly with each managed account and generally consist of a fee based on assets under management, investment performance or a combination of both. In addition, the Firm has agreed to other fee structures which have included a pass through of expenses. Performance-based fees, if applicable, will be charged in compliance with Rule 205-3 of the Investment Advisers Act of 1940, as amended (the “Advisers Act”).

#### **The Funds**

Fees charged to the Funds are fully described in the respective Funds' offering document. Generally, with respect to the Funds, the Firm or its affiliates (i) charge a monthly or quarterly management fee in arrears at annualized rates generally ranging from 0.5% to 2.75%, and (ii) charge performance fees generally up to 25% of net profits. For certain Funds where multiple portfolio managers manage the assets of the Fund, performance fees are calculated and payable with reference to discrete portions of the portfolio and as such performance fees may be payable even if the net asset value of the Fund or portfolio as a whole has not increased (see Item 6 for further details). In some cases, payment of a performance fee is subject to a “benchmark return”, “high water mark” or “hurdle rate” calculated and payable annually or at the time of a redemption/withdrawal.

Certain share classes of the Funds charge performance fees on a class-by-class (or series-by-series) basis in order to maintain a single net asset value per share within each class (or series, as applicable). In general, this calculation is effected by taking the aggregate amount of appreciation in net asset value with respect to all shares within a class or series, as applicable, for the relevant performance period, and then charging a performance fee to the class or series, as applicable, as a whole. This means that, where a performance fee is payable in respect of a class or series, as applicable, the net asset value per share of all shares in that class or series, as applicable, is reduced equally to reflect the payment of the per share average of the aggregate performance fee for the class or series, as applicable, as a whole, and not the individual performance of those shares, during the relevant performance period. Since the net asset value per share of all shares within such class is reduced to reflect the payment of the performance fee

attributable to such class or series, as applicable, it is possible that (i) the net asset value of the shares in such class or series, as applicable, that are held by an investor may reflect the payment of a performance fee even though the net asset value of such shares experienced no appreciation or even depreciated during the relevant period, and (ii) the net asset value of shares held by an investor may bear a disproportionate amount of the performance fee relative to the actual appreciation that such shares experienced during the relevant period. In these cases, the performance fee attributable to a share that is redeemed at any time other than at a date as of which the performance fee is calculated (a "Calculation Date") shall be determined separately for the share that is being redeemed. Accordingly, when a share is redeemed at any time other than at a Calculation Date: (i) the performance fee attributable to such share could be different from the performance fee that would be payable if such share was not redeemed until the Calculation Date; and (ii) the holder redeeming such share would not get the benefit of, or suffer the disadvantage of, the allocation of the performance fee across the class or series, as applicable, as a whole.

In the alternative, certain share classes of the Funds may charge performance fees using the full equalization method, which computes fees on a share-by-share basis so that performance fees are only paid on shares that have appreciated in value during the relevant performance period.

Certain UCITS funds pay an administration fee to the non-US based manager of the UCITS funds which is an affiliate of the Firm (the "Manager") of 0.30% per annum of average net asset value payable monthly in arrears. The administration fee is used to pay the services of the administrator and administrative services of the Manager as further described in the UCITS funds' prospectus.

Certain non-US share classes of certain Funds may also be subject to up-front sales charges of up to 5% of the initial amount invested and may be subject to contingent deferred sales charges depending upon the length of time that the shares in the Funds are held as further described in the Funds' offering documents. Sales charges and contingent deferred sales charges may be reduced or waived. Certain non-US share classes in the Funds may be subject to redemption fees if the shares are redeemed before certain holding periods have elapsed. These redemption fees may be waived for each investor by the directors of the Funds. Certain share classes in the Funds may be subject to distribution fees which generally range from 0.75% to 1.25% per annum of the average net asset value paid monthly, which may be used for distribution and sales costs of the shares, including payments to affiliated and/or unaffiliated distributors. Schedules of fees and performance-based fees are set forth in the offering document for each of the Funds, which should be consulted by any prospective investor to determine the applicable level of fees or allocations, when fees are paid, and any conditions on redemptions from the Funds.

As permitted, the Firm or its affiliates may from time to time in its sole discretion and out of its own resources decide to rebate part or all of the management and/or performance fees, and/or distribution fees to some or all investors or to intermediaries. The Firm or its affiliates may pay a portion of its fees to distributors or intermediaries of the Funds.

The Firm's compensation may be negotiable and the Firm may, in its sole discretion, elect to waive or modify any compensation with respect to any investor, without entitling any other investor to a waiver or modification. The Firm's fees and compensation will be shared from time to time with its affiliates.

The Firm or its affiliates may also invest client or Fund assets in investments that charge additional fees or are subject to additional allocations (including other Funds advised by the Firm or its affiliates ("Affiliated Funds")). Clients or investors may therefore indirectly bear (i) advisory fees or an allocation (including management, performance, administrative, or other fees or a performance allocation) to the Firm or its affiliates and (ii) fees charged by the underlying investment. Investments that charge additional fees may include, but are not limited to, money market funds, short-term investment vehicles, exchange traded funds, pooled investment vehicles, special purpose investment vehicles and alternative investment vehicles. If a client or Fund invests in any Affiliated Fund, the performance compensation and management fee otherwise payable to the Firm or its affiliate at the Affiliated Fund level will generally be waived by such Affiliated Fund. The administrative fee (if any) will generally not be waived.

Generally, the investment management agreements with clients may be terminated by either party in accordance with the terms and notice period described in each investment management agreement. The Firm's investment management agreements are generally terminable with prior written notice, without penalty, or upon a breach, and/or may also be automatically renewed.

### **CLOs**

Subject to the terms of the agreements and governing documents, the Firm is paid by each CLO, on a quarterly basis in arrears: (i) senior and subordinated management fees that equal 0.50% (on a combined basis) of the collateral balance (split between 0.15% of senior management fee and 0.35% of subordinated management fee); and (ii) incentive fees, which consist of an agreed upon percentage of excess cash flow (typically 20%) payable following the receipt by Equity holders of a specified internal rate of return calculated and paid at the point of liquidation of that CLO (collectively, the "CLO Management Fees").

CLO Management Fees are calculated in accordance with the terms of the relevant investment management agreement and paid to the Firm from the income generated by the CLO asset portfolio in accordance with a priority of payments specified in the relevant Trust Deed. Senior management fees have a higher payment priority than subordinated management fees, which are paid only to the extent cash flow remains after the CLO has satisfied the debt service on the Rated Notes and has satisfied other third-party fees and expenses.

CLO Management Fees are generally not negotiable by holders of Rated Notes. Neither the Firm nor its employees accept compensation for the sale of securities or interests in the CLOs. Fees, in general, may vary and, in some cases, may be negotiable by the controlling class/key investors in the Equity.

Subject to the terms of the respective investment management agreements and Trust Deeds, the CLOs are typically responsible for their own organizational and transactional expenses. Such expenses include, among others: (i) legal, marketing, accounting, trustee, custodial and administration expenses associated with its organization and operation; and (ii) the implementation and execution of the investment strategy, including research, consultants and assignment fees. These charges and expenses are exclusive of and in addition to the Firm's management and incentive fees.

Subject to the terms of the management agreements and the CLO Trust Deeds, the Firm may be reimbursed by the CLOs for certain out of pocket expenses incurred in performing its obligations under the management agreements, such as subscriptions for pricing services, software, legal and other professional fees, fees to rating agencies, consultants, auditors, accountants, and back-office service providers and other expenses contemplated in the investment management agreements. Expense reimbursements are generally capped in the manner and amount stated in each Trust Deed or investment management agreement. Where applicable, certain expenses may be shared on a *pro rata* or equal split basis by one or more of the CLOs to the extent that an expense is incurred by the Firm for the benefit of more than one of the CLOs. These charges and expenses are exclusive of and in addition to the Firm's management and incentive fees.

The Trustee in respect of each CLO receives reimbursement from that CLO for expenses incurred by it in carrying out its responsibilities under the Trust Deed, such as audit, tax preparation and exchange registration fees.

Details regarding the fees, costs and expenses born by the CLOs are disclosed in the respective Trust Deed, investment management agreement, prospectus or governing documents, as applicable.

Generally, the Firm does not require prepayment of CLO fees unless otherwise permitted under such client documentation. If prepayment were provided for, the Firm would rebate a proportionate amount of the prepaid fees to the applicable CLO, in the event of a termination of its investment management services.

## **B. Payment of Fees**

Fees and compensation paid to the Firm or its affiliates by the Funds or managed accounts are generally paid by the client from its assets. With regards to the Funds, the fees are calculated by the Fund's administrator and are paid directly from the Fund's assets. Management fees are generally paid, on either a monthly or quarterly basis in arrears, and the performance compensation is generally deducted on an annual basis or at the time of a redemption or withdrawal, as applicable, or more frequently as further described in the Fund's governing documents or managed account's investment management agreement. With regards to managed accounts, fees are negotiated and agreed upon with the client directly and may include a management fee or a combination of management fee and performance compensation. Management fees and performance-based compensation are generally pro rated for partial periods.

The Firm's employees may invest in one or more Funds. The Firm's employees may or may not be subject to a management fee and performance-based compensation by these Funds. In addition, the Firm's employee investments may or may not be subject to the same liquidity terms or fees as those of other investors in the Funds.

### **C. Additional Fees and Expenses**

Not all of the Firm's Fund investors bear all of the expenses set forth below and, in some cases, will bear additional expenses not included herein. Fund investors should refer to the Fund's governing documents for details relating to specific expenses relating to the Fund. In addition to the asset-based and as applicable, performance-based compensation described above, each Fund investor generally bears the following expenses: operating and other expenses and its *pro rata* portion of the Fund's expenses and as applicable master fund expenses, including, but not limited to, fund formation, fees paid to administrators, fees paid to custodians, fees paid to prime brokers, fees relating to any special purpose vehicles, as applicable, investment-related expenses (e.g., brokerage commissions (see Item 12 for more information on brokerage expenses) and transaction costs, currency hedging costs, clearing and settlement charges, interest expense, fees and expenses incurred in any borrowing or lending securities, any cost of acquiring or maintaining financing, any cost implicit in any repurchase or reverse repurchase agreements, consulting costs, legal costs, research and data charges, fees to negotiate and settle potential and actual transactions, as applicable, (including, investment-related litigation and restructuring expenses), investment banking and any other professional fees or compensation relating to particular investments or contemplated investments and research-related expenses, including, transactional, risk, market, reference, consumer and industry data and information, alternative data, news and quotation equipment and services (including, fees for data, data aggregation and software providers, exchanges and other third party and information vendors, other non-traditional and information sources, academic research data and trade ideas), expert networks or other networks, other third-party fees and expenses incurred in connection the evaluation of prospective transactions, (including, related travel and due diligence costs and expenses related to certain investments), expenses relating to third-party valuation services, expenses attributable to any third-party proxy voting service, costs for ERISA bonding, if applicable, expenses relating to reports provided to investors, expenses associated with the preparation, printing and distribution costs of the periodic and annual financial statements and all professional and other fees and expenses in connection therewith; the cost of publication of the net asset value of the fund, external legal and compliance expenses (which include, responding to formal and informal inquiries, subpoenas, investigations and other regulatory matters, indemnification expenses and expenses associated with regulatory filings including blue sky filings and other filings relating to the Fund and/or master fund and/or underlying investments, if applicable), legal costs relating to the review, negotiation, closing and/or settlement of potential and actual transactions, as applicable, relating to actual or contemplated investments (including, such fees and expenses for transactions that a Fund and/or the Firm elect ultimately not to acquire for the Fund); fees and expenses incurred in connection with any potential or actual investment or other participation in, or any holding or disposition of any interest in, another investment entity, business entity or organization, including any

restructuring expenses; any broken deal expenses; and fees and expenses related to the engagement of any service providers to the Firm and its affiliates or any other trading vehicle incurred in the course of operating assets in which a Fund invests; any expenses associated with preparing, monitoring, analyzing, monitoring tax and administrative reports or other documentation, external accounting, audit and tax-related preparation expenses; directors fees and expenses, organizational and operating expenses, clearing and registration fees and other expenses due to regulatory, supervisory or fiscal authorities in various jurisdictions, liquidation costs, and the out-of-pocket expenses incurred by the Fund's service providers, insurance fees and expenses, including, if applicable, a reasonably allocated portion of the premiums for any Fund directors' and officers', errors and omissions, cybersecurity or other coverage that would offset a portion of the Fund's indemnity obligations, expenses relating to the offer and sale of Fund interests and/or shares, taxes, expenses related to the maintenance of the Fund's registered office, and corporate licensing expenses. The Firm or its affiliates may pay certain of the aforementioned expenses and may therefore be entitled to be reimbursed by a Fund in respect of such expenses. Fund costs may be amortized over a period of time to ensure that large expenses are borne in an equitable manner.

Each managed account will typically bear many of the fees and expenses described above. Certain expenses borne by the Funds may or may not be shared by managed accounts. The expenses borne by a managed account are set forth in the managed account's investment management agreement or as otherwise agreed with the managed account.

#### **Allocation of Expenses**

A Fund or managed account may incur an expense which forms part of a larger aggregate expense relating to a number of entities for which the Firm or its affiliates provide services. Such expense will generally be allocated between the relevant entities on a pro rata basis, or in conjunction with a flat fee per entity for a portion of the expense, where appropriate or as otherwise determined by the Firm and/or the Fund directors in a fair and reasonable manner. The Firm may not allocate expense amounts that are deemed diminimus to its Funds. Clients may not receive the same benefits from the services that they pay for.

## **ITEM 6**

### **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

The Firm accepts performance-based fees for some, but not all clients to which it provides investment advisory services. The Firm may face a conflict of interest by managing accounts that are subject to a performance-based fee or allocation and accounts that are not subject to a performance-based fee or allocation, including that the Firm may have an incentive to favor accounts for which it receives performance-based fees or allocations. The Firm may also have an incentive to favor accounts from which the Firm will receive a performance fee calculated at a higher rate over accounts from which the Firm will receive a performance fee or allocation calculated at a lower rate. This includes scenarios where a performance fee may be expected to be at a lower rate given the operation of a fee calculation mechanism such as a high-water mark. Furthermore, performance-based fee compensation may create an incentive for the Firm to make riskier or more speculative investments than would be the case in the absence of such performance fees.

Generally, the Firm addresses these conflicts of interest through the adoption of policies and procedures that are designed to mitigate such conflicts of interest and ensure compliance with applicable law, including by way of an investment allocation policy which is designed to ensure accounts are treated fairly and equitably over time regardless of the types of fees or fee rates paid. Please see Items 11.B.2 and 11.D below.

The Firm provides investment advisory or management services to certain Funds or clients which are required to pay the Firm or its affiliates performance fees in respect of portions of the portfolio. Such portions of a portfolio are allocated by the Firm to one or more portfolio management teams (each such portion a “Sub-Account”). Sub-Account performance fees in respect of each Sub-Account are calculated as a pre-defined percentage of the excess (if any) of the net asset value of the Sub-Account above the applicable Sub-Account high water mark. Where the assets are allocated by the Firm to more than one Sub-Account, the performance (positive or negative) of these Sub-Accounts will be calculated separately and not be combined, aggregated, blended or netted for the purposes of calculating whether any Sub-Account performance fees are payable. Accordingly, a Sub-Account performance fee may be payable even if the net asset value of the Fund or portfolio as a whole has not increased.

## **ITEM 7**

### **TYPES OF CLIENTS**

The Firm provides investment advisory services primarily to U.S. or non-U.S. pooled investment vehicles (“Funds”) including private funds, UCITS funds, UK OEICs and CLOs and U.S. or non-U.S. institutional managed accounts which include pension plans and sovereign wealth funds, on a discretionary basis. The securities of the Funds are not registered under the Securities Act. In addition, the Funds are not registered under the Company Act, and may or may not be continuously offered.

Redemption rights with respect to each Fund are set forth in the offering memorandum for each Fund. Termination rights with respect to each managed account are set forth in the investment management agreement for each managed account. Investments in the Funds may be subject to certain qualifications and a minimum investment requirement which under certain conditions may be waived as set forth in the Fund’s offering memorandum. Currently, the Firm does not have a pre-determined account minimum for managed accounts.

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

**A. Methods of Analysis and Investment Strategies**

*The descriptions set forth in this Brochure of specific advisory services that the Firm offers to clients, and investment strategies pursued and investments made by the Firm on behalf of its clients, should not be understood to limit in any way the Firm's investment activities. The Firm may offer any advisory services, engage in any investment strategy and make any investment for its clients, including any not described in this Brochure, that the Firm considers appropriate, subject to any applicable regulatory restrictions and each client's investment objectives and guidelines. The investment strategies the Firm pursues are speculative and entail substantial risks. Clients/investors should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any client will be achieved.*

The Firm conducts its own analyses and may also use the analyses and certain models of its affiliates as well as third parties. The Firm may use many sources of information in its analyses of financial instruments which may be obtained from its affiliates or third parties. These sources include but are not limited to: financial filings; business, economic, financial and other publications; trade journals; other money managers or financial services professionals; media sources; information from brokers including, research, models, discussions with analysts, idea meetings, and other information provided by brokers; third-party data services including alternative data; external research; one-on-one conversations with company management teams, suppliers, customers, end users and sector specialists, as well as lawyers, economists, strategists, lobbyists, academic specialists and expert networks. In addition, the Firm may employ third-party consultants to provide it with fundamental and technical research, including, but not limited to, information regarding various markets, industries and companies. Furthermore, the Firm may place significant reliance on automated and quantitative techniques in order to perform analyses and generate suggested trades. In addition, the Firm may utilize other sources of information including non-traditional data sources and information which may exist from time to time.

The Firm may employ a number of investment strategies in connection with its investment advisory services depending upon the type and stated investment objectives of each client. These investment strategies include, but are not limited to, the following which may be used for investment, hedging or speculative purposes: fundamental stock picking; long-only equities; long-short equities; participation in initial public offerings and other new issues (and associated trading); quantitative processes; buying put options and call options; selling put options and call options on both a covered and uncovered basis; options and futures on equity indices; buying and selling volatility instruments; buying and selling of (other) derivatives; securities lending; sale and repurchase transactions; long-short debt; pairs trading; arbitrage; event driven; relative value; convertible debt; convertible arbitrage; distressed credit/debt, including unsecured and secured debt, fixed income securities denominated in local currency or in the currencies of

OECD (Organization for Economic Co-Ordination and Development) countries, preferred stock, or capital structure arbitrage.

With regards to certain of its investment strategies, including the Man Responsible Investment framework, which considers responsible investment criteria when making investment decisions. Such factors and responsible investment criteria will be disclosed accordingly.

Depending on the specific investment strategies pursued, the Firm may invest in one or more of the following, among others: bonds and other debt instruments (investment and non-investment grade), equity instruments (including listed and un-listed securities), exchange-traded funds ("ETFs"), loans (par, near par and distressed), leveraged loans, participations, commodities, , derivatives or other financial instruments including futures, asset backed securities, convertible and preferred securities, warrants and other rights to purchase shares, collateralized debt and loan obligations, bank debt, floating rate notes, depository receipts, emerging markets debt, government bonds, municipal bonds, and preferred real or personal property or any other types of assets it can own unless otherwise specified in the Fund's offering documents or in the managed account's investment management agreement. The derivative instruments in which clients may purchase or sell include futures, credit derivatives, exchange-traded or over-the-counter ("OTC") derivatives, options, swaptions, swaps (including, but not limited to, basket swaps, equity swaps, credit default swaps, interest rate swaps, contracts for difference and total return swaps), and deliverable and non-deliverable forward contracts. Clients also may from time to time purchase or sell currencies, forward currency contracts or other related derivative instruments. The Firm's clients will incur additional costs when trading securities on swap.

The Firm may also engage in specific trading strategies such as algorithm trades, short term trading and other investment strategies. The Firm may engage in other investment and trading strategies that may be deemed appropriate from time to time. Details regarding specific investment strategies of the Funds are described in greater detail in each Fund's offering document and each managed account's investment management agreement.

## **B. Material, Significant or Unusual Risks Relating to Investment Strategies**

The investment strategies the Firm pursues are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any client will be achieved. The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in a Fund or managed account managed by the Firm.

*The following risk factors may not be applicable to all clients. Investments are speculative and involve a substantial degree of risk, including the risk that an investor could lose some or all of its investment. Prospective investors should carefully consider the risks of investing, which include, without limitation, those set forth below which are more fully described in the applicable offering documents or investment management agreement. These risk factors include only those risks the Firm believes to be material, significant or unusual and relate to particular*

*significant investment strategies or methods of analysis employed by the Firm and do not purport to be a complete list or explanation of the risks involved in an investment in a Fund or to clients advised by the Firm.*

### **Risks of Investments in Securities Generally**

Investing in securities involves risks, including the risk that the entire amount invested may be lost. On behalf of its clients, the Firm may invest in and actively traded securities and other financial instruments using investment techniques with certain risk characteristics, including, without limitation, risks arising from the volatility of the debt and equity markets, risks particular to emerging markets, the risks of borrowings, the potential illiquidity of securities and other financial instruments and the risk of loss from counterparty defaults. No guarantee or representation is made that a client investment objective will be achieved. The Firm may utilize such investment techniques as leverage and margin transactions, limited diversification and options and derivatives trading; such practices are likely to, in certain circumstances, increase the adverse impact to which clients may be subject.

### **Market Risk**

Investments in securities are subject to normal market fluctuations and the risks inherent in investment in international securities markets and there can be no assurances that an investment will appreciate in value. The Firm's strategies are subject to multiple dimensions of market risk: unexpected directional price movements, momentum pricing continuing to influence economic factors, deviations from historical pricing relationships, changes in the regulatory environment, changes in market volatility, "flights to quality" and "credit squeezes".

The particular or general types of market conditions in which clients may incur losses or experience unexpected performance volatility cannot be predicted, and clients may materially underperform other clients with a substantially similar investment objective and approaches.

### **Systemic Risk**

Systemic credit risk may arise through a default by one of several financial institutions that are dependent on one another to meet their liquidity or operational needs, so that a default by one institution causes a series of defaults by the other institutions. This is sometimes referred to as a "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearinghouses, banks, securities firms and exchanges and issuers of financial instruments, with which the Firm interact on a daily basis including entities with which a client has trading relationships, that provide a client with financing arrangements and/or that custody all or some portion of a client's assets. Such risks may be exacerbated by the obligations for certain securities to be centrally cleared by a third-party clearing house, such that the financial stress or

systemic credit risk with respect to a particular type or class of security will be compounded due to the default or financial distress of, or other credit event related to such clearing house.

World events and/or the activities of one or more participants in the financial markets could result in a temporary or sustained systemic breakdown in the normal operation of financial markets. Such events could result in liquidity and counterparty credit events which could result in a Portfolio Fund incurring substantial or total losses.

### **Investing in Developing Countries**

The Firm may invest on behalf of a client in countries that are not part of the G7<sup>4</sup>, such as certain developing European countries. The economies of such countries generally are heavily dependent upon international trade and, accordingly, have been and may continue to be adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. Business entities in countries outside of the G7 have only a limited history of operating in a market-oriented economy, and the ultimate impact of such countries' attempts to move toward more market-oriented economies is currently unclear. The social and economic difficulties resulting from local corruption and crime could adversely affect the value of the investments. Certain countries outside of the G7 have been developing a body of real property, securities and tax laws and laws governing corporations and other business entities. Such legal structures governing private and foreign investment and private property, where they have been implemented, tend to be new. Laws may not exist to cover all business and commercial relationships or to protect the holders of interests in equity or debt securities adequately. Laws, regulations, and legal interpretations in less developed countries can change quickly and unpredictably in a manner far more volatile than in the United States and certain of the more developed countries. These changes could materially and adversely affect the investments.

### **Investing in Emerging Markets and Frontier Markets**

The Firm may cause a client to invest in investments in various markets, some of which may be considered as “emerging markets” or “frontier markets”. Many emerging markets or frontier markets are developing both economically and politically and may have relatively unstable governments and economies based on only a few commodities or industries. Many emerging markets or frontier markets countries do not have firmly established product markets and companies may lack depth of management or may be vulnerable to political or economic developments such as nationalisation of key industries. Investments in companies and other entities in emerging markets or frontier markets and investments in emerging market or frontier market sovereign debt may involve a high degree of risk and may be speculative. The Firm considers that frontier markets are similar to emerging markets. However, they have smaller and fewer companies, fewer investors and less trading than emerging markets. There is also less

---

<sup>4</sup> The G7 countries include Canada, France, Germany, United Kingdom, Italy, Japan, and the United States.

regulation, information on companies and transparency in frontier markets. It is generally expected that frontier markets will be the next generation of emerging markets.

Risks include: (i) greater risk of expropriation, confiscatory taxation, nationalisation, social and political instability (including the risk of changes of government following elections or otherwise) and economic instability; (ii) the relatively small current size of some of the markets for securities and other investments in issuers and the current relatively low volume of trading, resulting in lack of liquidity and in price volatility; (iii) certain national policies which may restrict a client's investment opportunities including restrictions on investing in issuers or industries deemed sensitive to relevant national interests; (iv) the absence of developed legal structures governing private or foreign investment and private property; (v) the potential for higher rates of inflation or hyper-inflation; (vi) currency risk and the imposition, extension or continuation of foreign exchange controls; (vii) interest rate risk; (viii) credit risk; (ix) lower levels of democratic accountability; (x) differences in accounting standards and auditing practices which may result in unreliable financial information; (xi) different corporate governance frameworks; (xii) lack of quality, timing and reliability of official data published by governments or government agencies; and (xiii) political instability due to government or military intervention in decision making, terrorism, civil unrest, extremism, hostilities between neighbouring countries and anti-western views.

The emerging markets or frontier markets risks described above increase counterparty risks for those clients invested in these markets. In addition, investor risk aversion to emerging markets or frontier markets can have a significant adverse effect on the value and/or liquidity of investments made in or exposed to such markets and can accentuate any downward movement in the actual or anticipated value of such investments which is caused by any of the factors described above.

Emerging markets or frontier markets are characterised by a number of market imperfections, analysis of which requires long experience in the market and a range of complementary specialist skills. These inefficiencies include: (i) the effect of politics on sovereign risk and asset price dynamics; (ii) institutional imperfections, such as deficiencies in formal bureaucracies and historical or cultural norms of behaviour at the level of individual economic factors; (iii) the fact that asset classes are still developing and the information driving markets is a small proportion of the available information, and underlying development and sovereign risk fundamentals may take days, months and sometimes years to impact asset prices; (iv) liquidity imperfections and the unpredictability of market concentration; and (v) information asymmetries, most typically the result of experience and local knowledge and the fact that some market participants have access to relevant market information that others do not. The Firm may seek to take advantage of these market imperfections to achieve the investment objectives of the relevant clients. It is not, however, guaranteed that it will be able to do so at any time.

In the recent past, the tax systems of some emerging markets or frontier markets countries have been marked by rapid change, which has sometimes occurred without warning and

has been applied with retroactive effect. In these countries, a large national budget deficit often gives rise to an acute government need for tax revenues, while the condition of the economy has reduced the ability of potential taxpayers to meet their tax obligations. In some cases, there is widespread non-compliance with tax laws, insufficient personnel to deal with the problem and inconsistent enforcement of the laws by the inexperienced tax inspectors.

In addition, the market practices in relation to settlement of securities transactions and custody of assets may not be as developed as in developed countries, increasing the risk of conducting transactions in those countries.

### **Legal Risk Relating to Investments in Emerging Markets**

Many of the laws that govern private and foreign investment, securities transactions, creditors' rights and other contractual relationships in emerging markets are new and largely untested. As a result, clients may be subject to a number of unusual risks, including inadequate investor protection, contradictory legislation, incomplete, unclear and changing laws, ignorance or breaches of regulations on the part of other market participants, lack of established or effective avenues for legal redress, lack of standard practices and confidentiality customs characteristic of developed markets, and lack of enforcement of existing regulations. Regulatory controls and corporate governance of companies in developing countries may confer little protection on investors. Anti-fraud and anti-insider trading legislation is often rudimentary. The concept of fiduciary duty is also limited when compared to such concepts in developed countries. In certain instances, management may take significant actions without the consent of investors. There can be no assurance that this difficulty in protecting and enforcing rights will not have a material adverse effect on a client and its operations. Furthermore, it may be difficult to obtain and enforce a judgment in certain of emerging market countries in which securities are invested.

### **Risk of Errors and Omissions in Information Relating to Emerging Markets**

Companies in emerging countries are generally subject to less stringent and less uniform accounting, auditing and financial reporting standards, practices and disclosure requirements than those applicable to companies in developed countries. In particular, valuation of assets, depreciation, exchange differences, deferred taxation, contingent liabilities and consolidation may be treated differently from accounting standards in more developed countries. Consequently, there is less publicly available information about an emerging country company than about a company in a developed market. Furthermore, the quality and reliability of official data published by the government or securities exchanges in emerging markets may not accurately reflect the statistics being reported.

### **Investments in the PRC**

Investments may be made through the Shanghai-Hong Kong Stock Connect or the Shenzhen-Hong Kong Stock Connect mutual market access model ("Stock Connect"). This may be subject to a variety of risks including quota limitations, suspension risks, operational risks and issues around 'connectivity', issues around recalling of eligible stocks, clearing and settlement

risks especially around cross-boundary trades, suspension risks, nominee arrangement uncertainty, regulatory regime uncertainty, taxation risks, issues and limitations caused by differences in trading days between the PRC market and the Hong Kong market and risks around front-end monitoring requirements which may prevent disposal of holdings of China A-Shares in a timely manner.

In addition to the usual investment risk, investing in the PRC is subject to certain other inherent risks and uncertainties including accounting and reporting standards differing to certain other international standards, government-imposed foreign exchange controls, risks around the possibility of nationalization and expropriation and uncertainty around enforcing legal rights.

The Company itself is not a QFII but may invest in China A-shares via the QFII investment quota obtained by one or more third party QFIIs. To the extent that a Portfolio uses the investment quota of a QFII for investments in the PRC, additional risks may apply including QFII tax risk, QFII investment restrictions, repatriation risks, QFII custodian issues, uncertainty of ownership rights in the case of insolvency proceedings being brought against a QFII.

### **Sanctions**

International sanctions and direct and indirect responses thereto are influenced by a number of factors that are beyond the control of, and very often are not able to be predicted by, the Firm. Compounding the implications of the imposition of sanctions is the potential for the implementation of statutes, laws and/or regulations which may be designed to promote and/or formalize, or have the effect of promoting and/or formalizing, requirements for anti-compliance or non-compliance with one or more other countries' sanctions programs. Both the sanctions themselves as well as one or more countries' responses thereto (such as imposing their own sanctions, anti-compliance statutes or other statutory, legal, regulatory or other measures) may have a material adverse effect on clients. International sanctions may have a variety of material adverse effects and the implementation of investment strategies, including, without limitation, (a) prohibiting or otherwise directly or indirectly rendering uneconomic or impracticable transactions in certain countries and/or in certain classes of assets and/or with certain persons and/or entities, and/or (b) otherwise reducing or limiting (up to and including completely precluding) the ability of the Firm to obtain direct and/or indirect access to one or more markets, instruments, exposures or assets which are or may form part of a clients' investment programme. Affected individuals and companies may include specially designated persons or entities and other parties subject to sanctions and embargo programs implemented by the US Treasury Department's Office of Foreign Assets Control ("OFAC") or by other international, provincial, federal, state or local authorities. In addition, certain programs administered by OFAC and by other authorities prohibit dealing with individuals or entities in certain countries regardless of whether such individuals or entities appear on any lists maintained by such authorities thereby creating ambiguity and additional potential risks of non-compliance, all of which may subject clients to losses. While the Firm regularly reviews global sanctions and updates thereto to assess their implications, global economic and trade sanctions, among other things: (i) are inherently very complex, (ii) may require immediate implementation without any or sufficient opportunity for clarification and/or regulatory guidance regarding ambiguities and/or nuances implicit in the sanctions, and (iii) may require further

implementing regulations, formal and informal regulatory guidance in the format of “FAQs”, discussions with applicable regulators or other guidance in order to be appropriately implemented, some or all of which may change frequently (including intra-day) and/or be unavailable by the applicable deadline(s) for implementation. Each of these factors individually and taken in aggregate may have a material adverse effect on clients.

### **Political and/or Regulatory Risks**

The value of the assets of clients may be affected by uncertainties such as international political developments, changes in government policies, taxation, restrictions on foreign investment and currency repatriation, currency fluctuations and other developments in applicable laws and regulations.

### **Government Involvement in Private Sector**

Government involvement in the private sector varies in degrees among the emerging countries in which the Fund may invest. Such involvement may include government ownership, wage and price controls or imposition of trade barriers or other protectionist measures.

### **Limited Diversification**

There may not be limits on the Firm's investment discretion with respect to certain strategies. At any given time, it is therefore possible that a client's portfolio could become significantly concentrated in any one issuer, industry, sector, strategy, country or geographic region, and such concentration of risk may increase the losses suffered by the client. In addition, it is possible that the Firm may select investments that are concentrated in a limited number or type of financial instruments. This limited diversity could expose a client to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in those financial instruments.

### **Flexible Investment Approach**

The Firm has broad investment authority, and may trade in any type of security, issuer, or group of related issuers, country, region, and sector that it believes will help its clients achieve their investment objectives. The Firm may also invest in and utilize, in order to manage or mitigate risk, currency spot and forward contracts, currency and interest rate futures contracts, OTC and exchange-listed options and options on futures contracts. Additionally, the strategies that the Firm may pursue for its clients are not limited to the strategies described herein; furthermore, such strategies may change and evolve materially over time. The Firm will opportunistically implement whatever strategies, techniques and discretionary approaches, as well as such other investment tactics, as it believes from time to time may be suited to prevailing market conditions. The Firm may utilize leverage, position size, duration and other portfolio management techniques as it believes are appropriate for its clients. In addition, any new investment strategy, technique and tactic developed may be more speculative than earlier investment strategies, techniques and tactics and may involve material and as-yet-unanticipated risks that could increase the risk of an investment. Investors will not generally be informed of any changes in the Firm's

strategies, techniques, discretionary approach and tactics. There can be no assurance that the Firm will be successful in applying its approach and there is material risk that an investor may suffer significant impairment or total loss of its capital.

### **Highly Volatile Markets**

The prices of derivative instruments, including, without limitation, futures and option prices, can be highly volatile. Price movements of derivative contracts in which a client's assets may be invested by the Firm are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies, financial instruments, futures and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. A client's portfolio is also subject to the risk of the failure of any exchanges on which its positions trade or of their clearinghouses.

### **Leverage; Interest Rates; Margin**

The Firm may use leverage on behalf of its clients by trading on margin and/or through other direct and indirect borrowings, which at times may be substantial. The use of leverage has attendant risks and can substantially increase the adverse impact to which a client's investment portfolio may be subject. In addition, the leverage used by the Firm will be subject to the risk that changes in the general level of interest rates may adversely affect expenses and operating results.

In general, the Firm's use of short-term margin borrowings may result in certain additional risks. For example, should the securities pledged to brokers to secure the portfolio's margin accounts decline in value, the portfolio could be subject to a "margin call," pursuant to which the portfolio must either deposit additional funds with the broker, or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden precipitous drop in the value of the portfolio's assets, the portfolio might not be able to liquidate assets quickly enough to pay off its margin debt. When the Firm purchases an option in the U.S., there is no margin requirement because the option premium is paid for in full. The premiums for certain options traded on non-U.S. exchanges may be paid for on margin. Whether any margin deposit will be required for over-the-counter options and other over-the-counter instruments will depend on the credit determinations and specific agreements of the parties to the transaction, which are individually negotiated.

The Firm may leverage its clients' investment positions by borrowing funds from securities broker-dealers, banks or others, including pursuant to repurchase arrangements and/or deferred purchase agreements. Leverage may also take the form of, without limitation, any of the securities described herein, including derivative instruments which are inherently leveraged and trading in products with embedded leverage such as options, short sales, swaps and forwards. Such

leverage increases both the possibilities for profit and the risk of loss and the volatility of an investment may be significantly greater than would otherwise be the case without leverage. Any event which adversely affects the value of an investment would be magnified to the extent that the portfolio is leveraged. Borrowings will typically be secured by the securities and other assets held by the clients. Under certain circumstances, such a lender may demand an increase in the collateral that secures a client's obligations and if the Firm were unable to provide additional collateral, the lender could liquidate assets held in the account to satisfy a client's obligations. Liquidation in that manner could have extremely adverse consequences. In addition, interest rates will typically be affected by economic factors including, without limitation, inflation, lending rates established by central banks or similar governmental agencies, availability of credit, liquidity in the markets, and the pace of economic growth. The amount of the Firm's borrowings and the interest rates on those borrowings, which will fluctuate, may have a significant effect on a client's profitability.

### **Special Situations**

The Firm may invest in companies involved in (or the target of) acquisition attempts or tender offers or in companies involved in or undergoing workouts, liquidations, spin-offs, reorganizations, bankruptcies or other catalytic changes or similar transactions. In any investment opportunity involving any such type of special situation, there exists the risk that the contemplated transaction either will be unsuccessful, 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 of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, the Firm 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 the Firm may invest, there is a potential risk of loss by clients of their entire investment in such companies.

### **Short Selling**

Short selling involves selling securities which are not owned and borrowing them for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from declines in market prices to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. The extent to which the Firm engages in short sales depends upon its investment strategy and opportunities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Firm of buying those securities on behalf of a client to cover the short position. There can be no assurance that the Firm will be able to maintain, on behalf of a client, the ability to borrow securities sold short. In such cases, the Firm can be "bought in" (*i.e.*, forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

In a short sale, a client would ordinarily be entitled to receive payments (at rates based in part on prevailing short-term "money market" rates) with respect to such proceeds. To complete such a transaction, the Firm would generally, on behalf of a client, borrow the security sold in order to make delivery to the buyer. The proceeds of the short sale would generally be retained by the broker, to the extent necessary to meet margin requirements, until the short position is closed out. The Firm may be required to pay, on behalf of a client, a premium to the lender of the securities, which would increase the cost of the security sold. The client would generally be obliged to replace any securities borrowed by purchasing them at the market price at the time of replacement. The client may be obliged to return the securities borrowed at any time. The price at such time may be more or less than the price at which the security was sold by the Firm. Until the security is replaced, the client is generally required to pay to the lender amounts equal to any dividends or interest which accrue on the securities borrowed during the period of the loan. The client will incur a loss as a result of the short sale if the price of the security increases between the date of the short sale and the date on which the client replaces a borrowed security and the client will realized a gain to the extent the security declines in price between those dates by an amount in excess of the costs incurred in effecting the short sale.

### **Convertible Trading and Arbitrage**

Convertible trading and arbitrage strategies involve investing in convertibles that appear incorrectly valued relative to their theoretical value. The strategy consists of the purchase (or short sale) of a convertible security coupled with the short sale (or purchase) of the underlying security for which the convertible security can be exchanged to exploit price differentials. The Firm typically will seek to hedge out the risk inherent in the stock; the remaining interest rate risk may or may not be hedged.

Convertible arbitrage strategies generally involve spreads between two or more positions. To the extent the price relationships between such positions remain constant, no gain or loss on the position will occur. Such positions do, however, entail a substantial risk that the price differential could change unfavorably, causing a loss to the spread position. Substantial risks also are involved in borrowing and lending against such investments. The prices of these investments can be volatile, market movements are difficult to predict, and financing sources and related interest and exchange rates are subject to rapid change. Certain corporate securities may be subordinated (and thus exposed to the first level of default risk) or otherwise subject to substantial credit risks. Government policies, especially those of the Federal Reserve Board and foreign central banks, have profound effects on interest and exchange rates that, in turn, affect prices in areas of the investment and trading activities of convertible arbitrage strategies. Many other unforeseeable events, including actions by various government agencies and domestic and international political events, may cause sharp market fluctuations.

### **Risk Arbitrage**

Risk arbitrage is a strategy that seeks to profit from changes in the price of securities of companies involved in extraordinary corporate transactions. The difference between the price

paid by the Firm for securities of a company involved in an announced extraordinary corporate transaction and the anticipated value to be received for such securities upon consummation of the proposed transaction will often be very small. Since the price bid for the securities of a company involved in an announced extraordinary corporate transaction will generally be at a significant premium above the market price prior to the announcement, if the proposed transaction appears likely not to be consummated or in fact is not consummated or is delayed, the market price of the securities will usually decline sharply, perhaps by more than the Firm's anticipated profit, even if the security's market price returns to a level comparable to that which exists prior to the announcement of the deal.

The risk arbitrage business is generally extremely competitive. In any given transaction, arbitrage activity by other firms will tend to narrow the spread between the price at which a security may be purchased by the Firm and the price it expects to receive upon consummation of the transaction.

### **Capital Structure Arbitrage**

The success of this strategy will depend on the ability of the Firm to identify and exploit the relationships between movements in different Financial Instruments within an issuer's capital structure (including bank debt, convertible and non-convertible senior and subordinated debt and preferred and common stock). Identification and exploitation of these opportunities involve uncertainty. There can be no assurance that the Firm will be able to locate investment opportunities or to correctly exploit price discrepancies. A reduction in the pricing inefficiency of the markets in which the Firm will seek to invest will reduce the scope for the Firm's investment strategies. In the event that the perceived mispricings underlying the clients' positions fail to materialize, these investment strategies could be unsuccessful or result in losses.

### **Merger Arbitrage**

Merger or "risk" arbitrage strategies attempt to exploit merger activity to capture (or sell short) the spread between current market values of securities and their values after successful completion of a merger, restructuring or similar corporate transaction. Merger arbitrage investments often incur significant losses when anticipated merger or acquisition transactions are not consummated. The consummation of mergers, tender offers and exchange offers can be prevented or delayed by a variety of factors, including: (i) regulatory and antitrust restrictions; (ii) political factors; (iii) industry weakness; (iv) stock-specific events; and (v) failed financings. Merger arbitrage positions are also subject to the risk of overall market movements. To the extent that a general increase or decline in equity values affects the stocks involved in a merger arbitrage position differently, the position may be exposed to loss. Merger arbitrage strategies also depend on the overall volume of merger activity, which historically has been cyclical in nature.

### **Risks of Event-Driven Investing**

A portion of a clients' investment portfolio may be devoted to event-driven investing, which often involves the purchase of a company's securities after the announcement or

disclosure of a significant event, including, but not limited to, a spin-off, auction of the company or subsidiary, merger, tender offer or other type of restructuring.

The Firm, on behalf of its clients, may also invest and trade in securities of a company that, although not the subject of an announced spin-off, merger, tender offer or other restructuring transaction is in the Firm's view, a potential candidate for such a transaction. Alternatively, investments may be made in a company experiencing accounting problems, in anticipation of a potential corporate transaction or in a company being impacted by possible legislative activity or litigation. In any such a case, if the anticipated transaction or event does not in fact occur, or if events occur in a sequence not anticipated by the Firm, on behalf of its clients, may close out the investment at a loss.

The price offered for securities of a company involved in an announced deal generally represents a significant premium above the market price prior to the announcement. Therefore, the value of such securities held by clients will decline in the event the proposed transaction is not consummated and if the market price of the securities returns to a level comparable to the price prior to the announcement of the deal. Furthermore, the difference between the price paid by clients for securities of a company involved in an announced deal and the anticipated value to be received for such securities upon consummation of the proposed transaction will often be very small. If the proposed transaction appears likely not to be consummated or, in fact, is not consummated or is delayed, the market price of the securities will usually decline, perhaps by more than clients' anticipated profit. In addition, when clients have sold short the securities it anticipates receiving in an exchange or merger, and the proposed transaction is not consummated, clients may be forced to cover its short position in the market at a higher price than its short sale, with a resulting loss. If clients have sold short securities that are the subject of a proposed cash tender offer or cash merger and the transaction is consummated, the Firm on behalf of its clients also may be forced to cover its short position at a loss.

Where the Firm has purchased put options with respect to the securities it anticipates receiving in an exchange or merger, if the proposed transaction is not consummated, the exercise price of the put options held by clients may be lower than the market price of the underlying securities, with the result that the cost of the options will not be recovered. If the Firm has purchased put options with respect to securities which are the subject of a proposed cash tender offer or cash merger and the transaction is consummated, the Firm on behalf of its clients also may not exercise its options and may lose the premiums paid therefor. Since options expire on defined dates, in the event consummation of a transaction is delayed beyond the expiration of a put option held by clients, they may lose the anticipated benefit of the option.

The Firm may determine that the offer price for a security which is the subject of a tender offer is likely to be increased, either by the original bidder or by another party. In those circumstances, the Firm may purchase securities above the offer price, and such purchases are subject to the added risk that the offer price will not be increased or that the offer will be withdrawn.

The consummation of mergers and tender and exchange offers can be prevented or delayed by a variety of factors, including: (i) opposition of the management or stockholders of the target company, which will often result in litigation to enjoin the proposed transaction; (ii) intervention of a regulatory agency; (iii) efforts by the target company to pursue a "defensive" strategy, including a merger with, or a friendly tender offer by, a company other than the offeror; (iv) in the case of a merger, failure to obtain the necessary stockholder approvals; (v) market conditions resulting in material changes in securities prices; (vi) compliance with any applicable securities laws; and (vii) inability to obtain adequate financing.

Often a tender or exchange offer will be made for less than all of the outstanding securities of an issuer or a higher price will be offered for a limited amount of the securities, with the provision that, if a greater number is tendered, securities will be accepted *pro rata*. Thus, a portion of the securities tendered by the Firm may not be accepted and may be returned to clients. After completion of the tender offer, the market price of the securities may have declined below clients' cost, and a sale of any returned securities may result in a loss.

### **Co-Investments**

The Firm may offer co-investment opportunities from time to time. Participants in co-investments may have economic or business interests or goals that are inconsistent with those of a Fund, or may be in a position to take (or block) action in a manner that is contrary to a Fund's investment objectives. Such participants may also have greater transparency or otherwise receive additional information with respect to such co-investment opportunities than investors even though a Fund may have invested in the same asset(s).

The terms of any co-investment will be determined by the Firm on a case-by-case basis in its sole discretion and any co-investment opportunity will be presented on an "as is" basis. The Firm expects co-investments will generally be structured through investment funds or similar arrangements to facilitate such investments for legal, tax, regulatory or other purposes, but co-investment opportunities may also be invested directly in parallel with a Fund. In such cases, it is possible that a participant in a co-investment may sell some or all of its interest in a co-investment while a Fund retains (or is required to retain) its interest, implying that such Fund risks future losses while the participant in the co-investment has already liquidated its position.

Participants in co-investments may engage the Firm or its affiliates to advise it with respect to such co-investment opportunity and agree to compensate the Firm or its affiliates for such services. A Fund and its investors will not participate in the profits or losses received by the other participants in the co-investments, nor will a Fund or its investors participate in the compensation received by the Firm or its affiliates with respect to such co-investment opportunities.

### **Currency Risk**

The net asset value of a client's portfolio may be computed in a particular currency of denomination of such portfolio, whereas securities for the applicable portfolio may be acquired

in other currencies. The base currency value of the securities, which may be designated in any currency, may rise and fall due to exchange rate fluctuations in respect of the relevant currencies. Adverse movements in currency exchange rates can result in a decrease in return and a loss of capital. It may not be possible, desirable or practicable to successfully hedge against the consequent currency risk exposure in all circumstances.

### **Hedging Transactions**

The Firm is not required to attempt to hedge its clients' portfolio positions. Furthermore, the Firm may not anticipate a particular risk so as to hedge against it. The Firm may utilize a variety of financial instruments (including options and derivatives), both for investment purposes and for risk management purposes in order to: (i) protect against possible changes in the market value of a client investment portfolio resulting from fluctuations in the securities markets and changes in interest rates; (ii) protect the unrealized gains in the value of a client investment portfolio; (iii) facilitate the sale of any such investments; (iv) enhance or preserve returns, spreads or gains on any investment in a client portfolio; (v) hedge the interest rate or currency exchange rate on any of the liabilities or assets of a client; (vi) protect against any increase in the price of any securities the Firm anticipates purchasing at a later date; or (vii) for any other reason that the Firm deems appropriate. The success of the Firm's hedging strategy is subject to its ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments in the portfolios being hedged. Since the characteristics of many securities change as markets change or time passes, the success of the instances when the Firm hedges portfolio positions for a client is also subject to the Firm's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. While the Firm may enter into certain hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for a client than if the Firm had not engaged in any such hedging transactions. For a variety of reasons, the Firm may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent a client from achieving the intended hedge or expose a client to risk of loss. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of portfolio holdings for a client.

### **Non-Performing Nature of Debt**

It is possible that certain debt instruments purchased by the Firm for a client may become non-performing and possibly go into default. Furthermore, the obligor or relevant guarantor may also be in bankruptcy or liquidation. There can be no assurance as to the amount and timing of repayments, if any, with respect to such debt.

### **Global Investments**

The Firm may invest a portion of a client's assets in securities of global companies which are traded in global markets. Investing in the securities of global companies traded in global markets involves certain considerations, including: political and economic considerations, such as greater risks of expropriation and nationalization, confiscatory taxation, the potential difficulty of

repatriating funds, general social, political and economic instability and adverse diplomatic developments; the possibility of imposition of withholding or other taxes on dividends, interest, capital gain or other income; the small size of the securities markets in certain countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict the portfolio's investment opportunities.

### **Investment in Undervalued Securities**

The Firm may seek to invest a client portfolio in securities of companies which it believes to be undervalued. However, the identification of investment opportunities in undervalued securities is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired.

### **Relative Value**

The success of a relative value investment strategy depends on the Firm's ability to identify and exploit perceived inefficiencies in the pricing of securities, financial products or markets. Identification and exploitation of such discrepancies involve uncertainty. There can be no assurance that the Firm will be able to locate investment opportunities or to exploit pricing inefficiencies in the securities markets. A reduction in the pricing inefficiency of the markets in which the Firm seeks to invest will reduce the scope for client investment strategies. In the event that the perceived mispriced underlying client positions were to fail to converge toward, or were to diverge further from, relationships expected by the Firm, a client will generally incur losses. A relative value investment strategy may result in high portfolio turnover and, consequently, high transaction costs. In addition, a relative value strategy is designed to be uncorrelated with respect to the movements in equity markets and risk-free interest rates although there is no guarantee that this can be achieved. Depending upon the investment strategies employed and market conditions, unforeseen events involving such matters as political crises, or changes in currency exchange rates or interest rates, forced redemptions of securities, or general lack of market liquidity may have a material adverse effect on a client.

### **Issuer Risk**

Investments by the Firm on behalf of clients will often include debt instruments and equity securities issued by companies that the Firm does not control. Such instruments and securities may be acquired by the Firm on behalf of a client through trading activities or through purchases of securities from the issuer. These investments will be subject to the risk that the company in which the investment is made makes business, financial or management decisions with which the Firm does not agree, or that the majority stakeholders or the management of the company may take risks or otherwise act in a manner that does not serve a client interest. If any of the foregoing were to occur, the value of an investment by the Firm would likely decrease.

## **Small and Mid-Capitalization Risks**

Investments in unseasoned and small and mid-capitalization companies may expose the clients to greater investment risk. Investments in the securities of these companies may present greater opportunities for growth but also involve greater risks than are customarily associated with investments in securities of more established and larger capitalized companies. The securities of less seasoned and smaller capitalized companies are often traded in the over-the-counter market and have fewer market makers and wider price spreads, which may in turn result in more abrupt and erratic market price movements and make the clients' investments more vulnerable to adverse general market or economic developments than would investments only in large, more established companies. It is more difficult to obtain information about less seasoned and smaller capitalization companies because they tend to be less well known and have shorter operating histories and because they tend not to have significant ownership by large investors or be followed by many securities analysts. Additionally, these companies may have limited product lines, markets or financial resources, or they may be dependent upon a limited management group that may lack depth and experience. Investments in larger and more established companies present certain advantages in that such companies generally have greater financial resources, more extensive research and development, manufacturing, marketing and service capabilities, more stability and greater depth of management and technical personnel.

## **Investment Selection**

The Firm may select investments on the basis of information and data filed by the issuers of such securities with various regulatory bodies or made directly available to the Firm by the issuers of the securities and other instruments or through sources other than the issuers. Although the Firm evaluates all such information and data and seeks independent corroboration when it considers it appropriate and when it is reasonably available, the Firm is not in a position to confirm the completeness, genuineness or accuracy of such information and data.

## **Competition; Availability of Investments**

Certain markets in which the Firm may invest are extremely competitive for attractive investment opportunities and, as a result, there may be reduced expected investment returns. There can be no assurance that the Firm will be able to identify or successfully pursue attractive investment opportunities in such environments. Among other factors, competition for suitable investments from other pooled investment vehicles, the public equity markets and other investors may reduce the availability of investment opportunities. There has been significant growth in the number of firms organized to make such investments, which may result in increased competition to the Firm in obtaining suitable investments.

The client's success in the area of loan investing will depend, in part, on its ability to obtain loans on advantageous terms. In purchasing loans, clients will compete with a broad spectrum of investors and institutions. Increased competition for, or a diminution in the available supply of, qualifying loans could result in lower yields on such loans, which could reduce returns.

## **Portfolio Turnover**

The Firm's investment program for certain clients may involve frequent trading, which may result in higher investment costs and charges to those clients.

## **Execution, Market and Liquidity Risks**

The Firm, on behalf of its clients, may make investments or hold trading positions in markets that are volatile and which may become illiquid. Timely divestiture or sale of trading positions can be impaired by decreased trading volume, increased price volatility, concentrated trading positions, limitations on the ability to transfer positions in highly specialized or structured transactions to which it may be a party, and changes in industry and government regulations. It may be impossible or costly for the Firm to liquidate positions rapidly in order to meet margin calls, redemption requests or otherwise, particularly if there are other market participants seeking to dispose of similar assets at the same time or the relevant market is otherwise moving against a position or in the event of trading halts or daily price movement limits on the market or otherwise. Furthermore, if a client incurs substantial trading losses, the need for liquidity could rise sharply while its access to liquidity could be impaired. In addition, in conjunction with a market downturn, the counterparties of a client could incur losses of their own, thereby weakening their financial condition and increasing clients' credit risk to them.

Trading orders for clients may not be executed in a timely and efficient manner due to various circumstances, including, without limitation, trading volume surges or systems failures attributable to clients, the Firm, the counterparties of a client, brokers, dealers, agents or other service providers. In such event, the Firm might only be able to acquire or dispose of some, but not all, of the components of such position, or if the overall position were to need adjustment, the Firm might not be able to make such adjustment. As a result, a client would not be able to achieve the market position targeted by the Firm, which may result in a loss.

To the extent that trading is through a financial instrument exchange, there is a risk that the exchange may suspend or limit trading in the securities bought and sold on such exchange. Certain securities may have limited markets for trading outside of such exchanges. Accordingly, a suspension may render it difficult or impossible for the Firm to acquire or liquidate positions and thereby may expose clients to missed investment opportunities and/or potential losses. In addition, the liquidity of an exchange may change (including changing rapidly and unexpectedly). Any such changes may subject clients to losses.

## **Credit Default Swaps**

The Firm, on behalf of its clients, may invest in credit default swaps. Credit default swaps can be used to implement the Firm's view that a particular credit, or group of credits, will experience credit improvement or deterioration. In the case of expected credit improvement, the Firm may sell credit default protection in which it receives a premium to take on the risk. In such an instance, the obligation of the Firm to make payments upon the occurrence of a credit event creates leveraged exposure to the credit risk of the referenced entity. The Firm, on behalf of its

clients, may also buy credit default protection with respect to a referenced entity if, in the judgment of the Firm, there is a high likelihood of credit deterioration. In such instance, clients will pay a premium regardless of whether there is a credit event. The credit default swap market in high-yield securities is comparatively new and rapidly evolving compared to the credit default swap market for more seasoned and liquid investment-grade securities, creating the risk that the newer markets will be less liquid, and making it potentially more difficult to exit or enter into a particular credit default swap transaction. The US market for credit default swaps has been materially restricted by the Dodd-Frank Act.

### **Currency Exchange Exposure**

The Firm, on behalf of clients, may invest in securities denominated in non-U.S. currencies, the prices of which are determined with reference to currencies other than the U.S. dollar. The Firm, however, values its securities in U.S. dollars. The Firm may or may not seek to hedge its non- U.S. dollar currency exposure by entering into currency hedging transactions, such as treasury locks, forward contracts, futures contracts and cross-currency swaps. There can be no guarantee that securities suitable for hedging currency or market shifts will be available at the time when the Firm wishes to use them, or that hedging techniques employed by the Firm will be effective. Furthermore, certain currency market risks may not be fully hedged or hedged at all. To the extent unhedged, the value of the Firm's positions in non-U.S. dollar denominated investments will fluctuate with U.S. dollar exchange rates as well as with the price changes of the investments in the various local markets and currencies. Such fluctuations may result in a loss to clients.

### **Effects of Health Crises and Other Catastrophic Events**

Health crises, such as pandemic and epidemic diseases, as well as other catastrophes such as natural disasters, war or civil disturbance, acts of terrorism, power outages and other unforeseeable and external events, that result in disrupted markets and/or interrupt the expected course of events, and public response to or fear of such crises or events, may have an adverse effect on the operations of and, where applicable, investments made by Clients. For example, any preventative or protective actions taken by governments in response to such crises or events may result in periods of regional, national or international business disruption. Such actions may significantly disrupt the operations of Clients, the Firm and service providers. Further, the occurrence and duration of such crises or events could adversely affect economies and financial markets either in specific countries or worldwide. The impact of such crises or events could lead to negative consequences for Clients, including, without limitation, significant reduction in the value of the Client's assets, reduced liquidity of the Client's investments, and restrictions on the ability to value investments. These risks of loss can be substantial, could greatly exceed all income or other gains, if any, received by Clients in assuming these risks and, depending on the size of the loss, could adversely affect the return on investments.

## **Breaches in Information Technology Security**

The Firm maintains global information technology systems, consisting of infrastructure, applications and communications networks to support its clients as well as its own business activities. These systems could be subject to security breaches such as 'cyber-crime' resulting in theft, a disruption in the Firm's ability to close out positions and the disclosure or corruption of sensitive and confidential information. Security breaches may also result in misappropriation of assets and could create significant financial and/or legal exposure for clients. The Firm seeks to mitigate attacks on its own systems and those of its clients but will not be able to control directly the risks to third-party systems to which it may connect. Any breach in security of the Firm's systems could disrupt its clients and its business and may cause clients to suffer, among other things, financial loss, the disruption of its business, liability to third parties, regulatory intervention and/or reputational damage.

## **Non-Execution of Trading Orders**

The efficacy of investment and trading strategies depends largely on the ability to establish and maintain an overall market position in a combination of financial instruments. Trading orders may not be executed in a timely and efficient manner due to various circumstances, including systems failures or human error. In such event, a portfolio might only be able to acquire some but not all of the components of the position, or if the overall position were to need adjustment, a portfolio might not be able to make such adjustment. As a result, the portfolio would not be able to achieve the market position selected by the Firm and might incur a loss in liquidating its position.

## **Risks of Clearing Houses, Counterparties or Exchange Insolvency**

The liquidity of a secondary market in derivatives is subject to the risk of trading halts, suspensions, exchange or clearing house equipment failures, government intervention, insolvency of a brokerage firm, clearing house or exchange or other disruptions of normal trading activity, including prime brokers refusing to clear or settle any trade.

The Firm may cause the assets of its clients to be held in one or more accounts maintained for clients by counterparties, including, without limitation, its prime brokers. There is a risk that any of such counterparties could become insolvent. The insolvency of the counterparties is likely to impair the operational capabilities or the assets of the Firm's clients. If one or more of the counterparties were to become insolvent or the subject of liquidation proceedings in the U.S. (either under the Securities Investor Protection Act or the U.S. Bankruptcy Code), there exists the risk that the recovery of clients' securities and other assets from such prime broker or broker-dealer will be delayed or be of a value less than the value of the securities or assets originally entrusted to such prime broker or broker-dealer. In addition, the Firm may use counterparties located in various jurisdictions outside the U.S. Such local counterparties are subject to various laws and regulations in various jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to a client's assets are subject to substantial limitations and uncertainties. Because of the large number of entities and

jurisdictions involved and the range of possible factual scenarios involving the insolvency of a counterparty, it is impossible to generalize about the effect of their insolvency on a client and its assets. Insolvency of any of the counterparties would result in a loss to the applicable clients, which could be material.

Futures commission merchants (“FCMs”) are required to segregate assets pursuant to CFTC regulations. If the assets were not so segregated by its FCM, the client would be subject to the risk of the failure of such FCM. Even given proper segregation, in the event of the insolvency of an FCM, the client may be subject to a risk of loss of its portfolio and would be able to recover only a pro rata share (together with all other commodity customers of such FCM) of assets, such as US Treasury bills, specifically traceable to the account of the client. In certain commodity broker insolvencies, customers have, in fact, been unable to recover from the broker’s estate the full amount of their “customer” funds. In addition, under certain circumstances, such as the inability of another client of an FCM or the FCM itself to satisfy substantial deficiencies in such other client’s account, the client may be subject to a risk of loss of the assets on deposit with the FCM, even if such assets are properly segregated.

### **Settlement Risks**

The client will also be exposed to a credit risk on parties with whom it trades Securities, and may also bear the risk of settlement default, in particular in relation to debt Securities such as bonds, notes and similar debt obligations or instruments. Clients should also note that settlement mechanisms in emerging markets are generally less developed and reliable than those in more developed countries and that this therefore increases the risk of settlement default, which could result in substantial losses for the client in respect of investments in emerging markets. Clients should also note that the securities of small capitalisation companies as well as the securities of companies domiciled in emerging markets are less liquid and more volatile than more developed stock markets and this may result in fluctuations in price.

### **Special Investments**

Certain Funds may invest in, or designate existing investments as, Special Investments. Funds may not be able to promptly liquidate those investments and its ability to realize gains, or to avoid losses in periods of rapid market activity may therefore be affected. Special Investment interests are not redeemable at the option of the investors. An investor who redeems from the Fund will not receive his pro rata share of assets attributable to such Special Investment interests until the Directors, in consultation with the Firm, determine that the applicable Special Investment attributable to such Special Investment interests has been realized or deemed realized. Accordingly, such investments of a Fund should be viewed as illiquid and may limit an investor’s ability to receive cash upon a request for redemption.

### **Reliance on Third Party Service Providers**

Funds have no employees and the Directors have been appointed on a non-executive basis. Funds are therefore reliant upon the performance of third-party service providers

for their executive functions. In particular the Firm, certain of its affiliates and the Administrator will be performing services which are integral to the operation of the Funds. Failure by any service provider to carry out its obligations to the Funds in accordance with the terms of its appointment, including in circumstances where the service provider has breached the terms of its contract, could have a materially detrimental impact upon the operations of the Funds.

The success of the Funds is largely dependent upon the Firm's skill as an investment manager and there can be no assurance that the Firm or the individuals employed by it will remain willing or able to provide advice to, and trade on behalf of, the Funds or that its trading will be profitable in the future.

### **Better Access to Information**

Many entities and/or affiliates will generally have full transparency into the activities of the Firm, including position transparency of client portfolios. Certain investors may be granted enhanced transparency rights from time to time. Such information, which may be potentially relevant to a decision to invest in or redeem interests of a client, may not be made available to all investors.

### **Business and Regulatory Risks of Private Investment Funds**

The regulatory environment for hedge funds is evolving and changes therein may adversely affect the ability of the Firm to obtain the leverage it might otherwise obtain or to pursue its investment strategies on behalf of clients. In addition, the regulatory or tax environment for derivative and related instruments is evolving and may be subject to modification by government or judicial action which may adversely affect the value of the investments held by clients. The effect of any future regulatory or tax change is impossible to predict.

Market disruptions and the dramatic increase in the capital allocated to alternative investment strategies during the past decade have led to increased governmental as well as self-regulatory scrutiny of the "hedge fund" and financial services industry in general. Certain legislation proposing greater regulation of the industry, such as the Dodd-Frank Act, is considered periodically by the US Congress, as well as by the governments of non-US jurisdictions. It is impossible to predict what, if any, changes in the regulations applicable to the Firm, the markets in which it trades and invests or the counterparties with which it does business may be instituted in the future. Any such laws or regulations may materially adversely affect the Firm's ability to continue to pursue its investment objective and adhere to its investment guidelines.

Securities and futures markets are subject to comprehensive statutes, regulations, and margin requirements. Regulators and self-regulatory organizations, including but not limited to the CFTC, the SEC and the FCA, and exchanges are authorized to take extraordinary actions in the event of market emergencies. The regulation of swaps, futures and/or other derivative transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by governmental, regulatory and judicial actions.

The effect of any future regulatory change on the Firm could be substantial and adverse including, for example, increased compliance costs, the prohibition of certain types of trading and/or the inhibition of the Firm's ability to continue to pursue client investment objectives and adhere to investment guidelines.

The Firm's business is dynamic and is expected to change over time. Therefore, the Firm may be subject to new or additional regulatory constraints in the future. Such regulations may have a significant impact on clients and the operations of the Firm.

### **Limited Regulatory Oversight**

The Firm is registered with the SEC as an investment adviser under the Advisers Act. The Firm is also registered with the CFTC as a CPO and is a member of NFA. The Firm's SEC and CFTC registrations and NFA membership do not indicate any level of expertise or qualification, nor has the SEC, CFTC or NFA in any respect approved the Firm.

The Funds are neither required nor intend to register as an investment company under the Company Act, and are not reporting companies under the Exchange Act. Accordingly, the provisions of such regulations, which among other things generally require investment companies to have a majority of disinterested directors, require securities held in custody at all times to be maintained in segregated accounts and regulate the relationship between the investment company and its asset manager, are not applicable to the Funds. The Funds are not subject to comparable regulation in any non-US jurisdiction. Therefore, investors in a Fund do not have the benefit of the protections afforded by, nor is the Fund subject to the restrictions contained in, such registration and regulation.

Notwithstanding the foregoing, the Dodd-Frank Act imposes burdensome reporting and recordkeeping requirements on the Fund. The Fund trades with dealers who are required by regulation to will undertake to fulfil the Fund's Dodd-Frank Act-mandated reporting requirements.

### **Limitations Due to Regulatory Restrictions**

The Firm may seek to acquire a significant stake in certain issuers of securities. In the event such stake exceeds certain percentage or value limits, the Firm may be required to file a notification with one or more governmental agencies or comply with other regulatory requirements. Certain notice filings are subject to review that requires a delay in the acquisition of the security. Compliance with such filing and other requirements may result in additional costs, and may impact on the ability to respond in a timely manner to changes in the markets with respect to such securities.

### **Control Position**

The Firm, on behalf of its clients, acting either alone or as part of a group, may acquire a "control" position in an issuer's securities. This may subject clients to additional risks of

liability for environmental damage, product defects, failure to supervise management, violation of governmental regulations and other types of liability in which the limited liability generally characteristic of business operations may be ignored.

### **Short-Swing Liability and Other Limitations**

From time to time, clients, acting alone or as part of a group may acquire beneficial ownership of more than 10% of a certain class of securities of a public company, or may place a director on the board of directors of such a company. As a result, under Section 16 of the Exchange Act, clients may be subject to certain additional reporting requirements and may be required to disgorge certain short-swing profits arising from purchases and sales of such securities. In addition, in such circumstances clients will be prohibited from entering into a short position in such issuer's securities, and therefore limited in its ability to hedge such investments.

### **Risk of Litigation**

Clients may accumulate substantial positions in the securities of a company that becomes involved in proxy fights or other litigation or attempts to gain control of the company. Under those circumstances, clients might be named as a defendant in a lawsuit or regulatory action. In addition, the outcome of such disputes, which may affect the value of such securities, may be impossible to anticipate.

### **Trade Error Risk**

The complex execution modalities operated by the Firm and the speed and volume of trading invariably result in occasional trades being executed which, with the benefit of hindsight were not required or intended by the execution strategy or occasional trades not being executed when they should have been. To the extent an error is caused by a counterparty, such as a broker, the Firm generally attempts to recover any loss associated with such error from such counterparty. To the extent an error is caused by the Firm, a formalized process is in place for the resolution of such errors. Given the volume, diversity and complexity of transactions executed by the Firm's clients should assume that trade errors will occur on occasion. If such errors result in gains to the client, such gains will be retained by the client. However, if such errors result in losses, they will be borne by the Firm in accordance with its internal policies unless otherwise determined.

### **Trading Systems Risks**

Clients depend on the Firm and its other service providers to develop and implement appropriate systems for trading activities. Further, clients may rely extensively on computer programs and systems (and may rely on new systems and technology in the future) for various purposes including, without limitation, to trade, clear and settle transactions, to evaluate certain financial instruments, to monitor its portfolio and net capital, and/or to generate risk management and other reports that are critical to oversight of the client activities. Certain of the Firm's operations interface will be dependent upon systems operated by third parties, including

prime brokers, the administrator, market counterparties and their sub-custodians and other service providers, and the Firm may not be in a position to verify the risks or reliability of such third-party systems. These program or systems may be subject to certain limitations, including, but not limited to, those caused by computer "worms", viruses and power failures. The Firm's operations are highly dependent on each of these systems and the successful operation of such systems is often out of the Firm's control. The failure of one or more systems or the inability of such systems to satisfy the Firm's new or growing businesses could have a material adverse effect on clients. For example, systems failures could cause settlement of trades to fail, lead to inaccurate accounting, recording or processing of trades, and cause inaccurate reports, which may affect the ability of the Firm to monitor investment portfolio and risks.

There is a risk that any algorithmic trading systems used by the Firm or its service providers may not be able to adequately react to a market event without serious disruption. Further, trading algorithms may malfunction causing severe losses.

### **Inadvertent Receipt of Confidential Information**

In making debt investments, especially in distressed debt securities, loans and other investments, the Firm will sometimes receive material non-public information which prevents it from executing additional transactions in the securities of a given issuer (for example, shorting the equity of such issuer as part of a "special situations" trade).

The Firm sometimes participates in creditors' committees. Participation on such committees may result in the Firm receiving "material non-public information". If the Firm receives such information, it is precluded from trading in a given issuer's securities on behalf of clients.

### **Operational Risk**

Clients depend on the Firm and its affiliates to develop appropriate systems and procedures to control operational risk. These systems and procedures may not account for every actual or potential disruption of the Firm's operations. The Firm's business is dynamic and complex. As a result, certain operational risks are intrinsic to the Firm's operations, especially given the volume, diversity and complexity of transactions that the Firm enters into daily. The Firm's business is highly dependent on its ability as well as the ability of its affiliates to process, on a daily basis, transactions across numerous and diverse markets. Consequently, clients rely heavily on the Firm's financial, accounting and other data processing systems. The ability of such systems to accommodate an increasing volume, diversity and complexity of transactions could also constrain the ability of the Firm to properly manage portfolios. Systemic failures in the systems employed by the Firm, prime brokers, custodians, administrators, counterparties, exchanges and similar clearance and settlement facilities and other parties could result in mistakes made in the confirmation or settlement of transactions, or in transactions not being properly booked, evaluated or accounted for. These and other similar disruptions in operations may cause the Firm to suffer, among other things, financial loss, the disruption of its businesses, liability to third parties, regulatory intervention or reputational damage.

## **Quantitative Trading**

The Firm may utilise quantitative models and processes in its selection of financial instruments for clients. Quantitative trading by the Firm may include the following risks:

### *Trade and Settlement Systems Risks*

Clients depend on the Firm and its other service providers to develop and implement adequate systems for processing of the Firm's trading and settlement activities.

Further, the Firm relies on systems and technology (and may rely on new systems and technology in the future) for various purposes including, without limitation, to trade, clear and settle transactions, to evaluate certain financial instruments, to monitor its portfolio and net capital, and to generate risk management and other reports that are critical to oversight of clients' activities. Certain of the Firm's operations processes will be dependent upon systems operated by third parties, including but not limited to executing brokers, prime brokers, the administrator of the market counterparties and their sub-custodians as well as other service providers. These third-party programs, systems and/or technology may be subject to certain limitations, including, but not limited to, those caused by computer "worms", viruses, power failures and/or other technology-related impairments. The Firm's operations are highly dependent on each of these systems and technology and the successful operation of such systems and technology is often out of the Firm's control. The failure of one or more systems and technology or the inability of such systems to satisfy the Firm's current and evolving requirements could have a material adverse effect on clients. For example, systems failures could cause settlement of trades to fail, lead to inaccurate accounting, recording or processing of trades, and cause inaccurate reports, all or any of which may affect the ability of the Firm to monitor and/or manage the investment portfolio and risks.

There is a risk that any algorithmic trading systems that may be used for clients or service providers may not be able to adequately react to a market event without serious disruption. Further, trading algorithms may malfunction causing severe losses.

### *Risk of Programming Implementation Error or Logical Error*

To the extent the Firm's trading strategies are reliant upon the operation of the trading software, clients may be therefore at risk of errors of implementation (colloquially known as "bugs") and errors of design that may have found their way into the software, and which may cause inappropriate or aberrant behavior under certain or all market conditions. While reasonable steps may have been taken to ensure that the software is adequate in design and free from manifest bugs, formal proof of bug-free code may not have been undertaken nor can the underlying logical and/or mathematical models be certified as free from error. Furthermore, while the software may have been extensively tested, no guarantee can be given that a unique combination of input conditions experienced when running the system "live" and which has not been encountered during development, will not cause the system to fail, perform aberrantly, or take positions that are (under some reasonable criteria) judged to be inappropriate. Furthermore, as with any software, upgrades, "bug fixes" and various other improvements may be introduced over time and the risk therefore

exists that such changes may detrimentally affect the performance of a strategy, rather than improve it.

### *Model and Data Risk*

The Firm may rely on quantitative models (both proprietary models developed by the Firm, and those supplied by third parties or affiliates) (collectively "**Models**") and information and data both developed by the Firm and supplied by third parties or affiliates (collectively "**Data**") rather than granting trade-by-trade discretion to the Firm's investment professionals. In combination Models and Data are used to construct sets of transactions and investments, to value investments or potential investments (including, without limitation, for trading purposes and for the purposes of determining Fund NAV), to provide risk management insights and to execute any resulting orders. Models and Data are known to have errors, omissions, imperfections and malfunctions (collectively, "**System Events**"). System Events in third-party Models are generally entirely outside of the control of the Firm.

The Firm seeks to reduce the incidence and impact of System Events through a certain degree of internal testing and monitoring, and the use of independent safeguards in the overall portfolio management system and often, with respect to proprietary models, in the software code itself. Despite such testing, monitoring and independent safeguards, System Events will result in, among other things, the execution of unanticipated trades, the failure to execute anticipated trades, delays in the execution of anticipated trades, the failure to properly allocate trades, the failure to properly gather and organize available data, the failure to take certain hedging or risk reducing actions and/or the taking of actions which increase certain risk(s)—all of which may have materially negative effects on clients and/or their returns.

The research and modelling processes engaged on behalf of certain clients is extremely complex and involve the use of financial, economic, econometric and statistical theories, research and modelling; the results of this investment approach must then be translated into computer code. Although the Firm seeks to hire individuals skilled in each of these functions and to provide appropriate levels of oversight and employ other mitigating measures and processes, the complexity of the individual tasks, the difficulty of integrating such tasks, and the limited ability to perform "real world" testing of the end product, even with simulations and similar methodologies, raise the chances that Model code may contain one or more coding errors, thus potentially resulting in a System Event and further, one or more of such coding errors could adversely affect a portfolio's investment performance.

Certain investment strategies may be highly reliant on the gathering, cleaning, culling and performing of analysis of large amounts of Data. Accordingly, Models rely heavily on appropriate Data inputs. However, it is impossible or impracticable to factor all relevant, available Data into forecasts, investment decisions and other parameters of the Models. The Firm will use its discretion to determine what Data to gather with respect to each strategy and what subset of that Data the Models take into account to produce forecasts or other analysis which may have an impact on ultimate investment decisions. In addition, due to the automated nature of Data gathering, the volume and depth of Data available, the complexity and often manual nature of Data

cleaning, and the fact that the substantial majority of Data comes from third-party sources, it is inevitable that not all desired and/or relevant Data will be available to, or processed at all times. Irrespective of the merit, value and/or strength of a particular Model, it will not perform as designed if incorrect Data is fed into it which may lead to a System Event potentially subjecting a portfolio to loss. Further, even if Data is input correctly, “model prices” anticipated by the Data through the Models may differ substantially from market prices, especially for Securities with complex characteristics, such as derivatives.

Where incorrect or incomplete Data are available, the Firm may, and often will, continue to generate forecasts and make investment decisions based on the Data available to them. Additionally, the Firm may determine that certain available Data, while potentially useful in generating forecasts and/or making investment decisions, are not cost effective to gather due to, among other factors, the technology costs or third-party vendor costs and, in such cases, the Firm will not utilise such Data. The Firm may elect to use or may refrain from using any specific Data or type of Data in generating forecasts or making trading decisions with respect to the Models. The Data utilised in generating forecasts or making trading decisions underlying the Models may not be (i) the most accurate data available or (ii) free of errors. The Data set used in connection with the Models is limited. The foregoing risks associated with gathering, cleaning, culling and analysis of large amounts of Data are an inherent part of investing with quantitative, process-driven, systematic advisers such as the Firm (it being understood that a “discretionary” investment manager may rely heavily on Models and Data).

When Models and Data prove to be incorrect, misleading or incomplete, any decisions made in reliance thereon expose clients to potential losses and such losses may be compounded over time. For example, by relying on Models and Data, the Firm may be induced to buy certain investments at prices that are too high, to sell certain other investments at prices that are too low, or to miss favourable opportunities altogether. Similarly, any hedging based on faulty Models and Data may be unsuccessful and when determining Net Asset Value, any valuations of the clients’ investments that are based on valuation Models may prove to be incorrect. In addition, Models may incorrectly forecast future behaviour, leading to potential losses on a cash flow and/or a mark-to-market basis. Furthermore, in unforeseen or certain low-probability scenarios (often involving a market event or disruption of some kind), Models may produce unexpected results which may be System Events. Errors in Models and Data are often extremely difficult to detect, and, in the case of Models, the difficulty of detecting System Events may be exacerbated by the lack of design documents or specifications. Regardless of how difficult their detection appears in retrospect, some System Events may go undetected for long periods of time and some may never be detected. When a System Event is detected, a review and analysis of the circumstances that may have caused a reported System Event will be completed and is overseen by an Escalation Committee made up of appropriate senior personnel. Finally, when a System Event is detected, the Firm, in its sole discretion, may choose not to address or fix such System Event. When a System Event is detected, the Firm generally will not perform a materiality analysis on the potential impact of a System Event. The Firm believes that the testing and monitoring performed on Models will it to identify and address those System Events that a prudent person managing a quantitative, systematic and computerised investment program would identify and address by correcting the

underlying issue(s) giving rise to the System Events, however there is no guarantee of the success of such processes. Investors should assume that System Events and their related risks and impact are an inherent part of certain process-driven, systematic investment management processes. Accordingly, the Firm does not expect to disclose discovered System Events to clients.

The client will bear the risks associated with the reliance on Models and Data including all losses related to System Events unless otherwise determined by the Firm in accordance with its internal policies or as may be required by applicable law.

#### *Obsolescence Risk*

The Firm is unlikely to be successful in the deployment of certain quantitative, systematic investment strategies unless the assumptions underlying the Models are realistic and either remain realistic and relevant in the future or are adjusted to account for changes in the overall market environment. If such assumptions are inaccurate or become inaccurate and are not promptly adjusted, it is likely that the Models will not generate profitable trading signals. If and to the extent that the Models do not reflect certain relevant factors, and the Firm does not successfully address such omission through its testing and evaluation by modifying the Models accordingly, major losses may result - all of which will be borne by clients. The Firm will continue to test, evaluate and add new Models which may lead to the existing Models being modified from time to time. Investors will not be informed of nor will approve the addition, modification or removal of the Models and Investment Strategies. There can be no assurance as to the effects (positive or negative) of any changes, including additions, modifications and removal of the Models or Investment Strategies on clients' performance.

#### *Crowding/Convergence*

There is significant competition among quantitatively-focused managers and the ability of the Firm to deliver returns that have a low correlation with global aggregate equity markets and other hedge funds is dependent on its ability to employ Models that are simultaneously profitable and differentiated from those employed by other managers. To the extent that the Firm is not able to develop sufficiently differentiated Models, client investment objective may not be met, irrespective of whether the Models are profitable in an absolute sense. In addition, to the extent that the Models come to resemble those employed by other managers, there is an increased risk that a market disruption may negatively affect predictive Models such as those employed by the Firm, as such a disruption could accelerate reductions in liquidity or rapid re-pricing due to simultaneous trading across a number of strategies utilizing Models (or similar quantitatively-focused investment strategies) in the marketplace.

#### *Involuntary Disclosure Risk*

The ability of the Firm to achieve its investment goals for clients is dependent in large part on its ability to develop and protect its models and proprietary research. The models and proprietary research and the Models and Data are largely protected by the Firm through the use of policies, procedures, agreements, and similar measures designed to create and enforce robust

confidentiality, non-disclosure, and similar safeguards. However, aggressive position-level public disclosure obligations (or disclosure obligations to exchanges or regulators with insufficient privacy safeguards) could lead to opportunities for competitors to reverse-engineer the Firm's models, and thereby impair the relative or absolute performance of client portfolios.

### **C. Risk Associated With Particular Types of Investment Products**

#### **Equity Securities**

The investment portfolio for clients may include equity and equity-related securities. Equity securities fluctuate in value in response to many factors, including the activities and financial condition of individual companies, the business market in which individual companies compete and industry market conditions and general economic environments. For example, beginning in September 2008, world financial markets experienced extraordinary market conditions resulting in extreme volatility in the global equity markets.

#### **Debt Securities**

The Firm may invest in private and government debt securities and instruments. Debt instruments in which the Firm invests may be unrated, and whether or not rated, the debt instrument may have speculative characteristics. The issuers of such instruments (including sovereign issuers) may face significant ongoing uncertainties and exposure to adverse conditions that may undermine the issuer's ability to make timely payment of interest and principal. Such instruments are regarded as predominantly speculative with respect to the issuer's capacity to pay interest and repay principal in accordance with the terms of the obligations and involve major risk exposure to adverse conditions. In addition, an economic recession could severely disrupt the market for most of these securities and may have an adverse impact on the value of such instruments. It is also likely that any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default for such securities.

#### **Fixed Income Securities**

There are specific risks associated with investing in fixed income instruments and certain related strategies employed. Such risks are applicable to strategies that invest directly in fixed income instruments and that employ the related strategies, and to funds of funds and managed accounts that allocate assets indirectly to fixed income instruments and employ the related strategies.

*Investment in Fixed Income Instruments.* The value of fixed income securities will change in response to fluctuations in interest rates and credit quality, which may result in losses.

*Interest Rate Risk.* Adverse interest rate developments, such as interest rate increases, instability, or even increased uncertainty, may be expected to adversely affect the debt markets and render more difficult the achievement of satisfactory returns in such markets.

Additionally, during periods of falling interest rates, an obligor to a debt instrument may “call” or repay its higher interest-bearing debt instrument before its maturity date, requiring a strategy to invest in new securities with lower interest rates.

*High-Yield Bonds and Leveraged Loans.* High-yield bonds and leveraged loans generally have lower credit ratings (or no credit ratings in some cases) and are subject to greater risk of loss of principal and interest than investment-grade bonds and loans. Such instruments are generally considered to be predominantly speculative with respect to the issuer’s and borrower’s capacity to pay interest and repay principal. The highly leveraged capital structure of the issuers and borrowers in such transactions may make such bonds and loans especially vulnerable to adverse changes in economic or market conditions.

*Investment-Grade Debt.* Investment-grade debt instruments may possess speculative characteristics and may be more sensitive to economic changes and to changes in the financial conditions of issuers.

*Credit Risk.* Some borrowers and issuers may be unable to make the required payments on senior loans and other debt-related instruments held by a client. Debt instruments also increase or decrease in value based on the perceived creditworthiness of issuers and borrowers. A default on an investment held by a client could cause the client’s portfolio value to decline.

*Investment in Loans.* A client investing in loans may be exposed to losses resulting from loan defaults. Additionally, a client may be unable to sell loans at a time when it may otherwise be desirable to do so or may be able to sell them only at prices that are less than their fair market value.

*Distressed Loans.* Distressed loans may require a substantial amount of workout negotiations and/or restructuring, which may entail, among other things, a substantial reduction in the interest rate and a substantial write-down of the principal of such distressed loans. A risk exists that, upon maturity of the restructured distressed loan, replacement “takeout” financing will not be available, and several risks exist with respect to foreclosure on such loans and the related collateral, if any.

*Weak Economy Could Trigger Defaults.* Any substantial economic slowdown could increase delinquencies, defaults and foreclosures and reduce a client’s ability to purchase suitable debt obligations.

*Asset-Backed Securities and Mortgage-Backed Securities (ABS and MBS).* Holders of asset-backed and mortgage-backed securities bear various risks, including prepayment risks, liquidity risks, interest rate risks, market risks, operations risks, structural risks and legal risks. Within mortgage-related securities, there are three main categories: government guaranteed residential mortgages, non-government guaranteed residential mortgages and commercial mortgages. Government guaranteed mortgage-backed securities have limited to no credit risk, however the timing of the repayment of principal on those securities is an inherent risk because the underlying mortgages are subject to prepayment risks associated with, among other things,

interest rate fluctuations. While non-government guaranteed MBS and commercial MBS carry the aforementioned prepayment risks, they also carry credit risk. Credit risk is an important issue in such securities because of the significant credit risks inherent in the underlying collateral and because issuers are primarily private entities.

*Lower Credit Quality Financial Instruments.* Lower rated and unrated instruments in which a portfolio may invest have large uncertainties or major risk exposures to adverse conditions and are considered to be predominantly speculative. Generally, such instruments involve greater volatility of price and greater risk of loss of income and principal.

### **Investments in Collateralized Loan Obligations (CLOs)**

CLOs are structured finance securities backed by a pool of credit related assets consisting of predominantly secured senior loans, secured senior bonds, unsecured senior obligations, second lien loans, mezzanine obligations, high yield bonds, corporate rescue loans, as well as certain other investments. CLOs are subject to many of the same risks that apply to these credit related investments as described elsewhere within this Item 8. These risks include creditworthiness, default, interest rate and prepayment risk as well as market risks. CLOs are leveraged and therefore also subject to leverage risk which may have the effect of magnifying losses. CLOs issue classes or “tranches” of debt and equity that may vary significantly in risk and yield. There is no public market for interests in CLOs and such interests may be difficult to sell at an advantageous price or time.

Illiquidity in the structured credit, leveraged finance and fixed income markets may affect a client’s investment in CLOs. In recent years, events in the structured credit, leveraged finance and fixed income markets have at times contributed to and have been adversely affected by a severe liquidity crisis in the global credit markets. Periodically, the financial markets experience substantial fluctuations in prices for collateralized loan obligations, securities, leveraged loans and high-yield debt securities and limited liquidity for such instruments. No assurance can be made that the conditions giving rise to such price fluctuations and limited liquidity will not continue or become more acute. During periods of limited liquidity and higher price volatility, a client's ability to acquire or dispose of a CLO investment at a price and time that would be deemed advantageous to a client may be severely impaired.

A client may invest in the most subordinated class of notes issued by a CLO (“Subordinated Notes”). Subordinated Notes represent a highly leveraged investment in the Assets. As a result, the market value of Subordinated Notes would be anticipated to be significantly affected by, among other things, changes in the market value of a CLO’s assets, changes in the distributions on the CLO’s assets, defaults and recoveries on such assets, capital gains and losses on such assets, prepayments thereon, and the availability, prices and interest rates of those assets. Accordingly, Subordinated Notes held by a client may not be paid in full or repaid at all.

A client may invest in the first loss position of a CLO warehouse financing facility that may require it to contribute additional capital beyond its original investment in circumstances

where the warehouse credit documents require it in connection with a variety of events, including the warehouse lender's incurrence of increased costs due to applicable regulatory capital changes or otherwise, and the failure to meet or exceed specified financial covenants and asset coverage ratios, some of which could be tied to the fluctuating market value of assets in the CLO borrower's portfolio. A client may be the only investor in the first loss position of a CLO warehouse, in which case no third-party investors will share in the obligation to contribute such additional capital over time. It may be in the interest of the Firm to cause the client to make such contributions in order to maintain the existence of a warehouse credit facility at a time when it may not be convenient or possible for the client to contribute, whether as a result of limited or no capital available to the client at that time, a desire on the part of the Firm to invest the client's capital in other asset classes or investments, or otherwise. If a client does not contribute additional capital at a time when a warehouse credit facility requires it, such failure to fund could result in an event of default under the credit facility. If a warehouse lender were to accelerate the warehouse line following the occurrence of an event of default, the warehouse borrower's assets could be sold at a time when the market value of such assets is below, or even substantially below, the original purchase price for such assets, which could cause the client to incur up to a total loss of its investment in the warehouse.

The interests and incentives of a client and the Firm can also diverge in the context of a client's investment in a CLO after the warehouse stage. For example, a supplemental indenture that the Firm may seek to have a CLO enter into may have varying effects on holders of different classes of CLO notes. Such an amendment may have positive implications for the holders of senior notes because it effects a change that makes repayment of the senior debt more likely but have potentially negative impacts on equity investors like the clients because the change makes it less likely that the CLO will achieve the highest possible rate of return for its equity investors. In addition, in the course of carrying out its collateral management activities for the CLO, the Firm may make decisions to buy or sell collateral that have varying impacts on holders of the senior notes when compared to the effect on holders of the CLO equity, like the clients.

Moreover, the interests of a client and the Firm on the one hand, and third-party CLO investors on the other, will not necessarily be aligned, which can give rise to potential disagreements and disputes involving the client and such third-party investors. For example, if a client holds at least a majority of the Subordinated Notes issued by a CLO, it may have the ability to direct the CLO issuer to take, or not to take, certain actions, including to direct an optional redemption of the CLO's notes by refinancing or otherwise or to direct the issuance of additional notes by the CLO issuer. Actions requiring the consent or direction of the Subordinated Notes pursuant to a CLO's indenture or investment management agreement could be expected to be influenced, and potentially controlled, by the Firm. To the extent that the interests of the third-party holders of the CLO's debt differ from the interests of the client, the client's actions with respect to its investment in Subordinated Notes could adversely affect the interests of third-party CLO investors and may create additional conflicts of interest.

In addition, because of the different seniorities and other characteristics of various classes of CLO debt, investment and other management decisions by the Firm with respect to a

CLO are likely to affect such classes differently (and may even affect one or more classes adversely while affecting one or more other classes positively). Such conflicts, although inherent in a multiclass capital structure within a single entity managed by a single portfolio manager, can give rise to disagreements and disputes involving the client and third-party investors in a CLO.

Although CLO securities are issued in private placement transactions, there may be times when a client has material non-public information about a CLO, including by virtue of the client's relationship with the Firm, that will cause the client to refrain from trading in its securities issued by the CLO out of an abundance of caution, and at a time when it would be advantageous to the client to enter into such a trade.

### **Preferred Securities**

The Firm may invest in preferred stock of certain companies. Preferred stock, unlike common stock, offers a stated dividend rate payable from a corporation's earnings. These dividends may be cumulative or non-cumulative, participating or auction rate. If interest rates rise, the fixed dividend on preferred stocks may be less attractive, causing the prices of preferred stocks to decline. Preferred stock may have mandatory sinking provisions and call/redemption provisions prior to maturity, a negative feature when interest rates decline. Dividends on some preferred stock may be "cumulative," requiring all or a portion of prior unpaid dividends to be paid before dividends are paid on the issuer's common stock. Preferred stock also generally has a preference over common stock on the distribution of a corporation's assets upon liquidation of the corporation, and may be "participating," which means that it may be entitled to a dividend exceeding the stated dividend in certain cases. Preferred securities may include provisions that permit the issuer, at its discretion, to defer distributions for a stated period without any adverse consequences to the issuer. If the Firm owns a preferred security that is deferring its distributions, the Firm may be required to report income for tax purposes although it has not yet received such income. Preferred securities are generally subordinate to the rights associated with an issuer's debt securities in terms of priority to corporate income and liquidation payments, and therefore are subject to greater credit risk than more senior debt instruments. Preferred securities may be substantially less liquid than many other securities.

### **Illiquid Securities**

The Firm may invest on behalf of its clients in thinly traded or illiquid securities. Securities may be illiquid because of legal or contractual restrictions, because no significant trading market has developed for them because they are interests in private investment vehicles for which no trading market exists or because they are investments in privately held companies in which no trading market exists. The Firm may find it difficult to dispose of or to obtain accurate price quotations for thinly traded or illiquid securities and it may take longer to liquidate positions in such securities than would be the case for more actively traded or liquid securities. In addition, inactive or low volume trading markets typically experience more volatility than higher volume markets. The sale of restricted and illiquid securities often results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national Securities exchanges or in the over-the-counter markets. The prices realized on the resale

of illiquid securities could be less than those originally paid by a client and lower than the price at which similar securities which are not subject to restrictions on resale may sell.

### **Risks Associated With Investments in High Yield and Distressed Debt**

The Firm may invest on behalf of its clients in obligors and issuers in weak financial condition, experiencing poor operating results, having substantial financial needs or negative net worth, facing special competitive problems, or in obligors and issuers that are involved in bankruptcy or reorganization proceedings. Among the problems involved in investments in troubled obligors and issuers is the fact that it may frequently be difficult to obtain full information as to the conditions of such obligors and issuers. The market prices of such investments are also subject to abrupt and erratic market movements and significant price volatility, and the spread between the bid and offer prices of such investments may be greater than normally expected. It may take a number of years for the market price of such investments to reflect their intrinsic value. Some of the investments held by a portfolio may not be widely traded, and depending on the investment profile of a particular portfolio, that portfolio's exposure to such investments may be substantial in relation to the market for those investments. In addition, there may be no recognized market for some of the investments held in a portfolio, with the result that such investments are likely to be illiquid. As a result of these factors, the investment objectives of the relevant portfolio may be more difficult to achieve. Fluctuations in interest rates may significantly affect the return derived from a portfolio's investments, as well as the market values of, and the corresponding levels of gains or losses on, such investments.

### **Investments in Distressed Financial Instruments**

The Firm, on behalf of clients, may invest in "below investment grade" securities and obligations of issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems, including companies involved in bankruptcy or other reorganization and liquidation proceedings. These securities are likely to be particularly risky investments although they also may offer the potential for correspondingly high returns. Among the risks inherent in investments in troubled entities is the fact that it may frequently be difficult to obtain information as to the true condition of such issuers. Such investments may also be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate or disenfranchise particular claims. Such companies' securities may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies. In addition, there is no minimum credit standard that is a prerequisite to a client investment in any instrument, and a significant portion of the obligations and securities in which the Firm invests may be less than investment grade. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. There is no assurance that the Firm will correctly evaluate the value of the assets collateralizing a client's

loans or the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which the Firm invests, clients may lose its entire investment, may be required to accept cash or securities with a value less than clients' original investment and/or may be required to accept payment over an extended period of time. Under such circumstances, the returns generated from clients' investments may not compensate the shareholders adequately for the risks assumed.

In liquidation (both in and out of bankruptcy) and other forms of corporate reorganization, there exists the risk that the reorganization either will be unsuccessful (due to, for example, failure to obtain requisite approvals), will be delayed (for example, until various liabilities, actual or contingent, have been satisfied) or will result in a distribution of cash or a new security the value of which will be less than the purchase price to clients of the security in respect to which such distribution was made.

Any administrative costs relating to a bankruptcy proceeding will be paid out of the debtor's estate prior to any returns to creditors. These costs and the costs associated with a creditor's exercising of its remedies can be significant and typically are incurred in significant amounts and in irregular periods. By their nature, these expenses frequently must be incurred before the associated investment can appreciate. An investor may bear the expenses associated with such a position without receiving the benefit of the subsequent appreciation in value.

In certain transactions, clients may not be "hedged" against market fluctuations, or, in liquidation situations, may not accurately value the assets of the company being liquidated. This can result in losses, even if the proposed transaction is consummated.

When investing in distressed financial instruments the Firm may have a more active participation in the affairs of the issuer than is generally assumed by an investor. This may result in litigation risks, including litigation brought by other creditors, or prevent disposal of securities. In a bankruptcy or other proceeding a creditor may be unable to enforce its rights in any collateral or may have its security interest in any collateral challenged, disallowed or subordinated to the claims of other creditors. There can be no assurance that such claims will not be asserted or that it will be possible to successfully defend against them. Because other investors may purchase the securities of these companies for the purpose of exercising control or management, clients may be at a disadvantage to the extent their interests differ from the interests of these other investors.

### **Convertible Securities**

Convertible Securities are bonds, debentures, notes, preferred stocks or other securities that may be converted into or exchanged for a specified amount of common stock of the same or different issuer within a particular period of time at a specified price or formula. A convertible security entitles its holder to receive interest that is generally paid or accrued on debt or a dividend that is paid or accrued on preferred stock until the convertible Security matures or is redeemed, converted or exchanged. Convertible Securities have unique investment characteristics in that they generally: (i) have higher yields than common stocks, but lower yields than comparable non-convertible Securities; (ii) are less subject to fluctuation in value than the underlying common

stock due to their fixed-income characteristics; and (iii) provide the potential for capital appreciation if the market price of the underlying common stock increases.

The value of a convertible security is a function of its “investment value” (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its “conversion value” (the security’s worth, at market value, if converted into the underlying common stock). The investment value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors may also have an effect on the convertible security’s investment value. The conversion value of a convertible security is determined by the market price of the underlying common stock. If the conversion value is low relative to the investment value, the price of the convertible security is governed principally by its investment value. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the price of the convertible security will be increasingly influenced by its conversion value. A convertible security generally will sell at a premium over its conversion value by the extent to which investors place value on the right to acquire the underlying common stock while holding a fixed-income security. Generally, the amount of the premium decreases as the convertible security approaches maturity.

A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security’s governing instrument. If a convertible security held by clients is called for redemption, clients will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party. Any of these actions could have an adverse effect on the ability to achieve client investment objectives.

### **Lower-Rated or Unrated Convertible Securities**

Lower rated or unrated securities may have a higher yield than securities rated "A1" or better by Moody's or "AA" or better by S&P but are more likely to react to developments affecting market and credit risk than such higher rated securities, which primarily react to movements in the general level of interest rates. Lower rated or unrated securities are generally subject to a greater default risk than such higher rated securities. Convertible securities include bonds, debentures, corporate notes and preferred stock that are convertible to common stock. Prior to conversion, convertible securities have the same general characteristics as non-convertible debt securities, which provide a stable stream of income with generally higher yields than those of equity securities of the same or similar issues. Lower-rated or unrated convertible securities are subject to greater loss of principal and interest than higher-rated convertible securities. They are also generally subject to greater market risk than higher-rated convertible securities. The capacity of issuers of lower-rated or unrated securities to pay interest and repay principal is more susceptible to real or perceived adverse economic conditions than investment grade securities, although the market values of lower-rated or unrated convertible securities tend to react less to fluctuations in interest rate levels than do higher-rated convertible securities. The market for lower-rated or unrated convertible securities may be thinner, and less active, than for higher-rated securities, which can adversely affect the prices at which such convertible securities can be sold. Investing

in lower-rated or unrated convertible securities can increase the risk to investors of losing all or a substantial portion of their investment.

### **Stock Index Options**

The Firm may cause a client to purchase and sell call and put options on stock indices listed on securities exchanges or traded in the over-the-counter market. A stock index fluctuates with changes in the market values of the stocks included in the index. Because the value of an index option depends upon movements in the level of the index rather than the price of a particular stock, whether a client will realize gains or losses from the purchase or writing of options on indices depends upon movements in the level of stock prices in the stock market generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of particular stocks. Accordingly, successful use by the Firm of options on stock indices will be subject to the Firm's ability to correctly predict movements in the direction of the stock market generally or of particular industries or market segments. This requires different skills and techniques than predicting changes in the price of individual stocks.

### **Stock Index Futures**

The price of stock index futures contracts may not correlate perfectly with the movement in the underlying stock index because of certain market distortions. First, all participants in the futures market are subject to margin deposit and maintenance requirements. Rather than meeting additional margin deposit requirements, futures contracts may close through offsetting transactions that would distort the normal relationship between the index and futures markets. Secondly, from the point of view of speculators, the deposit requirements in the futures market are less onerous than margin requirements in the securities market. Therefore, increased participation by speculators in the futures market also may cause price distortions. Successful use of stock index futures contracts by the Firm also is subject to its ability to correctly predict movements in the direction of the market.

### **Call Options**

There are risks associated with the sale and purchase of call options. The seller (writer) of a call option which is covered (*e.g.*, the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security offset by the gain by the premium received if the option expires out of the money, and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The buyer of a call option assumes the risk of losing the premium if the option expires out of the money.

### **Put Options**

There are risks associated with the sale and purchase of put options. The seller (writer) of a put option which is covered (*e.g.*, the writer has a short position in the underlying

security) assumes the risk of an increase in the market price of the underlying security above the sale price of the short position of the underlying security offset by the premium if the option expires out of the money, and thus the gain in the premium, and the option seller gives up the opportunity for gain on the underlying security below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security to zero. The buyer of a put option assumes the risk of losing the premium if the option expires out of the money.

### **Swap Agreements**

The Firm may cause a client to enter into swap agreements. These agreements are individually negotiated and can be structured to include exposure to a variety of different types of investments, asset classes or market factors. Depending on their structure, swap agreements may increase or decrease a client exposure to, for example, equity securities. Swap agreements can take many different forms and are known by a variety of names. The Firm is not limited to any particular form of swap agreement if consistent with the applicable client investment objective. Whether the Firm's use of swap agreements, on behalf of its clients, will be successful will depend on the Firm's ability to select appropriate transactions for clients. Swap transactions may be highly illiquid and may increase or decrease the volatility of a client portfolio. Moreover, a client bears the risk of loss of the amount expected to be received under a swap agreement in the event of the default or insolvency of its counterparty. A client also bears the risk of loss related to swap agreements, for example, for breaches of such agreements or the failure of clients to post or maintain required collateral. Many swap markets are relatively new and still developing. It is possible that developments in the swap markets, including potential government regulation, could adversely affect the Firm's ability to terminate existing swap transactions or to realize amounts to be received under such transactions.

### **OTC Derivatives**

Clients may enter into OTC derivative agreements ("OTC Derivative Agreements"). These agreements are individually negotiated and can be structured to include exposure to a variety of different types of investments, asset classes or market factors. Depending on their structure, OTC Derivative Agreements may increase or decrease clients' exposure to, for example, equity securities. OTC Derivative Agreements can take many different forms and are known by a variety of names. Clients are not limited to any particular form of OTC Derivative Agreements if consistent with the clients' investment objective. Whether the clients' use of OTC Derivative Agreements will be successful will depend on the Firm's ability to select appropriate transactions for clients. Swap transactions may be highly illiquid and may increase or decrease the volatility of the clients' portfolio. Moreover, clients bear the risk of loss of the amount expected to be received under an OTC Derivative Agreement in the event of the default or insolvency of its counterparty. Clients will also bear the risk of loss related to OTC Derivative Agreements, for example, for breaches of such agreements or the failure to post or maintain required collateral. Many swap markets are relatively new and still developing. It is possible that developments in the swap markets, including potential government regulation, could adversely affect clients' ability to terminate existing swap transactions or to realize amounts to be received under such transactions.

## Derivative Instruments Generally

The Firm may cause a client to use futures, options, swaps and other derivatives for investment purposes, for efficient portfolio management and to enhance investment performance. The Firm's ability to use these strategies may be limited by market conditions, regulatory limits and tax considerations. Use of these strategies involves certain special risks, including: (i) dependence on the Firm's ability to predict movements in the price of securities being hedged and movements in interest rates; (ii) imperfect correlation between movements in the securities or currency on which a futures or options contract is based and movements in the securities or currencies; (iii) the absence of a liquid market for any particular instrument at any particular time; (iv) the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty; (v) possible impediments to effective portfolio management or the ability to meet repurchase requests or other short-term obligations because of the percentage of a client assets segregated to cover its obligations; and (vi) the degree of leverage inherent in futures trading, *i.e.*, the low margin deposits normally required in futures trading means that futures trading may be highly leveraged. Accordingly, a relatively small price movement in a futures contract may result in an immediate and substantial loss to a client.

For some clients, in rare circumstances, investments may be highly concentrated in a small number of derivative positions. Such a concentration of investments would magnify the risks associated with the particular derivative positions.

These instruments may produce an unusually or unexpectedly high amount of losses. In addition, the Firm may, in the future, take advantage of opportunities with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available, but that may be developed, to the extent such opportunities are both consistent with the investment objective of its clients and believed by the Firm to be legally permissible. Special risks may apply in the future that cannot be determined at this time. The regulatory and tax environment for derivative instruments in which clients may participate is evolving, and changes in the regulation or taxation of such securities may have a material adverse effect on clients.

Derivatives are highly specialized instruments that require investment techniques and risk analyses that are often different from those associated with the underlying securities to which they relate. The use of a derivative requires an understanding not only of the underlying instrument but also of the derivative itself, without the benefit of observing the performance of the derivative under all possible market conditions.

Liquidity risk exists when a particular derivative is difficult to purchase or sell. If a derivative transaction is particularly large or if the relevant market is illiquid (as may be the case with many privately negotiated derivatives), it may not be possible to initiate a transaction or liquidate a position at an advantageous time or price.

Because the markets for certain derivatives are relatively new and still developing, suitable derivatives transactions may not be available in all circumstances. Upon the expiration of a particular contract, the Firm may wish to retain a client position in the derivative by entering into

a similar contract, but may be unable to do so if the counterparty to the original contract is unwilling to enter into the new contract and no other suitable counterparty can be found. The Firm's ability to use derivatives may also be limited by certain regulatory and tax considerations.

When managing a client exposure to market risks, the Firm may from time to time use forward contracts, options, swaps, credit default swaps, caps, collars and floors or pursue other strategies or use other forms of derivative instruments to limit exposure to changes in the relative values of investments that may result from market developments, including changes in prevailing interest rates, currency exchange rates and commodity prices. The success of any hedging or other derivative transactions generally will depend on the ability to correctly predict market changes, the degree of correlation between price movements of a derivative instrument, the position being hedged, the creditworthiness of the counterparty and other factors. As a result, while the Firm may cause a client to enter into a transaction in order to reduce exposure to market risks, the transaction may result in poorer overall investment performance than if it had not been executed. Such transactions may also limit the opportunity for gain if the value of a hedged position increases.

### **Futures Contracts**

Transactions in futures contracts carry a high degree of risk. Though the futures contract usually only requires a much smaller amount of margin to be provided in comparison to the economic exposure which the futures contract provides to the relevant investment, index, rates, currency or physical commodity, investment in a futures contract creates a "gearing" or "leverage" effect. This means that a small margin payment can lead to enhanced losses as well as enhanced gains. It also means that a relatively small movement in the underlying reference investment, index, rate, currency or physical commodity can lead to a much larger proportional movement in the value of the futures contract. This may work against a client as well as work for it. Futures positions may be illiquid because, for example, many commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. Futures contract prices on various commodities or financial instruments occasionally have moved the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent the Firm from promptly liquidating unfavorable positions and subject a client to substantial losses. In addition, the Firm may not be able to execute futures contract trades at favorable prices if trading volume in such contracts is low. It is also possible that an exchange or a regulator may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract or order that trading in a particular contract be conducted for liquidation only. In addition, various exchanges impose speculative position limits on the number of positions that may be held in particular commodities. Trading in commodity futures contracts and options are highly specialized activities that may entail greater than ordinary investment or trading risks. Furthermore, low margin or premiums normally required in such trading may provide a large

amount of leverage, and a relatively small change in the price of a security or contract can produce a disproportionately larger profit or loss.

The CFTC and US futures exchanges (the “Exchanges”) impose limits referred to as “speculative position limits” on the maximum net long or net short speculative positions that any person may hold or control in any particular futures or options contract traded on the Exchanges. The CFTC also recently adopted position limits on certain physical commodities swaps. Those position limits go into effect in 2023. Clients could be required to liquidate futures or swap positions or may not be able to fully implement its trading strategies, in order to comply with position limits.

Futures are highly volatile and are subject to occasional rapid and substantial fluctuations. The profitability of a client may depend on the ability of the Firm to predict these fluctuations accurately.

### **Forward Contracts and Currency Transactions**

The Firm may deal in forward foreign exchange contracts between currencies of different countries and multi-national currency units and options on currencies and on currency futures contracts for hedging or speculation. With respect to forward currency contracts, this is accomplished through contractual agreements generally to purchase or sell one specified currency for another currency at a specified future date and price determined at the inception of the contract. Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. For example, there are no requirements with respect to record-keeping, financial responsibility or segregation of customer funds or positions. In contrast to exchange-traded futures contracts, interbank traded instruments rely on the dealer or counterparty being contracted with to fulfill its contract. As a result, trading in interbank foreign exchange contracts may be subject to more risks than futures or options trading on regulated exchanges, including, but not limited to, the risk of default due to the failure of a counterparty with which the Firm has a forward contract. Although the Firm seeks to trade with reliable counterparties, failure by a counterparty to fulfill its contractual obligation could expose a client to unanticipated losses. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any currency market traded by the Firm due to unusually high trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward trading to less than that which the Firm would otherwise recommend, to the possible detriment of a client. Market illiquidity or disruption could result in a major loss to a client.

## **Commodity Interests are Volatile**

Commodity interest contracts are highly volatile and are subject to occasional rapid and substantial fluctuations. The profitability of a client may depend on the ability of the Firm to predict these fluctuations accurately. Price movements for commodity interests are influenced by, among other things: (i) changes in interest rates; (ii) governmental, agricultural, trade, fiscal, monetary and exchange control programs and policies; (iii) weather and climate conditions; (iv) changing supply and demand relationships; (v) changes in balances of payments and trade; (vi) rates of inflation; (vii) currency devaluations and revaluations; (viii) political and economic events; and (ix) changes in philosophies and emotions of market participants. In addition, governments from time to time intervene, directly and by regulation, in certain markets, often with the intent to influence prices directly. The effects of governmental intervention may be particularly significant at certain times in certain markets, and this intervention may cause these markets to move rapidly.

## **Repurchase and Reverse Repurchase Agreements**

The Firm may enter into repurchase and reverse repurchase agreements. When the Firm enters into a repurchase agreement, it "sells" securities to a broker-dealer or financial institution, and agrees to repurchase such securities on a mutually agreed date for the price paid by the broker-dealer or financial institution, plus interest at a negotiated rate. In a reverse repurchase transaction, the Firm "buys" securities issued from a broker-dealer or financial institution on behalf of a client, subject to the obligation of the broker-dealer or financial institution to repurchase such securities at the price paid by the client, plus interest at a negotiated rate. The use of repurchase and reverse repurchase agreements by the Firm involves certain risks. For example, if the seller of securities to a client, under a reverse repurchase agreement, defaults on its obligation to repurchase the underlying securities as a result of its bankruptcy or otherwise, the Firm will seek to dispose of such securities, which action could involve costs or delays. If the seller becomes insolvent and subject to liquidation or reorganization under applicable bankruptcy or other laws, the Firm's ability to dispose of the underlying securities may be restricted. It is possible, in a bankruptcy or liquidation scenario, that the Firm may not be able to substantiate the relevant client interest in the underlying securities. Finally, if a seller defaults on its obligation to repurchase securities under a reverse repurchase agreement, a client may suffer a loss to the extent that it is forced to liquidate its position in the market, and proceeds from the sale of the underlying securities are less than the repurchase price agreed to by the defaulting seller. Similar elements of risk arise in the event of the bankruptcy or insolvency of the buyer.

## **Off-Exchange Transactions**

The Firm may enter into off-exchange transactions, including spot, forward and option contracts. The Firm may also engage in swap transactions, consisting primarily of an exchange of a fixed price for an average floating price of a set quantity of a particular security or commodity or fixed income instrument over an agreed period of time and even purchase cash securities or commodities if market conditions are believed to be warranted. Off-exchange contracts are not regulated, and such contracts are not guaranteed by an exchange or clearing house. Consequently, trading in these contracts is subject to more risks than future or options

trading on regulated exchanges, including, but not limited to, the risk that a counterparty will default on an obligation. The counterparties will typically not be required to post collateral. Off-exchange transactions are also subject to legal risks, such as the legal incapacity of a counterparty to enter into a particular contract or the declaration of a class of contracts as being illegal or unenforceable.

### **Depository Receipts**

The Firm may purchase sponsored or unsponsored American Depositary Receipts, European Depositary Receipts and Global Depositary Receipts (collectively "Depository Receipts") typically issued by a bank or trust company which evidence ownership of underlying securities issued by a corporation. Generally, Depository Receipts in registered form are designed for use in the U.S. securities market and Depository Receipts in bearer form are designed for use in securities markets outside the U.S. Depository Receipts may not necessarily be denominated in the same currency as the underlying securities into which they may be converted. Depository Receipts may be issued pursuant to sponsored or unsponsored programs. In sponsored programs, an issuer has made arrangements to have its securities trade in the form of Depository Receipts. In unsponsored programs, the issuer may not be directly involved in the creation of the program. Although regulatory requirements with respect to sponsored and unsponsored programs are generally similar, in some cases it may be easier to obtain financial information from an issuer that has participated in the creation of a sponsored program. Accordingly, there may be less information available regarding issuers of securities' underlying unsponsored programs and there may not be a correlation between such information and the market value of the Depository Receipts.

### **Pooled Investment Vehicles**

In the event that the Firm seeks to pursue a client investment strategy, either in whole or in part, through Affiliated Funds or pooled investment vehicles managed by third party managers, there can be no assurance that the managers of such pooled investment vehicles will be successful in their investment strategies. In addition, the risk factors referred to in this Item 8 may apply equally to any such pooled investment vehicles in which a client has invested and consequently, to the extent that a client invests in any such pooled investment vehicles, such risk factors should be interpreted accordingly as applying to both the clients' portfolios and the clients' investment in such pooled investment vehicles. In addition, a client may be restricted from redeeming from a pooled investment vehicle which may lead to a suspension of the redemption rights in the Fund. If the Firm invests in any Affiliated Funds, the performance compensation and management fee, but not the administrative fee (if any), will be waived by such Affiliated Funds.

### **Exchange-Traded Funds**

The Firm may cause its clients to invest in exchange-traded funds ("ETFs"). An ETF trades like common stock and represents a fixed portfolio of securities designed to track a particular market index. The risks of owning an ETF generally reflect the risks of owning the underlying securities they are designed to track, although lack of liquidity in an ETF could result

in it being more volatile and ETFs have management fees that increase their costs. ETFs are also subject to other risks, including: (a) the risk that their prices may not correlate perfectly with changes in the underlying index; and (b) the risk of possible trading halts due to market conditions or other reasons that, in the view of the exchange upon which an ETF trades, would make trading in the ETF inadvisable. An exchange-traded sector fund may also be adversely affected by the performance of that specific sector or group of industries on which it is based.

### **Nature of Certain Investments**

There is generally no limitation on the size or operating experience of the companies in which the Firm may invest on behalf of its clients. Some small companies in which the Firm may invest may lack management depth or the ability to generate internally or obtain externally the funds necessary for growth. Companies with new products or services could sustain significant losses if projected markets do not materialize. Further, such companies may have, or may develop, only a regional market for products or services and may be adversely affected by purely local events. Such companies may be small factors in their industries and may face intense competition from larger companies and entail a greater risk than investment in larger companies.

Entry into a Contract for Difference (“CFD”) transaction may, in certain circumstances, require the payment of an initial margin and adverse market movements against the underlying stock may require the buyer to make additional margin payments. CFDs may be considered illiquid. To the extent that there is an imperfect correlation between the return on the Firm's obligation to its counterparty under the CFDs and the return on related assets in its portfolio, the CFD transaction may increase a client's financial risk.

### **Investments in Initial Public Offerings / New Issues**

The Firm may, on behalf of clients, purchase securities of companies in initial public offerings / New Issues or shortly thereafter. Special risks associated with these securities may include a limited number of shares available for trading, unseasoned trading, lockup restrictions, lack of investor knowledge of the company and limited operating history. These factors may contribute to substantial price volatility for the shares of these companies. Where appropriate in accordance with local market practice and regulation, a client may commit to invest in an initial public offering as an “anchor” or “cornerstone” investor. If a client agrees to invest in an initial public offering in this manner, it may be subject to restrictions on its ability to dispose of any stock awarded to it in such offering. The limited number of shares available for trading in some initial offerings may make it more difficult to buy or sell significant amounts of shares without an unfavourable impact on prevailing market prices. In addition, some companies in initial public offerings / New Issues are involved in relatively new industries or lines of business, which may not be widely understood by investors. Some of these companies may be under-capitalized or regarded as developmental stage companies, without revenues or operating income, or the near-term prospects of achieving them.

## **Investments in Special Purpose Acquisition Companies**

Special purpose acquisition companies ("SPACs") are subject to significant "event risk." That is, a SPAC's success depends on its ability to identify and close a transaction within a relatively short period delimited in its charter. If a SPAC fails to close a transaction within that period it is typically required to liquidate and dissolve. Upon such dissolution the holders of common stock receive a fixed distribution from a trust established to hold initial public offering proceeds, and the warrants will expire worthless. Therefore, clients may expect from time to time to suffer complete losses of its investments in certain SPAC warrants.

## **Investing in Technology Companies**

Investing in securities and other instruments of technology companies involves substantial risks. These risks include: the fact that certain companies in the portfolios of clients may have limited operating histories; rapidly changing technologies and products which may quickly become obsolete; cyclical patterns in information technology spending which may result in inventory write-offs, cancellation of orders and operating losses; scarcity of management, engineering and marketing personnel with appropriate technological training; the possibility of lawsuits related to technological patents; changing investors' sentiments and preferences with regard to technology sector investments (which are generally perceived as risky) with their resultant effect on the price of underlying securities; and volatility in the markets affecting the prices of technology company securities, which may cause the performance of clients to experience substantial volatility.

## **Investing in Telecommunications Companies**

Investing in telecommunications companies involves substantial risks. These risks include: rapidly changing technologies and products which may quickly become obsolete; the possibility of damage to or failure of computer and telecommunications equipment, software systems, distribution facilities, and customer service centers; the possibility of unauthorized access to or sabotage of communications networks which may adversely affect market perception of these companies and consequently, adversely affect their business and financial conditions; exposure to significant and frequently changing federal, state, local, and international regulation which may affect the business or operations of these companies; and the possibility of lawsuits related to technological patents. As a result of the foregoing, the net asset value of such client portfolio may be negatively affected.

## **Investing in Media Companies**

The Firm may focus a portion of its investment activities in media companies. These companies are sensitive to, among other things, global economic conditions, fluctuations in advertising expenditures (from which media companies derive substantial revenue), seasonal fluctuations, changes in public and consumer tastes and preferences (which are generally viewed as difficult to predict) for products, content, and services, rapidly changing technologies, theft of intellectual property (including lost revenue due to copyright infringement), retention of key talent

and management, merger and acquisition activity, and regulation and other political considerations. As a result of the foregoing, the net asset value of clients' portfolio may be negatively affected.

### **Risks of Investments in Utilities Sector**

The Firm may focus a portion of its investment activities in companies involved in, or supporting, the production and distribution of power and other utilities. These companies are sensitive to fluctuations in fuel supply and demand, interest rates, seasonal fluctuations, special risks of constructing and operating facilities (including nuclear facilities), lack of control over pricing, merger and acquisition activity and regulation. Such fluctuations may, among other things, increase compliance costs and the costs of doing business and in the past have tended to limit the growth potential of utility companies. Historically, regulations have limited many utility companies to certain geographic areas and to certain lines of business. As a result of the foregoing, the net asset value of clients' portfolio may be negatively affected.

### **Healthcare and Life Science Companies**

Investing in securities and other instruments of healthcare companies involves substantial risks, including but not limited to, the following: certain companies in the portfolio of clients may have limited operating histories; rapidly changing technologies and the obsolescence of products; change in government policies; changing investors' sentiments and preferences with regard to healthcare sector investments (some of which are generally perceived as risky) may have an adverse effect on the price of underlying securities; volatility in the stock markets affecting the prices of healthcare company securities may cause the performance of clients to experience substantial volatility; and most pharmaceutical and biotechnology companies, and many other companies in the healthcare sector, are subject to extensive government regulation. In addition, obtaining governmental approval for new products from governmental agencies can be lengthy, expensive and uncertain.

### **ABS and MBS**

The investment characteristics of asset-backed securities ("ABS") and mortgage-backed securities ("MBS") differ from traditional debt securities. Among the major differences are that interest and principal payments are made more frequently, usually monthly, and that the principal may be prepaid at any time because the underlying loans or other assets generally may be prepaid at any time. The frequency at which prepayments (including voluntary prepayments by the obligors and liquidations due to default and foreclosures) occur on loans underlying MBS and ABS will be affected by a variety of factors including the prevailing level of interest rates as well as economic, demographic, tax, social, legal and other factors. Generally, mortgage obligors tend to prepay their mortgage loans when prevailing mortgage rates fall below the interest rates on their mortgage loans. Particular investments may experience outright losses, as in the case of an interest only security in an environment of faster actual or anticipated prepayments. Also, particular investments may underperform relative to hedges that may have been constructed for these investments, resulting in a loss.

Mortgage loans on commercial properties underlying MBS are often structured so that a substantial portion of the loan principal is not amortized over the loan term but is payable at maturity and repayment of the loan principal thus often depends upon the future availability of real estate financing from the existing or an alternative lender and/or upon the current value and salability of the real estate. Therefore, the unavailability of real estate financing may lead to default. Most commercial mortgage loans underlying MBS are effectively non-recourse obligations of the borrower, meaning that there is no recourse against the borrower's assets other than the collateral. If borrowers are not able or willing to refinance or dispose of encumbered property to pay the principal and interest owed on such mortgage loans, payments on the subordinated classes of the related MBS are likely to be adversely affected. The ultimate extent of the loss, if any, to the subordinated classes of MBS may only be determined after a negotiated discounted settlement, restructuring or sale of the mortgage note, or the foreclosure (or deed in lieu of foreclosure) of the mortgage encumbering the property and subsequent liquidation of the property.

Through the use of trusts and special purpose corporations, various types of assets, primarily automobile and credit card receivables, are securitized in pass-through structures. Through collateralized debt obligations, the Firm may invest in these and other types of ABS that may be developed in the future. ABS presents certain risks that are not presented by MBS. Primarily, these securities do not have the benefit of the same security interest in the related collateral. There is a possibility that recoveries on repossessed collateral may not, in some cases, be available to support payments on these securities. The risk of investing in ABS is ultimately dependent upon payment of consumer loans by the debtor. The collateral supporting ABS is of shorter maturity than mortgage loans and is less likely to experience substantial prepayments. As with MBS, ABS are often backed by a pool of assets representing the obligations of a number of different parties and use credit enhancement techniques such as letters of credit, guarantees or preference rights. The value of an ABS is affected by changes in the market's perception of the asset backing the security and the creditworthiness of the servicing agent for the loan pool, the originator of the loans or the financial institution providing any credit enhancement, as well as by the expiration or removal of any credit enhancement.

### **Risks of Investments in the Energy, Natural Gas and Oil Industries**

The Firm may carry out investment activities on behalf of certain of its Funds in the global energy markets, which are sensitive to, among other things, fluctuations in fuel supply and demand, interest rates, seasonal fluctuations, special risks of constructing and operating facilities, lack of control over pricing, merger and acquisition activity and regulation. The price of energy products has recently been, and may continue to be, volatile and may cause large fluctuations in the value of a Fund's assets. Among the factors that can cause volatility and wide fluctuations in the price of certain energy products are: (i) worldwide or regional demand for energy, which is affected by economic conditions; (ii) the domestic and foreign supply, availability of storage capacity and inventories of gas and oil; (iii) weather conditions, including abnormally mild winter or summer weather, and abnormally harsh winter or summer weather; (iv) availability and adequacy of pipeline and other transportation facilities; (v) U.S. and non-U.S. governmental

regulations, tariffs and taxes; (vi) geopolitical conditions in gas or oil producing regions and countries, including the risk of nationalization of the natural gas, oil and related sectors; (vii) the ability of members of the organization of petroleum exporting countries ("OPEC") to agree upon and maintain oil prices and production levels; (viii) the price and availability of alternative fuels; (ix) international and regional trade contracts, (x) labor contracts; and (xi) the impact of energy conservation efforts. The Funds' portfolio may be affected by such factors. In addition, a slowdown in the global economy may affect the success of a Fund's energy-related activities because it may affect interest rates, availability of credit, inflation rates and currency exchange rates, which in turn may have a negative impact on the price and demand for certain energy products.

The energy industry is subject to comprehensive U.S. Federal, state, local and international laws and regulations. For example, environmental and other governmental laws and regulations have increased the costs to plan, design, drill, install, operate and abandon natural gas and oil wells, while other laws have prevented exploration and drilling of natural gas in certain environmentally sensitive U.S. Federal lands and waters. Additionally, laws favoring the move toward hydro, solar and wind energies may have a negative impact on the price of traditional energy sources such as natural gas because of decreased demand. Regulation of the commodity interests and energy markets is extensive and constantly changing; future regulatory developments are impossible to predict but may significantly and adversely affect a client. The regulation of commodity interest transactions in the U.S. is a rapidly changing area of law and is subject to ongoing modification by governmental and judicial action. In addition, various national governments have expressed concern regarding the disruptive effects of speculative trading in the energy markets and the need to regulate the derivatives markets in general. The effect of any future regulatory change on the energy markets is impossible to predict but could be substantial and adverse.

### **Risks of Below Investment-Grade Investments**

The Firm may trade in corporate and government debt securities and instruments, which may be unrated or below investment grade. It is likely that many of the debt instruments purchased or sold by clients may be unrated, and whether or not rated, the debt instrument may have speculative characteristics. The issuers of such instruments may face significant ongoing uncertainties and exposure to adverse conditions that may undermine the issuer's ability to make timely payment of interest and principal. Such instruments are regarded as predominantly speculative with respect to the issuer's capacity to pay interest and repay principal in accordance with the terms of the obligations and involve major risk exposure to adverse conditions. In addition, an economic recession could severely disrupt the market for most of these securities and may have an adverse impact on the value of such instruments. It is also likely that any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default for such securities.

## **Risks of Investments in Contingent Convertible Securities**

The Firm may trade in contingent convertible securities ("CoCos"). CoCos are hybrid securities that are only convertible under certain conditions (for example, the right to convert can only be exercised if the price of the underlying stock is a certain percentage over the conversion price). CoCos may be structured such that upon the occurrence of a specific trigger event, the investor in such security is at risk of a total loss of their investment. In some cases, the principal can be written down to zero and the security is effectively cancelled; in other cases, the principal write-down is temporary and can be written back up. The uncertainty in (i) predicting the triggering events that would require the debt to convert to equity and (ii) measuring the losses the debt holder may suffer as a result of such trigger could result in losses to clients.

If CoCos held by clients are called for redemption, the client will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party. Furthermore, an issuer could refuse to permit the client to convert the CoCos into the underlying common stock, despite its obligation to do so. Any of these actions could have an adverse effect on the client's ability to achieve its investment objective.

## **Prepayment Risk**

The frequency at which prepayments (including voluntary prepayments by the obligors and liquidations due to default and foreclosures) occur on loans underlying certain of the client's investments will be affected by a variety of factors including the prevailing level of interest rates as well as economic, demographic, tax, social, legal and other factors. In general, "premium" financial instruments (i.e., financial instruments whose market values exceed their principal or par amounts) are adversely affected by faster than anticipated prepayments, and "discount" financial instruments (i.e., financial instruments whose principal or par amounts exceed their market values) are adversely affected by slower than anticipated prepayments. Since the client's investments may include discount financial instruments when interest rates are high and may include premium financial instruments when interest rates are low, such investments may be adversely affected by prepayments in any interest rate environment.

## **Bank Loans and Participations**

The client's investment program may include investments in bank loans and participations. These obligations are subject to unique risks, including: (i) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors' rights laws; (ii) so-called lender-liability claims by the issuer of the obligations, (iii) environmental liabilities that may arise with respect to collateral securing the obligations; and (iv) limitations on the ability of the client to directly enforce its rights with respect to participations. In analyzing each bank loan, the Firm compares the relative significance of the risks against the expected benefits of the investment. Successful claims by third parties arising from these and other risks will be borne by clients.

As secondary market trading volumes increase, new loans are frequently adopting standardized documentation to facilitate the loan trading which may improve market liquidity. There can be no assurance, however, that future levels of supply and demand in loan trading will provide an adequate degree of liquidity or that the current level of liquidity will continue. Because of the provision to holders of such loans of confidential information relating to the borrower, the unique and customized nature of the loan agreement, and the private syndication of the loan, loans are not as easily purchased or sold as a publicly traded security, and historically the trading volume in the loan market has been small relative to the high yield debt market.

### **Lower Credit Quality Bonds and Loans**

Loans purchased by clients may be deemed to have substantial vulnerability to default in payment of interest and/or principal. Certain of the claims which clients may invest in have large uncertainties or major exposures to adverse conditions and may be considered to be predominantly speculative. Generally, such claims offer a higher return potential than higher quality bonds and loans but involve greater volatility of price and greater risk of loss of income and principal. The market values of certain of these bonds and loans also tend to be more sensitive to change in economic conditions than better quality bonds loans.

### **Leveraged Loans**

Leveraged loans are largely floating rate instruments therefore the interest rate risk is minimal. However, from the perspective of the borrower an increase in interest rates may affect the borrower's financial condition. Due to the unique and customised nature of leveraged loan agreements evidencing loans and the private syndication thereof, leveraged loans are not as easily purchased or sold as publicly traded securities. Although the range of investors in leveraged loans has broadened in recent years, there can be no assurance that future levels of supply and demand in loan trading will provide the degree of liquidity which currently exists in the market. In addition, the terms of the loans may restrict their transferability without borrower consent. These factors may have an adverse effect on the market price and on the ability to dispose of particular investment. A less liquid secondary market also may make it more difficult to obtain precise valuations of the high yield loans.

### **Investments Longer than Term**

The Funds may make investments which may not be advantageously disposed of prior to the date that the Funds will be dissolved. Although the Firm expects that investments will be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution, the Fund may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution. In addition, there can be no assurances with respect to the time frame in which the winding up of the assets and the final distribution of proceeds to the investors will be completed.

## **Long-Term Investment Nature of Certain Unlisted Investments**

Although certain investments by the Funds may generate some current income, the return of capital and the realization of gains, if any, from unlisted investments, generally will occur only upon the partial or complete disposition of such investment. While an investment may be sold at any time, this may not occur for a number of years after the investment is made. There may not be a public market for a significant part of the securities acquired by the Funds. Therefore, no assurance can be given that, if the Fund is determined to dispose of a particular investment held by the Funds, it could dispose of such investment at a prevailing market price, and there is a risk that disposition of such investments may require a lengthy time period or may result in distributions in-kind to investors. The Fund will generally not be able to sell its investments through the public markets unless their sale is registered under applicable securities laws, or unless an exemption from such registration requirements is available. Additionally, there can be no assurances that the Fund's investments can be sold on a private basis. In addition, in some cases the Funds may be prohibited by contract or legal or regulatory reasons from selling certain securities for a period of time.

## **Investment in Private Companies**

Clients may be invested in private companies. Private companies are not subject to the same disclosure and reporting requirements that are generally applicable to public companies. In addition, such companies may have small management teams and may be highly dependent on the skill of a small number of individuals.

## **Market for Disposals**

Investments in unquoted companies may be difficult or impossible to realize. Investments in unquoted companies are intrinsically riskier than quoted companies as unquoted companies may be smaller, more vulnerable to changes in the markets and technology and dependent on skills and commitment of a small management team. In general, investments in illiquid securities that represent interests in unlisted companies will remain illiquid unless and until such companies are acquired or become publicly quoted.

**IT IS CRITICAL THAT INVESTORS REFER TO THE APPLICABLE GOVERNING DOCUMENTS FOR A COMPLETE UNDERSTANDING OF THE MATERIAL RISKS INVOLVED IN AN INVESTMENT IN THE FUNDS AND MANAGED ACCOUNTS, INCLUDING THE RISK OF FINANCIAL LOSS. THE INFORMATION CONTAINED HEREIN IS A SUMMARY ONLY AND IS QUALIFIED IN ITS ENTIRETY BY SUCH DOCUMENT.**

**ITEM 9**  
**DISCIPLINARY INFORMATION**

**A. Criminal or Civil Proceedings**

The Firm has no criminal or civil proceedings to be disclosed in response to this Item.

**B. Administrative Proceedings Before Regulatory Authorities**

**CNMV**

On April 7, 2021, Man Group plc (“Man”), an advisory affiliate of the Firm based in London, UK, agreed to pay a fine of €240,000 to the Comision Nacional Del Mercado de Valores (the “CNMV”), pursuant to a settled resolution, in connection with the CNMV’s findings that Man had not complied with European Union (“EU”) regulations requiring the disclosure of an investor’s short positions in the securities of any issuer based in an EU member country, such as Spain. Specifically, the European Securities and Markets Authority (“ESMA”) has issued regulations on short selling and credit default swaps (“SSR”) that require investors to file reports disclosing any short positions above a threshold of 0.2% of an issuer’s outstanding shares, with additional disclosure thresholds at increasing intervals of 0.1%. Thus, an investor must file disclosures calculating its net short position whenever it crosses thresholds (up or down) of 0.2%, 0.3%, 0.4%, 0.5% etc. In the case of Man, the CNMV determined that, between December 2017 and November 2018, three of Man’s affiliated managers, including the Firm had on five occasions failed to correctly disclose their net short position in four Spanish issuers amounting to between 0.2% and 0.7% of the issuers’ outstanding shares. The SSR regulations impose rules for calculating net short positions at the fund level among affiliated entities, which Man attempted to apply in good faith. See ESMA 70-145-408, question 8.5, available at [https://www.esma.europa.eu/sites/default/files/library/esma70-145-408\\_qa\\_on\\_ssr.pdf](https://www.esma.europa.eu/sites/default/files/library/esma70-145-408_qa_on_ssr.pdf). In four cases, the irregularities arose from the incorrect identification of the position holding entity within Man; (for example, a position held by one Man manager was incorrectly notified as a position held by another Man manager). This misreporting resulted in delayed correcting notifications to the CNMV. In one instance, a position was inadvertently not reported. The order related to Man is set forth in dispatch record no. 2021025805 of the CNMV. The CNMV did not determine that Man engaged in any misleading or deceptive conduct, nor that it committed any violation in connection with providing investment advisory services to any clients.

In 2019, following the reporting issues noted above, Man implemented a number of measures which included the implementation of a new third-party shareholder disclosure system, FundApps, in order to strengthen Man’s systems and controls and reduce the manual component of Man’s reporting processes.

**ITEM 10**  
**OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

**A. Broker-Dealer Registration Status**

Neither the Firm nor any of its management persons, is registered as a broker-dealer and the Firm does not have any application pending to register with the SEC as a broker-dealer. The Firm utilizes the sales team of its affiliate, Man Investments Inc. ("MII"), to assist in the marketing of its investment services in the US. MII is a limited purpose broker-dealer registered with the SEC and a member of Financial Industry Regulatory Authority, Inc. ("FINRA"). MII acts as solicitor, selling agent and/or investor servicing agent for certain the Firm clients and Funds for which it may be compensated as agreed between the Firm and MII.

**B. Futures Commission Merchant, Commodity Pool Operator or Commodity Trading Adviser Registration Status**

The Firm is a commodity pool operator registered with the Commodity Futures Trading Commission ("CFTC") and a member of the National Futures Association ("NFA"). The Firm is exempt from registration as a commodity trading advisor with the CFTC.

**C. Material Relationships or Arrangements with Industry Participants**

The Firm is affiliated and under common ownership with the following London based entities which are authorized and regulated by the Financial Conduct Authority: Man Solutions Limited ("Man Solutions"), an investment adviser registered with the SEC and a commodity pool operator registered with the CFTC and a member of the NFA; Man Fund Management UK Limited; AHL Partners LLP, an investment adviser registered with the SEC, a commodity pool operator and commodity trading advisor registered with the CFTC and a member of the NFA; and Man Global Private Markets (UK) Limited, an investment adviser registered with the SEC. The Firm shares office space with affiliates, including AHL Partners LLP, Man Solutions Limited and Man Global Private Markets (UK) Limited.

In addition, The Firm is affiliated and under common ownership with the following New York based entities: GLG LLC, an investment adviser registered with the SEC and a commodity pool operator registered with the CFTC and a member of the NFA; Man Solutions LLC ("Man Solutions"), an investment adviser registered with the SEC and a commodity pool operator and commodity trading adviser registered with the CFTC and a member of the NFA; Silvermine Capital Management LLC an investment adviser registered with the SEC and Man Investments Inc., a limited purpose broker dealer registered with the SEC and member of FINRA which provides placement agent services to certain of the Funds as well as marketing and sales services to the Firm. In addition, the Firm is affiliated and under common control with Numeric Investors LLC, based in Boston, MA with an office in New York, NY which is an investment

adviser registered with the SEC, a commodity pool operator registered with the CFTC and a member of the NFA; Man Global Private Markets (USA) Inc., based in Charlotte, NC with an office in New York, NY which is an investment adviser registered with the SEC; and Varagon Capital Partners, L.P. and VCC Advisors, LLC, based in New York, NY with offices in Chicago, IL, and Wellesley, MA which are investment advisers registered with the SEC.

The Firm is also affiliated and under common ownership with Man Investments (Hong Kong) Limited, licensed by the Hong Kong Securities and Futures Commission; Man Asset Management (Cayman) Limited a manager regulated by the Cayman Islands Monetary Authority; Man Asset Management (Ireland) Limited an investment adviser regulated by the Central Bank of Ireland and Man Investments (CH) AG, registered with the Swiss Financial Market Supervisory Authority. The Firm is also affiliated and under common ownership with Man Investments Australia Limited an investment adviser registered with the SEC and licensed by the Australian Securities and Investments Commission based in Australia.

MS LLC and MSL (together, “Man Solutions”) are affiliated investment advisers which provide investment advisory services primarily focused on multi strategies including customized portfolios to their clients across strategies managed by affiliates, including the Firm, as well as third party managers. In addition, from time-to-time the Firm provides sub-advisory or other investment management services to clients of Man Solutions. The Firm, its affiliates and its personnel serve as investment advisers and investment managers to multiple pooled investment vehicles and managed accounts. The Firm may manage accounts on behalf of its affiliates alongside its clients. The Firm, its affiliates and its personnel may take action or give advice with respect to certain clients and accounts that differs from the advice given to other clients and accounts. Specifically, there may be times whereby the advice given to clients and accounts is opposite of the advice given to other clients and accounts due to differences in investment strategy, redemptions/subscriptions or other factors. The Firm manages each client in accordance with its respective investment objectives and guidelines.

The Firm, its affiliates and its personnel will devote as much time to the activities of each client or account as they deem necessary and appropriate and the amount of time devoted to different clients and accounts may vary.

#### **D. Material Conflicts of Interest Relating to Other Investment Advisers**

The Firm does not recommend or select other third-party investment advisers for its clients. The Firm’s Funds may invest in other funds to which the Firm or any of its affiliates provide investment management services.

From time to time, certain affiliates, including Affiliated Funds seed funds to which the Firm provides investment management services. The Firm may provide investment management services to certain funds in which the invested capital is exclusively or predominantly seed capital received from the Firm’s affiliates; such arrangements may persist over a long period of time.

Certain personnel, including those who are part of certain Man centralized functions and those with specific investment management responsibilities, perform roles for the Firm and one or more affiliates of the Firm.

The Firm may provide aspects of its systems, know-how, analyses and certain models to its affiliates.

Potential and actual conflicts of interest may arise from the activities described herein. The Firm has established policies and procedures to monitor and to the extent possible resolve conflicts of interest and will endeavor to resolve conflicts with respect to investment opportunities in a manner it deems appropriate and equitable to the extent possible under the prevailing facts and circumstances.

The Firm may be subject to conflicts of interest from time to time in performing its respective duties to Funds and managed accounts. Any such conflict of interest could have a material adverse effect on clients.

When a conflict of interest arises the Firm will endeavor to ensure that the conflict is resolved or managed appropriately and fairly. Furthermore, Firm has substantial incentives to see the assets of clients appreciate in value and merely because an actual or potential conflict of interest exists does not mean that it will be acted upon to the detriment of clients.

The Firm is permitted to manage and/or advise other managed accounts and funds, some of which may have objectives similar to those of its existing clients, including without limitation other funds or accounts in which the Firm or its affiliates may have an interest.

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

**A. Code of Ethics**

The Firm strives to adhere to the highest industry standards of conduct based on principles of professionalism, integrity, honesty and trust. Accordingly, the Firm has adopted a Global Code of Ethics (the “Code”) that is supplemented by additional policies and procedures that are designed to reinforce its institutional integrity, and to set forth procedures and limitations which govern, amongst other matters, the personal securities transactions of its employees. The Code was developed to promote the highest standards of behavior and to ensure compliance with all applicable regulations.

The Code applies to all the Firm’s employees. The Code contains policies and procedures that, among other things:

- Require employees to observe fiduciary duties owed to clients;
- Prohibit employees from taking personal advantage of opportunities belonging to clients;
- Prohibit trading on the basis of material nonpublic information;
- Require employees to comply with anti-money laundering requirements;
- Place limitations on personal trading by employees and impose pre-clearance and reporting obligations with respect to such trading with the exception of certain security types;
- Impose limitations on the giving or receiving of gifts and entertainment;
- Restrict employee outside business activities;
- Require employees to disclose family members’ business activities that may present a conflict;
- Require pre-clearance on political contributions; and
- Prohibit disclosure by employees of confidential information of the Firm and its clients.

Employee personal trades in securities covered by the Code are monitored by the Chief Compliance Officer or designee and governed by the procedures set forth in the Code. Employees may from time to time have proprietary investments in which clients advised or sub-advised by the Firm also take a position, may trade and invest simultaneously with such clients, and may take investment positions that are different from or opposite to the positions taken by such clients. In general, all personal securities transactions (except for unaffiliated US open-ended mutual funds, US Treasury securities, or other permitted investments listed in the Code) are subject

to pre-clearance by the Chief Compliance Officer, or designee. A copy of the Firm's Code is available to clients and prospective clients upon request by contacting [allincompliance@man.com](mailto:allincompliance@man.com).

Furthermore, the Firm has adopted procedures to prevent and detect misuse of material nonpublic information. Specifically, the Firm's procedures prohibit any employee from trading securities, either personally or on behalf of others (such as client accounts advised or sub-advised by the Firm), while in possession of material nonpublic information, and prohibit employees from communicating material nonpublic information to others in violation of the law.

From time to time, as part of its business activities or otherwise, the Firm or its affiliates may come into possession of material non-public information concerning specific issuers. Under applicable laws and the Firm's policies and procedures, this may limit the Firm's flexibility to buy or sell securities of such issuers, or other financial instruments linked to such issuers.

The Firm's clients are subject to Man's Global Banned Weapons Policy, which is designed to ensure compliance with a number of conventions and relevant laws that have been implemented globally to ban the manufacture, supply and distribution of anti-personnel landmines, cluster munitions, biological weapons, chemical weapons, blinding laser weapons and non-detectable fragments. This may limit the Firm's flexibility to buy or sell securities of issuers that, among a range of other activities, are involved in banned weapons for its clients.

In addition, certain of the Firm clients may be subject to the Man Responsible Investment framework which considers responsible investment criteria when making investment decisions.

The Firm and its affiliates are subject to certain position limits, including commodities. Under applicable laws and internal procedures, this may limit the Firm's flexibility to buy certain futures contracts or derivatives thereon.

Related persons and personnel of the Firm and its affiliates (the "Advisory Affiliates") may invest in or have a financial interest in the Funds and may not invest in all such Funds. It is expected that the size of these investments or the financial interest will change over time. Potential conflicts may arise due to the fact that the Advisory Affiliates may have investments or financial interests in some Funds but not in others or may have different levels of investments or financial interests in various Funds, and because the Funds may pay different levels of fees.

In addition, certain Advisory Affiliates may from time to time make personal investments in securities or financial instruments which may be appropriate for, may be held by, or may fall within client investment guidelines. Such Advisory Affiliates may buy, sell, or hold securities or other financial instruments for their own accounts while entering into different investment decisions for one or more clients. These activities may adversely affect the prices and availability of securities or financial instruments held by or potentially considered for one or more clients.

From time to time, the Firm or the Advisory Affiliates may form and manage additional pooled investment vehicles and advise other client accounts with similar or different investment strategies as the Funds or managed accounts currently advised or sub-advised by the Firm. It may be appropriate for more than one Fund or managed account advised by the Firm to trade in the same securities at the same time. The Firm has policies and procedures to manage the conflicts of interest in connection with such trades.

**B. Securities in which the Investment Adviser or a Related Person Has a Material Financial Interest.**

**1. Cross Transactions and Principal Transactions**

Cross transactions may be effected on behalf of clients in connection with portfolio rebalancing or other situations such as cash flow events, among others. Such cross transactions may be arranged through a broker and effected at an independently verifiable contemporaneous mid-price where such can be ascertained. For cross trades involving securities which do not trade on an exchange or venue, to the extent possible, quotes are sourced from different brokers. Commissions may or may not be charged for cross trades. The Firm receives no fee or compensation in connection with such activity and seeks to comply with the requirements of the Advisers Act and/or other applicable law for cross trades whether agency or principal. A determination will be made as to whether a cross transaction is appropriate for a given client or in a given transaction and in accordance with any client or regulatory restrictions. Each cross transaction will be performed consistently with the Firm's policies and procedures.

To the extent that a cross transaction may be viewed as a principal transaction, the Firm will comply with the requirements of Section 206(3) of the Advisers Act with respect to any US client or Fund, including that the Firm will notify the applicable client in writing of the transaction and obtain the client's consent.

The Firm does not consider transactions between clients that inadvertently match on an exchange or venue as a result of investment decisions taken by the Firm and, where applicable, its affiliates as cross transactions or principal transactions.

**2. Allocation of Investment Opportunities**

The Firm provides discretionary investment advice and/or management services to Funds or client accounts (each an "Account") that may seek to invest in the same investment opportunities. In addition, the Firm affiliates provide investment advice to multiple client accounts that may seek to invest in the same investment opportunities as the Firm's clients. This will create potential conflicts and potential differences among Accounts, particularly where there is limited availability or limited liquidity for those investments. The Firm has developed policies and procedures that provide that investment opportunities will be allocated and purchase and sale decisions will be made among these Accounts in a manner that is considered to be reasonable and

equitable and in a manner that is consistent with each Account's investment objectives and guidelines.

The Firm may determine that an investment opportunity or particular purchases or sales are appropriate for one or more Accounts, but not for other Accounts, or are appropriate for or available to certain Accounts but in different sizes, terms, or timing than is appropriate for others. The Firm will make allocations for Accounts of such investments with reference to numerous factors including, without limitation, the Firm's perception of the appropriate risks and rewards for each Account, investment objectives and guidelines of each Account, leverage of each Account, the liquidity of the Account at the time of the investment and on a going-forward basis, risk parameters for each Account and regulatory restrictions affecting the client; in the case of new debt or equity offerings (initial or secondary) additional factors as determined by the Firm may be relevant, such as the size of the new offering. . Although allocating orders among multiple Accounts may create potential conflicts of interest because of the interests of the Firm, its affiliates or its employees or because the Firm may receive greater fees or compensation from one Account over another, the Firm will not make allocation decisions based on such interests or greater fees or compensation. Allocation among Accounts in any particular circumstance may be more or less advantageous to any Account. In addition, transactions in investments by multiple Accounts may have the effect of diluting or otherwise impairing the values, prices or investment strategies of an individual Account, particularly, but not limited to, in small capitalization, emerging market, or less liquid strategies. Therefore, the amount, timing, structuring, or terms of an investment by some clients may differ from, and performance may be lower than, investments and performance of other clients.

With regards to CLOs, the Firm and its affiliates often own or hold interests in the CLO Issuers but are not required to invest in all CLOs, and such ownership or holdings may vary, perhaps significantly, among CLOs. Such positions may be acquired either upon initial issuance or through secondary market transactions. There is no assurance that the size and nature of the Firm's investment will remain unchanged over time. There is no assurance that the Firm's interest will be aligned with all CLOs or the holders of a particular class of Notes. In particular, if at any time, Equity is held by the Firm, its employees or affiliates, the Firm may face a conflict when making investment decisions for the portfolio between the holders of the Rated Notes on the one hand and the owners of the Equity on the other. Further, because the Firm receives fees for managing CLO portfolios, when the value of the fees received exceed the value of its Equity investment, the Firm will face conflicts between its ownership interest as an Equity holder and its interest as a manager. In those instances where the Firm, its affiliates and their respective employees may have significant interests in a particular CLO, there is a potential conflict of interest for the Firm when making decisions regarding the allocation of trade opportunities. Accordingly, there may be an incentive to make favorable allocations to those CLOs where the Firm or Advisory Affiliates have a significant interest therein and will benefit from such favorable allocation decisions.

Additionally relating to CLOs, the Firm may give priority to more recently launched CLOs, which have or are expected to have a substantial amount of cash to invest/ramp

up (including warehousing vehicles) when allocating investment opportunities. The Firm may also give priority to CLOs which need to raise cash/ramp down/liquidate in the context of de-risking transactions. CLOs that receive such a priority relative to other CLOs include those which have been seeded by the Firm its affiliates or funds it or an affiliate manages or are used to warehouse Leveraged Loan investments in anticipation of the launch of a potential CLO. Once the deal is considered “seasoned,” the Firm will look to optimize the CLO’s spread, rating, and diversity, as well as concentration tests and other covenants outlined in the CLO’s indenture through purchases and sales. Subject to the requirements of each CLO’s indenture, the Firm will generally allocate investment opportunities among the CLOs it manages in a manner that it believes, in its reasonable judgment; to be appropriate given factors it believes to be relevant. Such factors may include CLO investment objectives, collateral quality, concentration limitations and interest, and asset coverage tests, liquidity, diversification, lender covenants and other limitations set forth in a CLO’s indenture and the amount of free cash a CLO has available for investment.

The Firm may from time to time at its sole discretion reduce the capital allocated to a Sub-Account, which may result in (i) the crystallisation and payment of a Sub-Account performance fee or (ii) the proportionate reduction of a Sub-Account high water mark, in each case at the time of the capital reduction, giving rise to a potential conflict of interest. The allocation determinations made by the Firm need not follow any predetermined criteria and may result in much more frequent crystallisation of Sub-Account performance fees (or reduction in Sub-Account high-water marks) than where performance fees are paid only on an annual basis. For the avoidance of doubt, capital reduction determinations for a Sub-Account may result in crystallisation of a Sub-Account performance fee (or reduction in a Sub-Account high water mark) even though all or a portion of the reduced capital may be allocated back to that Sub-Account subsequently. To mitigate the risks relating to such conflicts of interest, the Firm has put in place appropriate procedures to manage and govern decisions in relation to Sub-Account allocation determinations.

In addition, the Firm may acquire securities or other financial instruments of an issuer for one Account that are senior or junior to securities or financial instruments of the same issuer held by, or acquired for, another Account (*e.g.*, one Account may acquire senior debt while another Account may acquire subordinated debt). Furthermore, the Firm may pursue investment strategies for certain Accounts that may have different objectives and, in some cases, may conflict with the investment strategies of other Accounts. The Firm recognizes that conflicts may arise under such circumstances and will endeavor to treat all Accounts fairly and equitably.

### 3. **Valuation**

Each managed account is responsible for its own valuation of assets which typically a third-party custodian may provide. To the extent requested, the Firm will provide managed account clients with information that may assist in the valuation of assets. However, the Firm will not be responsible for the valuation of managed account assets.

Valuation policies and procedures have been established that seek to establish a consistent framework and methodology for the determination, validation, approval, regular monitoring and review of pricing all positions of each Fund. The Fund's directors have appointed an Independent Pricing Committee (the "IPC") to undertake certain services concerning the valuation policies and procedures relating to each Fund. The IPC is an independent body set up to: (1) establish a pricing matrix (a table which lays out a pricing source for certain assets and liabilities) which the directors will decide whether to adopt for the Fund and if so will thereafter be used by the administrator to calculate the value of the assets and liabilities held by the Fund; and (2) establish the prices of any positions held in the Fund that do not have an independently ascertainable value as per the pricing matrix. In addition, the IPC provides general governance and oversight of the valuation process.

CLOs are closed end cash flow vehicles and, subject to the governing documentation, valuation of the CLOs is generally not used for the purpose of subscriptions, redemptions, fee calculations or distributions. To the extent that valuation is required in connection with the operation of the CLOs, the Trustee is responsible for valuation, in accordance with the terms of the Indenture.

**C. Investing in Securities that the Investment Adviser or a Related Person Recommends to Clients**

The Code of Ethics places restrictions on personal trades by employees, including that they disclose their personal securities holdings and transactions to the Firm on a periodic basis, and requires that employees pre-clear certain types of personal securities transactions. Subject to certain exceptions, the Firm's employees may not engage in personal securities trading without pre-clearance. Accordingly, under certain circumstances, the Firm, its affiliates and its employees may invest on behalf of themselves in securities and other instruments that would be appropriate for, held by, or may fall within the investment guidelines of clients.

The Firm, its affiliates and its employees may give advice or take action for their own accounts that may differ from, conflict with or be adverse to advice given or action taken for clients. These activities may adversely affect the prices and availability of other securities or instruments held by or potentially considered for one or more clients. Potential conflicts also may arise due to the fact that the Firm and its personnel may have investments in some Funds but not in others or may have different levels of investments in the various Funds.

The Firm has established policies and procedures to monitor and resolve conflicts with respect to investment opportunities in a manner it deems fair and equitable, including the restrictions placed on personal trading in the Code of Ethics, as described above, and controls regarding employee transactions for actual or perceived conflicts of interest, including those conflicts that may arise as a result of personal trades in the same or similar securities made at or about the same time as client trades.

#### **D. Conflicts of Interest Created by Contemporaneous Trading**

The Firm manages investments on behalf of a number of Accounts. Certain Accounts have investment strategies that are similar to or overlap and may, therefore, participate with each other in investments. It is the policy of the Firm to allocate investment opportunities among all Accounts fairly, to the extent practical and in accordance with each Account's applicable investment strategies, over a period of time. The Firm will have no obligation to purchase or sell a security for, enter into a transaction on behalf of, or provide an investment opportunity to any Account solely because the Firm purchases or sells the same security for, enters into a transaction on behalf of, or provides an opportunity to another Account if, in its reasonable opinion, such security, transaction or investment opportunity does not appear to be suitable, practical or desirable for the Account.

Allocations of initial public offerings or other limited offerings ("Limited Offering") by the Firm will be made in a fair and equitable manner among eligible Accounts. Allocations will be made among Accounts eligible to participate in a Limited Offering taking into account factors such as long-term investment horizons, investment objectives and guidelines, different levels of investment for different strategies, the overall portfolio composition for each Account, and such other relevant factors. Eligibility to participate in a Limited Offering may include but is not limited to consideration of the following factors: (i) Accounts whose investment guidelines explicitly prohibit such investment, (ii) "restricted persons" under the FINRA New Issues Rule 5130 or an executive officer or director of a public company or a covered non-public company, or a person materially supported by such an executive officer or director, as contemplated under FINRA New Issues Rule 5131, (iii) suitability requirements, (iv) account investment strategy and risk profile, (v) size of offering and (vi) available investable capital.

The Firm or its affiliates may take inconsistent positions in the same security or trade in opposite directions as a result of rebalancing or different investment strategies. This will result in potential conflicts of interest. The Firm strives to ensure that all clients are treated fairly and equitably.

The Firm may offer a third party, client or investor the opportunity to co-invest in any transaction in which one or more managed accounts or funds have made or will make an investment. Typically, this would occur in relation to privately placed and/or negotiated transactions, or transactions with a limited capacity or finite amount available and/or a relatively short time horizon in which to execute. In addition, from time to time, the Firm may offer a third party or others a specific investment opportunity that the Firm may have become aware of in the course of providing investment advisory services to its clients. In such cases, the Firm may decide that such investment opportunity does not fit within the client's investment strategy and therefore the Firm may offer the investment opportunity to third parties or others.

The Firm may not offer co-investment opportunities to all current or potential managed accounts or investors but will take into account such factors as it determines appropriate based on the current facts and circumstances of the co-investment opportunity. The allocation of

any co-investment opportunity will be determined at the Firm's sole discretion. Consideration will be given to various factors including the ability of a potential co-investor to commit to invest in a short period of time, whether they have expressed an interest in participating in a co-investment opportunity and the alignment of a current investor's interest and the potential co-investor's goals and such other factors as the Firm deems relevant; these may include subjective determinations such as forming relationships and providing strategic benefits to investors. Please refer to Item 8.B under "Co-Investments" for additional information and risk disclosures pertaining to co-investments.

## ITEM 12 BROKERAGE PRACTICES

### A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions

The Firm will place orders for the execution of transactions for Accounts via a centralized trading desk and in doing so, it will seek best execution in accordance with its Best Execution Policy which takes into account a number of factors which may include, among other things, commission rates (and other transactional charges), price, the broker's financial strength, ability to commit capital, stability and responsibility, reputation, reliability, overall past performance of services responsiveness as well as means of communication, ability to execute trades based on the characteristics of a particular trade, technology and trading systems, trading activity in a particular security, block trading and block positioning capabilities, depth of available services, arbitrage operations, bond capability and options operations, access to certain markets, the availability of stocks to borrow for short trades, willingness to execute related or unrelated difficult transactions, order of call, back office, settlement processing and special execution capabilities, efficiency and speed of execution, and error resolution. Accordingly, while the centralized trading desk will endeavor to achieve best execution; it may not be the case that we will receive the best possible results on each and every transaction as there are a variety of factors, a number of which lie outside our control that may impact execution quality.

Rigid formulas are not used in selecting brokers, but rather a combination of factors is considered. There is, however, no direct correlation between these factors and the allocations of brokerage for Accounts advised or sub-advised by the Firm. Because of the range of factors considered, it is possible that the Firm's clients may pay brokerage commissions in excess of that which another broker might have charged for effecting the same transaction. A good faith determination is made to ensure that the amount of commission is reasonable in relation to the value of any products and services received the broker's execution ability, and other factors.

The Firm may at times participate in “give-ups” for certain OTC derivatives.

#### ***Centralized Trading and Financing Desk***

The Firm delegates certain of its order handling and execution responsibilities to a centralized trading desk and cash management and related responsibilities to a centralized financing desk. In doing so the Firm ensures that the delegates comply with any client restrictions as well as the Firm's policies and procedures relating to order handling and execution responsibilities. The Firm believes that such delegation is consistent with its obligations and is in the best interests of its Accounts.

## 1. Payment of Research

The Firm separates execution commission from any investment research payments.

The Firm, either directly or through its affiliate(s), engages the services of various external third-party research providers to assist it with its portfolio management activities. Where research goods and services are provided, payment is effected using one or more of the following methods:

- from its own resources; or
- from a Research Payment Account (“RPA”) funded through a transactional or accounting payment method.

Not all clients of the Firm have deployed a RPA as a means of purchasing third party research material; some will have their research needs paid by the Firm. The consumption of research across clients using an RPA (“RPA Accounts”) may not be evenly distributed and may differ as required.

The Firm will only pay for services as research where the information concerns one or several financial instruments or other assets; or the issuers or potential issuers of financial instruments; or is closely related to the specific industry or market such that it informs views on financial instruments, assets or issuers within that sector and which:

- implicitly or explicitly recommends or suggest an investment strategy and provides a substantiated opinion as to the present or future value or price of such instruments or assets; or
- contains analysis and original insights and reaches a conclusion based on new or existing information that could be used to inform an investment strategy or capable of adding value to the Firm investment decisions.

Research payments will not be linked to the volume or value of transactions executed on behalf of clients. The organisation or facilitation of corporate access meetings is not considered a research service and, as such, any charges for such services will not be paid for by RPA Accounts. A Research and Data Oversight Committee has been established and is responsible for ensuring research budgets have been set on at least an annual basis. It is also responsible for ensuring the fair allocation of costs for research materials across benefiting clients. The allocation of research payments is based on the Firm reasonable assessment of the need for third party research consumption to enhance its portfolio management trading decisions. The allocation of research payments across clients will be reviewed by the Research and Data Oversight Committee. All payment requests to RPAs will be recorded alongside the methodology of how the amounts have been determined. The Research and Data Oversight Committee is also responsible for ensuring comprehensive and accurate disclosures are made available as required.

The Firm’s use of research goods and services is within the "safe harbor" of Section 28(e) of the Securities Exchange Act of 1934 (as amended). During 2023, research services paid

via an RPA generally included information on the economy, industries, groups of securities, individual companies, statistical information, political and legal developments affecting portfolio securities, technical market action, pricing and appraisal services, and bespoke risk measurement analysis. Such research services were received primarily in the form of written reports, telephone contacts, and meetings with research analysts or research-related staff. Research services may be provided by providers including sell side firms and third-party independent research providers.

If a product or service obtained provides both research and non-research assistance to the Firm (i.e., a "mixed use item"), the Firm will make a good faith effort to determine the relative proportion of the product or service used to assist the Firm in carrying out its investment decision making responsibilities, and the relative proportion used for administrative or other non-research purposes. The proportionate amount of the product or service that is used to assist the Firm in carrying out its investment decision making responsibilities will be paid via the methods mentioned above. A proportionate amount attributable to administrative or other non-research purposes will be paid for by the Firm from its own resources or by the Fund/client, where permitted. In making good faith allocations of costs between administrative benefits and research services, a conflict of interest may exist by reason of the Firm's allocation of the costs of such benefits and services between itself and its clients.

Where permitted, the Firm may share products and/or services with certain of its affiliates to be used in servicing such affiliate's clients. The Firm may also receive products and/or services from such affiliates that it will use in servicing its clients.

## **2. Brokerage for Client Referrals**

The Firm does not consider capital introduction and marketing assistance with respect to investors in the Funds when selecting or recommending broker-dealers for the Funds. However, the Firm's affiliate, MII, may be invited to capital introduction events as a result of the relationship the Firm and its affiliates have with such broker dealers.

## **3. Directed Brokerage**

Generally, the Firm does not engage in directed brokerage. However, in circumstances where it receives specific instructions from an Account regarding the use of specific brokers for account transactions, for example in relation to an approved brokers list, it will consider that it has discharged its best execution obligation when executing orders in accordance with those specific instructions. It is the client's responsibility to evaluate such brokers when providing such instruction.

Broker or counterparty restrictions imposed by clients may limit the ability for the Firm to take steps designed to obtain the best possible result for the execution of those orders in respect of any element of the order covered by those instructions.

## **B. Order Aggregation**

Account orders may be aggregated if in the portfolio manager's or trader's reasonable judgment, such aggregation is reasonably likely to result in an overall economic benefit to the other Accounts based on an evaluation that they will be benefited by relatively better purchase or sale prices or beneficial timing of transactions, or a combination of these and other factors. It should be noted that only orders considered by a single portfolio manager or trader may be subject to aggregation. There may be times where more than one trader is placing an order for the same security and such orders are not aggregated. In many instances, the purchase or sale of financial instruments for an Account will be effected simultaneously with the purchase or sale of similar financial instruments for other Accounts. When an aggregated order is filled through multiple trades with the same broker at different prices on the same day, each participating Account will typically receive an average price with transaction costs allocated pro rata based on the size of each Account's participation in the order (or actual allocation such as in the case of a partial fill) as determined by the Firm. It should be noted that aggregated transactions may be made at slightly different prices, due to the volume of financial instruments purchased or sold. In the event of a partial fill, allocations will generally be made *pro rata* based on the initial order but may be modified on a basis that the Firm deems to be appropriate, including for example, in order to avoid odd lots or *de minimis* allocations among other factors. When aggregating orders, the Firm will seek to mitigate any potential disadvantage that order aggregation may have. However, there is no guarantee that a benefit will be derived from order aggregation and it is possible that clients may be disadvantaged as a result of order aggregation and pro rata trade allocation. Accounts with specific restrictions or instructions (e.g. approved brokers list or counterparty restriction) may not be included in aggregated trades. Orders for Funds which are seeded by affiliates of the Firm or testing accounts will be subject to the same allocation procedures as those applicable to client accounts.

## **C. Trade Error Policy and System Event**

In the event that there is an error with respect to trades made on behalf of clients, a formalized process is in place for the resolution of such errors. The Firm will correct such error in accordance with its policies and procedures. If the Firm, in its sole discretion determines that a client should be reimbursed as a result of a trade error caused by the Firm, interest will generally not be paid on such losses. Please refer to Item 8.B under "Trade Error Risk" for additional information and risk disclosures pertaining to trade errors.

The systematic approach to certain investment strategies utilised by the Firm harnesses complex econometric and statistical theories, research and modelling which may result in "a system event" (e.g., errors regarding trading systems, coding/programming/modelling, etc.). The Firm will correct such errors in accordance with its policies and procedures. Any losses or gains arising from system events shall be borne by the Fund or client. The Fund or client will benefit from any gains and bear any losses unless it otherwise determined by the Firm. Please refer to Item 8.B under "Model and Data Risk" for additional information and risk disclosures pertaining to system events.

**D. The Firm's Loan Trading**

The prospectuses for the CLOs which are managed by the Firm specify investment guidelines regarding diversification, ratings and risk among other criteria, to be adhered to in the management of such CLOs.

The Firm transacts in leveraged loans in both the primary and in the secondary bank markets. In the primary market, the Firm deals directly with the syndicating bank; in the secondary market, CLOs or Funds buy and sell interests in leveraged loans from commercial banks and dealers acting as principals, paying a markup or bid-offer spread, not a commission, on such trades. Primary issuance is usually handled by a limited universe of banks who syndicate new issuance among a group of lenders or potential lenders that have indicated an interest in participating. Trading in the secondary market occurs through a bid and offer process. Accordingly, the Firm may not be in a position to select a dealer or bank in all cases. In such cases, the only bank or dealer making a market in a specific leveraged loan or offering the investment represents the only available market and thus is the "best" execution.

## **ITEM 13**

### **REVIEW OF ACCOUNTS**

#### **A. Frequency and Nature of Review of Client Accounts or Financial Plans**

The Firm's portfolio management teams, including portfolio managers, and analysts are primarily responsible for reviewing Accounts and do so individually or in various groups, depending upon account needs and market conditions. The portfolio management teams, individually or in groups, performs daily, weekly, or monthly reviews of all accounts as they deem appropriate or as otherwise required. Reviews may be undertaken because of changes in market conditions; change of security positions; changes in investment objectives or policies; capital inflows/outflows; and other reasons. Various matters may be discussed during such reviews, (e.g., performance of accounts in connection with investment objectives, portfolio construction, risk/reward, security positions, and investment opportunities). In addition to the reviews performed by the portfolio management teams, the Portfolio Risk team reviews portfolios for adherence with client guidelines on a daily basis.

#### **B. Factors Prompting Review of Client Accounts Other than a Periodic Review**

A review of an Account may be triggered by changes in market conditions; change of security positions; changes in investment objectives or policies; capital inflows/outflows; and other reasons, including for reasons not yet identified by the portfolio management team.

#### **C. Content and Frequency of Account Reports to Clients**

The requirements for frequency and content of reports will be set forth in the documents for each Account.

Investors in the Funds generally receive estimated and final monthly statements, as applicable, generally showing account values, changes in account values, account activity, asset allocation, currency exposure and performance. Investors in private funds also generally receive audited financial statements prepared within either 90 days or 120 days, depending on regulatory requirements, of the applicable fund's fiscal year end.

While all investors generally receive similar information, to the extent an investor receives additional information (that other investors have not received), which is in addition to information provided in a Fund's regular reports to investors, such information may provide such investor with greater insight into the Fund's activities. This may enhance such investor's ability to make investment decisions with respect to a Fund and possibly affect such investor's decision to request redemption from such Fund.

Affiliated investment advisers that invest in the Funds will receive information with greater transparency on such Fund that may not otherwise be made available to other investors.

**ITEM 14**  
**CLIENT REFERRALS AND OTHER COMPENSATION**

**A. Economic Benefits for Providing Services to Clients**

The Firm does not receive economic benefits from non-clients for providing investment advice and other advisory services.

**B. Compensation to Non-Supervised Persons for Client Referrals**

From time to time, the Firm and/or its affiliates may utilize third party placement agents or solicitors that receive compensation, which may be borne either by the Firm or its affiliates or by the investor or client, for referring the client to the Firm or investors to the Funds. Compensation may be in the form of a percentage of management fees or performance fees, a flat fee or as otherwise agreed. The Firm or its affiliates may benefit from the arrangements where clients are referred directly to it and/or investors are referred directly to a Fund, since the management fees are generally based upon a percentage of such client's assets under management. Thus, the more assets the Firm or its affiliates has under management, the higher the management fee income. If applicable, any such arrangement with a third-party solicitor will comply with the Advisers Act.

MII, a US based affiliate of the Firm, acts as a solicitor for managed accounts and the selling agent and/or investor servicing agent for certain Funds. MII may receive a percentage of a Fund's management fee to act as selling agent and or investor servicing agent. In addition, MII has entered into agreements with other broker-dealers and certain financial advisers to solicit interests in Funds and/or to provide ongoing investor services and account maintenance services to investors. Each such broker-dealer and financial adviser generally receives compensation based on the aggregate value of outstanding interests held by investors that receive services from such persons, fixed amounts or other agreed upon compensation. Such compensation generally will be paid by MII from the fees that it receives from a Fund or the Firm.

In addition, the Firm has entered into an agreement with its affiliated, Man Investments AG ("MIAG"), an entity based in Switzerland that is registered with the Swiss Financial Market Supervisory Authority, to market the Firm's services in jurisdictions outside of the U.S. and Canada. These affiliated entities act as solicitors for managed accounts and the selling agent and/or investor servicing agent for certain Funds outside of the U.S. the Funds may also enter into a distribution agreement directly with MIAG to sell Fund interests to non-U.S. persons. MIAG may contract with other affiliates to market the Firm services and sell Fund interests in jurisdictions outside of the U.S and Canada.

## **ITEM 15 CUSTODY**

With regards to its U.S. private funds, the Firm is subject to Rule 206(4)-2 under the Advisers Act (the "Custody Rule"). In accordance with the Custody Rule each U.S. private fund complies with the provisions of the "Pooled Vehicle Annual Audit Exception" and is subject to audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and distributes its audited financial statements to all investors within 120 days of its fiscal year end.

The Firm generally does not have custody of the assets held by managed accounts. Should the Firm directly debit fees from managed accounts, the Firm may be deemed to have custody as a result of such authority. In these cases, in order to comply with the Custody Rule, managed accounts will receive statements directly from the managed account's qualified custodian(s) (as defined in the Custody Rule) on at least a quarterly basis. Managed account clients should carefully review those statements regarding the investment activities and fees for the account.

## **ITEM 16**

### **INVESTMENT DISCRETION**

In general, the Firm provides discretionary investment advice and/or management services to its clients. As such, the Firm has discretion regarding all decisions and is authorized to determine and direct execution of portfolio transactions within each client's specified investment objectives, restrictions and policies. However, the Firm's discretion is subject to regulatory constraints as well as limits imposed as described in the applicable offering document in the case of the Funds, as applicable, and investment management agreements or other relevant documents with each client advised or sub-advised by the Firm. The Firm utilizes the investment management capabilities of GLG LLC and/or other affiliates in providing services to certain clients. The Firm utilizes centralized trading and finance desks to execute orders on behalf of its clients (as well as clients of its affiliates), and allocates trades, in the manner described in Item 11 herein. Accordingly, for purposes of the responses to Item 11, references to the Firm shall be deemed to include GLG LLC and/or other affiliates to the extent that GLG LLC and/or other affiliates provide investment management and/or trading capabilities with respect to clients of the Firm.

The Firm does not provide investment advice to the investors in its CLOs or Funds.

## ITEM 17 VOTING CLIENT SECURITIES

### A. Proxy Voting

The Firm has adopted policies and procedures to ensure that any proxy voted on behalf of clients is voted in a manner which is in the best interests of such clients.

Proxies may be voted for clients at the Firm's discretion, where the Firm have been specifically instructed by a client to vote proxies or where the Firm is required to vote a proxy for a client (each a 'Proxy Client'). In such cases, proxies will be evaluated and voted in the best interest of the relevant Proxy Client(s). It should be noted that there may be times whereby the Firm invests in the same securities/assets while managing different investment strategies and/or client accounts; accordingly, it may be appropriate in certain cases that such securities/assets are voted differently across different investment strategies and/or client accounts, based on their respective investment thesis and other portfolio considerations. The Firm will only vote proxies on securities currently held by clients. Proxies received for securities that are loaned, on contract for difference/swap or where there is no economic interest will generally not be voted.

The Firm will endeavour to identify material conflicts of interest, if any, which may arise between the Firm and one or more issuers of clients' portfolio securities, with respect to votes proposed by and/or affecting such issuer(s), in order to ensure that all votes are voted in the overall best interest of clients. The Firm has established a Stewardship Committee to be responsible for resolving proxy voting issues when deemed necessary; making proxy voting decisions where a material conflict of interest may exist; monitoring compliance with the Global Proxy Voting Policy; and setting new and/or modifying existing policy.

The Firm has appointed, and will appoint from time to time, one or more proxy voting service companies, to provide it with proxy voting services for certain Proxy Clients. Where applicable, the Firm will generally vote proxies for the relevant Proxy Clients in accordance with the Firm's Proxy Voting Policy guidelines, specifically instructed to vote otherwise by the Stewardship Committee, or such Proxy Client.

The Firm's Proxy Voting Policy uses the Glass Lewis standard policy as the base but applies a number of additional guidelines focused on ESG standards. These guidelines target specific areas where the Firm believes higher standards should be promoted.

Key areas	Proxy Voting Policy
<b>1. Board Gender Diversity</b>	<p>Vote against the chair of the Nomination committee wherein a company fails to meet legal requirements, nominate any women to the board, or meet the best practice standard prevalent in the market and has not disclosed any cogent explanation or plan to promote board gender diversity.</p> <p>At large cap companies, vote against the male members of the nominating and/or governance committee when there is less than 30% female representation on the board of directors.</p> <p>At small cap companies, vote against the male members of the nominating and/or governance committee when there is not at least one woman serving on the board.</p> <p>For Russell 1000 companies, vote against male members of the nominating/governance committee when the Diversity Disclosure rating is poor.</p> <p>For MSCI US companies, vote against the nominating/governance committee chair if there is no disclosure of Equal Employment Opportunity (“EEO-1”) reporting.</p>
<b>2. Human Rights</b>	<p>For MSCI world companies, vote against the board chair when the company is not a United Nations Global Compact participant or signatory, or the Human Rights Policy does not align with the United Nation’s Universal Declaration of Human Rights (Vote against the audit committee chair if the board chair is not up for a vote).</p>
<b>3. Board Tenure and Refreshment</b>	<p>Vote against members of the Nomination and/or Governance committees wherein the board has an average tenure of greater than 10 years and there have been no new nominees in the last 5 years.</p>
<b>4. Executive Compensation</b>	<p>Vote against executive compensation policies wherein a company has received a Pay-for-Performance grade of ‘D’ or ‘F’ and sustainability is not an explicit consideration when determining executive pay.*</p> <p>Vote against executive compensation policies if compensation is not</p>

	linked to climate change (Tier 1), environmental issues (Tier 2) or sustainability (Tier 3).
	* Only applies to Canada, USA, and Australia.
<b>5. Independent Auditor</b>	Vote against reappointment if the auditor has been serving for longer than 20 years.
<b>6. Reincorporation</b>	Vote against reincorporation proposals wherein a company will be reincorporating to a tax haven and / or reincorporating offshore for tax and / or governance avoidance or to the detriment of shareholders.
<b>7. Shareholder Proposals</b>	Generally support shareholder initiatives that request additional disclosure on behalf of a company or are otherwise socially-positive, and not conversely aimed at limiting disclosure or consideration of key issues.
<b>8. Climate policy overlay on Director Elections</b>	Vote against if the company lacks an ESG committee, has experienced environmental / climate-related controversies or concerns are identified in relation to reporting, GHG emissions or SBTi GHG emission targets, or other related controversies.

The Glass Lewis standard proxy voting guidelines can be found on Glass Lewis' website at: <https://www.glasslewis.com/voting-policies-current/>

Nevertheless, in voting proxies, the Firm takes into account what is the overall best economic interest of its Proxy Clients. The Firm maintains documentation memorializing the decision to vote a proxy in a manner different from what is stated in the relevant proxy voting guidelines.

The Firm may abstain from voting a proxy when it is determined that the cost of voting the proxy exceeds the expected benefit to the client. Documentation is maintained of all proxies that are not voted for Proxy Clients and the reasons therefor where the Firm has been instructed by the Proxy Client to vote.

Upon request, clients may receive a copy of the Firm's Global Proxy Voting Policy and/or information regarding the manner in which securities held in their account were voted by contacting the Firm at +44 20 7144 1000.

## **B. Class Actions**

The Firm will only participate in class actions on behalf of clients (as authorized) to the extent possible and practical and where it believes it is in the best interests of the clients to do so. There may exist circumstances where a recovery is possible, but the Firm does not believe it is in the client's best interest to so participate. It is currently expected that in substantially all situations where the Firm is authorized to file class actions on behalf of clients, the Firm will utilize

the services of a third-party class actions service provider. Only current clients or Fund investors will receive any proceeds received from class action recoveries. Investors that have fully redeemed will not receive any class action proceeds. The Firm may consider a *de minimis* amount with regards to distributing any proceeds received.

The Firm may from time to time receive notification of and/or determine (as authorized) to engage and/or participate in litigation or other legal proceedings regarding investments held by clients. The Firm may participate and/or engage in in those lawsuits where the Firm has made the determination that the potential benefit to its client(s) outweighs the costs of participation in the litigation. Any monies recovered as a result of any such litigation will be allocated on a pro rata or other appropriate basis to client(s) which hold/held the investment at issue. The Firm will not be responsible for reimbursing any client(s) or investor(s) who may have been invested during the period that is the subject of any litigation but had redeemed or withdrawn such investment prior to such a recovery. The Firm may consider a *de minimis* amount with regards to distributing any proceeds received.

**ITEM 18**  
**FINANCIAL INFORMATION**

The Firm is not required to include a balance sheet for its most recent fiscal year, is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to clients and has not been the subject of a bankruptcy petition at any time during the past ten years.