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**March 29, 2024**

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This Form ADV Part 2A brochure (the “**Brochure**”) provides information about the qualifications and business practices of Diameter Capital Partners LP and its relying advisers Diameter CLO Advisors LLC and Diameter Principal Finance Partnership LP (collectively, “**DCP**”, “the “**Adviser**” or the “**Firm**”). If you have any questions about the contents of this Brochure, please contact Ms. Shailini Rao at (212) 655-1419 or [srao@diametercap.com](mailto:srao@diametercap.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.

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

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

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## Item 2. Material Changes

As of March 29, 2024, DCP is submitting this annual update to its Brochure last filed September 19, 2023. DCP does not consider the changes contained in this update to be material, but a summary of certain changes is provided below for informational purposes:

- Diameter Principal Finance LLC (“BDC Adviser”), a newly formed investment adviser, has commenced operations providing investment advisory services to Diameter Credit Company (“Diameter BDC”), a Delaware statutory trust that has elected to be regulated as a business development company under the Investment Company Act of 1940. This brochure is intended to cover the investment advisory activities of DCP and all of its investment advisory affiliates, except for the BDC Adviser, which files a separate Form ADV. The Diameter BDC files periodic reports with the SEC under the Exchange Act.
- Diameter Principal Finance Partnership LP (“DPF LP”), the parent entity of the BDC Adviser and a relying adviser of DCP, has commenced operations providing investment advisory services to specialized funds of one related to private credit strategies. A description of the investment advisory activities related to these new entities has been added to this Brochure, which required changes to some sections.
- Since its prior amendment filing, Diameter CLO Advisors LLC (“Diameter CLO Advisors”), a wholly-owned subsidiary of DCP, commenced providing investment advisory services to Diameter Capital CLO 5 Ltd. and Diameter Capital CLO 6 Ltd., each a new CLO (defined below).

This Brochure may be provided to current or prospective investors in the Advisory Clients managed by DCP (as defined below), together with the applicable Advisory Client’s Governing Documents (as defined below), prior to or in connection with, such person’s consideration or consummation of an investment in an Advisory Client. However, investors and other recipients should be aware that while this Brochure includes information about the Advisory Clients, it is not a complete description of the terms, risks or conflicts associated with an investment in any Advisory Client. More complete information about an Advisory Client is included in each Advisory Client’s Governing Documents, which may be provided to current and eligible prospective investors only by DCP or another authorized party. **In the event of any inconsistency between the Governing Documents of an Advisory Client and this Brochure, the Governing Documents shall control.**

**In no event should this Brochure be considered to be an offer of interests/shares in an Advisory Client or relied upon in determining whether to invest in an Advisory Client.** It is not an offer of, or agreement to provide, advisory services directly to any recipient, rather, this Brochure is designed solely to provide information about DCP for the purpose of compliance with certain obligations under the Investment Advisers Act of 1940, as amended (the “Advisers Act”), and, as such, responds to relevant regulatory requirements under the Advisers Act, which may differ from the information provided in each Advisory Client’s Governing Documents.

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#### Item 4. Advisory Business

Diameter Capital Partners LP (“DCP”, the “Adviser”, the “Firm”, “we” or “our”) is a Delaware limited partnership and investment adviser with its principal place of business in New York, New York. The Firm was founded in February 2017, registered with the SEC on August 17, 2017 in connection therewith as an investment adviser, and commenced investment activities on September 1, 2017. The Firm was co-founded by Scott Goodwin and Jonathan Lewinsohn, both of whom are Managing Partners and Portfolio Managers for global investing and are responsible for Firm-wide strategy. Messrs. Goodwin and Lewinsohn indirectly own and control DCP through certain partnerships/limited liability companies. In September 2022, DCP opened an office in West Palm Beach, Florida. In June 2022, Diameter Capital Partners (UK) LLP (“DCP UK”), an indirect, wholly-owned subsidiary of DCP, began operating in London, England. DCP UK has an office located at 21-23 Hill Street, London W1J 5LW, UK. DCP is a global credit asset manager that provides investment advisory services on a discretionary basis to its clients (the “Advisory Clients”), which include pooled investment vehicles that are structured as evergreen investment funds, closed-end drawdown investment funds, customized funds for co-investments or other special opportunities, and structured credit vehicles consisting of collateralized debt obligations and collateralized loan obligations for which the Firm acts as collateral manager, in each case, intended for sophisticated investors that are able to bear the risk of loss.

Diameter Principal Finance LLC (“BDC Adviser”), a newly formed investment adviser, has commenced operations providing investment advisory services to Diameter Credit Company (the “Diameter BDC”), a Delaware statutory trust that has elected to be regulated as a business development company under the Investment Company Act of 1940. The BDC Adviser registered with the SEC as an investment adviser in October 2023. The BDC Adviser is an indirect, wholly-owned subsidiary of Diameter Capital Partners LP. The BDC Adviser was formed for the purpose of serving as investment adviser to the Diameter BDC and does not serve as investment adviser to any other DCP-affiliated entity.

This brochure is intended to cover the investment advisory activities of DCP and all of its investment advisory affiliates, except for the BDC Adviser, which files a separate Form ADV. The Diameter BDC files periodic reports with the SEC under the U.S. Securities Exchange Act of 1934 (the “Exchange Act”).

##### Evergreen Investment Funds:

- Diameter Onshore Fund LP, Diameter Offshore Fund LP and Diameter Offshore Fund II Ltd., each are feeder funds that invest substantially all their assets through a single master fund, Diameter Master Fund LP (collectively, the “Evergreen Funds”).

##### Closed-End Investment Funds:

- Diameter Dislocation Onshore Fund LP, Diameter Dislocation Intermediate Fund LP and Diameter Dislocation Offshore Fund LP (through its investment in Diameter Dislocation Intermediate Fund LP) are feeder funds that invest substantially all their assets through a single master fund called Diameter Dislocation Master Fund LP (collectively, the “Dislocation I Funds”).
- Diameter Dislocation Onshore Fund II LP and Diameter Dislocation Offshore Fund II LP are feeder funds that invest substantially all their assets through a single master fund called Diameter Dislocation Master Fund II LP (collectively, the “Dislocation II Funds” and, together with the Dislocation I Funds, the “Dislocation Funds”).
- DCMALT LP is a standalone fund-of-one (the “DCMALT Fund”).

- DCP IG Fund LP is a standalone fund-of-one (the “IG Fund”).
- DCP Tree LP is a standalone fund-of-one (“Tree Fund”, together with the IG Fund, the DCMALT Fund, the Evergreen Funds and the Dislocation Funds, the “Funds”).

#### Direct Lending Vehicles:

- DLF I LLC is a standalone fund-of-one with a specialized investment strategy focused on private capital (“DLF”).
- DPRR Fund I LP is a standalone fund-of-one with a specialized investment strategy focused on private capital (“DPRR”).
- DPF LP may act as the investment manager to additional investment vehicles focused on direct lending in the future (together with DLF and DPRR, the “Direct Lending Vehicles”). Additional future Advisory Clients will be subject to investment objectives, management fees and performance-based compensation and other terms that are specific to each future Advisory Client and as set forth in the applicable governing documents of the future Advisory Client.

#### Structured Credit Vehicles:

- The Firm acts as collateral manager to collateralized debt obligation structures pursuant to collateral management agreements. These CDOs are Diameter Credit Funding I, Ltd, Diameter Credit Funding II, Ltd, Diameter Credit Funding III, Ltd and Diameter Credit Funding IV, Ltd (collectively, the “CDOs”).
- The Firm acts as collateral manager to collateralized loan obligation structures pursuant to collateral management agreements. These CLOs are Diameter Capital CLO 1 Ltd., Diameter Capital CLO 2 Ltd. Diameter Capital CLO 3 Ltd., Diameter Capital CLO 4 Ltd., Diameter Capital CLO 5 Ltd. and Diameter Capital CLO 6 Ltd. (collectively, the “CLOs”).

The Firm acts as an investment manager to the Funds pursuant to investment management agreements. Diameter Associates LLC (the “General Partner”) serves as general partner of the Funds that have been organized as limited partnerships. The Firm has also established and may in the future continue to establish, customized investment funds with narrow investment strategies than the Funds and that may have different material terms, including fees, rights and liquidity rights than the Funds.

DCP generally has broad and flexible investment authority with respect to the investment portfolios that it manages for its clients. The Firm provides investment advisory services to its Advisory Clients with respect to a wide range of investments including: investments in long and short positions in securities issued by U.S. and international high yield issuers and related instruments; investments in distressed/special situation opportunities across capital structures and market capitalizations; investments in the broader credit markets, including corporate and sovereign fixed income securities such as investment grade bonds, high yield bonds; loans; credit default swaps; structured credit instruments; investments in derivatives and other hedging instruments including, but not limited to: options, foreign exchange, commodities and swaptions and constant maturity swaps; trade claims; and publicly traded and private equities. As a general matter, the Firm does not tailor advisory services to the individual needs of investors in the Funds, CDOs or CLOs, but the Firm has established and may continue to establish customized investment funds which are subject to different investment objectives, restrictions and terms than those of the Funds, CDOs and CLOs.

DCP may establish additional private investment funds in the future, structured as evergreen investment funds, draw-down harvest funds, funds with specialized investment strategies to take advantage of market opportunities or

overflow opportunities with sizing, funds-of-one and/or other customized investment vehicles, for one or more investors. DCP may establish separately managed accounts for future strategies. DCP intends to act as collateral manager for additional CDOs or CLOs in the future. Additional future advisory clients will be subject to investment objectives, fee and incentive allocation and withdrawal terms that are specific to each future advisory client and as set forth in the applicable governing documents of the future clients.

As of December 31, 2023, DCP has \$17,785,943,960 in regulatory assets under management. DCP manages all of these assets on a discretionary basis and does not currently manage any assets on a non-discretionary basis.

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## Item 5. Fees and Compensation

A brief summary of the fees and compensation that is paid to the Firm for its advisory services is provided below with respect to each Advisory Client, but this summary is qualified in its entirety by the governing documents of each Advisory Client. Depending on the type of Advisory Client, such governing documents include private placement memoranda or offering circulars, limited partnership agreements, memorandum and articles of association, indentures and collateral management agreements (the “Governing Documents”). **It is critical that investors invested in any Advisory Client carefully review the Advisory Client’s Governing Documents in order to fully understand how the Firm and its affiliates are compensated for its advisory services and reimbursed or paid for their expenses.**

### Management Fee paid by Funds (Asset-Based Compensation)

The management fee applicable to each Advisory Client varies and is described in detail in the applicable Governing Document of each Advisory Client.

With respect to the Evergreen Funds, the Firm is paid an asset-based management fee generally charged at a rate that ranges from 1.125% to 1.625% per annum (depending on the series of interests/shares) of the net assets of the respective fund. With respect to the Dislocation I Funds, the Firm is paid an asset-based management fee generally charged at 1.0% to 1.5% per annum (depending on the date and the amount of capital commitment). With respect to the Dislocation II Funds, the Firm is paid an asset-based management fee generally charged at 1.25% to 1.5% per annum (depending on the date and the amount of capital commitment). With respect to the IG Fund and Tree Fund, the Firm is paid an asset-based management fee charged at less than 1.0% per annum. The Firm does not earn a management fee from the DCMALT Fund. The management fees for the applicable Funds are charged and paid quarterly in advance to the Firm, based on the value of the assets as of the beginning of each quarter, and are charged *pro rata* to each investor’s interests in the respective Fund. The management fee with respect to a Fund is calculated by the Fund’s administrator and deducted by the administrator and paid to the Firm pursuant to instructions from the Firm. If an investor invests in a Fund during a quarter or makes an additional subscription during a quarter, the management fee will be charged as of the effective date of the subscription or the date of the additional subscription based on the value of the assets as of the applicable date and will be prorated for the number of months remaining in the quarter. If an investor withdraws from an Evergreen Fund, the IG Fund or Tree Fund prior to the end of a calendar quarter, the investor will generally be granted a *pro rata* reimbursement of any management fees paid for the remaining quarter. There are no withdrawal rights associated with the Dislocation Funds.

### Incentive Allocation (Performance-Based Compensation)

The performance-based compensation, or incentive allocation, applicable to each Fund is described in more detail in the applicable Fund’s Governing Documents. The General Partner (or another affiliate of the Firm) receives an annual incentive allocation from the Evergreen Funds and the DCMALT Fund, which is calculated, in each case, based on a share of net capital appreciation of the assets of an investor in the Evergreen Funds or the DCMALT Fund, respectively. The performance-based compensation applicable to each Evergreen Fund varies, and will generally be calculated at a rate that ranges from 12.5% to 21.0% (depending on the series of interests/shares) and is subject to a loss carryforward. With respect to certain of the series of interests/shares, other factors apply to the calculation of the incentive allocation, which may result in a further reduced and/or no incentive allocation to the General Partner. The

performance-based compensation applicable to the DCMALT Fund will generally be calculated at a rate of 10.0% and is subject to a loss carryforward. There is no performance-based compensation applicable to the IG Fund, Tree Fund, DLF or DPRR. Incentive allocations are generally determined at year end. Exceptions occur when an investor withdraws/redeems from a Fund, in which case the incentive allocation is determined and allocated at such time. Details related to the calculation of incentive allocation are provided in each applicable Fund's Governing Documents.

The incentive allocation with respect to a Fund is calculated by the Fund's administrator, and deducted by the administrator and reallocated to the General Partner pursuant to instructions from the Firm. Incentive allocation is made to the General Partner as a reallocation of profits.

### **Carried Interest (Performance-Based Compensation Based on Distributions)**

The Carried Interest applicable to the Dislocation Funds is described in greater detail in the Dislocation Fund's Governing Documents. The General Partner receives a distribution of Carried Interest in the event that it makes a distribution to all limited partners in the fund that exceeds the capital contributed by the limited partners, a hurdle rate of return on the amount distributed, and a split of any remaining distribution in a 80/20 split to the limited partners and general partner so that the general partner receives a targeted carried interest rate, which varies from 15% to 20% for the Dislocation I Funds and from 18% to 20% for the Dislocation II Funds, in each case based on the amount and initial dates of capital committed to the applicable Dislocation Fund.

### **Expenses related to Funds and the Direct Lending Vehicles**

In addition to paying the management fee and incentive allocation with respect to the Funds and the origination fee with respect to the Direct Lending Vehicles, the Funds, the Direct Lending Vehicles are also subject to other expenses, including, without limitation as set forth in this paragraph. With respect to the Funds, each investor in the Fund generally bears its *pro rata* share of such expense. The Fund and the Direct Lending Vehicle expenses include transaction-related and settlement-related expenses (which include all transaction-based expenses incurred in executing investments including brokerage commissions, expenses relating to short sales, clearing and settlement charges, expenses associated with consummating bank debt trades, dealer spreads, custodial fees, bank service fees, interest expenses and legal expenses associated with any potential or closed transaction); investment-related travel expenses (which are travel expenses related to the purchase, sale or transmittal of, or due diligence regarding, the Funds' or the Direct Lending Vehicles' investments, whether or not such investments are consummated, incurred by the Firm or, in the case of the Funds, the General Partner); professional fees (including, without limitation, expenses of consultants, investment bankers, attorneys, accountants and other experts) relating to investments; fees and expenses of any governance committee or limited partner advisory committee; board of directors fees and expenses; fees and expenses relating to software tools, programs or other technology utilized in managing the Funds or the Direct Lending Vehicles (including, without limitation, third-party software licensing, implementation, data management and recovery services, custom development costs and all costs and expenses of any order management systems utilized by the Firm to manage the Funds or the Direct Lending Vehicles); research and market data (excluding any computer hardware and connectivity hardware (*e.g.*, telephone and fiber optic lines) incorporated into the cost of obtaining such research and market data); administrative expenses (including fees and expenses of the Administrator); legal expenses; external accounting and valuation expenses (including pricing services but, solely with respect to the Funds, excluding the cost of accounting software packages); audit and tax preparation expenses; costs related to errors and omissions insurance for, as applicable, the General Partner, the Firm, Board of Directors and the Governance Committee; costs of printing and mailing reports and notices; entity-level taxes; corporate licensing; regulatory expenses of the Funds, the Direct Lending Vehicles and the Firm (including, without limitation, legal fees, filing fees and costs associated with FATCA and AML compliance, including AML officer fees); organizational expenses (with respect to the Funds); expenses incurred in connection with the offering and sale of interests/shares (including, without limitation, legal fees, registration and other filing fees and side letter negotiations, but excluding travel expenses) and other similar expenses related to the Funds and the Direct Lending Vehicles (other than any fees payable to any placement agent, which will be paid by the Firm either directly or indirectly by reducing the management fees owed to the Firm); indemnification expenses; and extraordinary expenses. Generally, with respect to the Funds and the Direct Lending Vehicles, Fund and Direct Lending Vehicle expenses, other than management fees and any expenses which the General Partner/the Firm determine in their sole discretion should be allocated to a particular investor or investors in the Fund(s) or the Direct Lending Vehicle(s), will be charged to the capital account of all the investors on a *pro rata* basis. To the extent

that expenses to be borne by the Fund(s) or the Direct Lending Vehicles are paid by the General Partner or the Firm, the Fund(s) or the Direct Lending Vehicle(s), as applicable, will reimburse such party for such expenses.

### **Compensation related to CDOs and CLOs**

With respect to the CDOs, collateral management fees are generally 0.50% per annum of a “fee basis amount” that is further described in the offering circular, indenture and collateral management agreement of the relevant CDO (the “CDO Governing Documents”).

With respect to the CLOs, collateral management fees are generally 0.40% per annum of a “fee basis amount” that is further described in the offering circular, indenture and collateral management agreement of the relevant CLO (the “CLO Governing Documents”).

The Firm is also entitled to receive an incentive collateral management fee from the CDOs and CLOs to the extent that certain thresholds have been met under a detailed payment waterfall that is set forth in the CDO Governing Documents and the CLO Governing Documents. Please see the respective Governing Documents for a description of the applicable incentive collateral management fee and incentive management fee threshold. Investments made by the Funds in the CDOs or CLOs will not subject be to any collateral management fees or incentive collateral management fees, which are rebated by the Firm to the applicable Funds.

### **Expenses related to CDOs and CLOs**

The CDOs and CLOs generally reimburse the Firm for expenses incurred in connection with providing its collateral management services to the CDOs and CLOs, which include organizational and offering expenses, expenses related to legal advisers, consultants, rating agencies, accountants, brokers, independent review parties and other professionals retained by the Firm on behalf of the CDO or CLO, asset pricing and rating services, compliance software and services, trade settlement and administration, accounting, programming and data entry services directly related to and reasonably allocated to the management of the assets of the CDO or CLO, taxes, regulatory and government charges, insurance premiums, costs and expenses in connection with the acquisition or disposition of investments or potential investments, fees and expenses payable to the rating agency, extraordinary costs and expenses incurred by the Firm in the performance of its obligations under the collateral management agreement and indenture, and certain other costs and expenses.

### **Compensation related to Direct Lending Vehicles**

The Firm is entitled to receive an origination fee pursuant to private capital transactions entered into by DLF and DPRR, as is described in greater detail in DLF’s and DPRR’s respective Governing Documents.

### **Designated Investors**

DCP has and may waive, reduce or calculate differently the management fee and incentive allocation with respect to the following investors in any Advisory Client, including, without limitation, partners, affiliates or employees of the General Partner or the Firm, members of the immediate families of such persons, trusts or other entities created for estate planning purposes of such persons and/or charitable organizations or foundations of such persons, and other customary “friends and family” investors that are not charged any, or are charged reduced, management fee or incentive allocation or carried interest rates.

The Evergreen Funds and the Dislocation Funds are structured as master-feeder structures and accordingly, the feeder funds in such structure each bear their *pro rata* share of the expenses of the master fund.

In addition, Advisory Clients incur brokerage and other transaction costs.

Please refer to [Item 12](#) of this Brochure for a discussion of the Firm’s brokerage practices and treatment of trade errors (including expenses associated therewith).



## Allocation of Expenses

DCP allocates fees and expenses among Advisory Clients and among Advisory Clients and itself in a fair and equitable manner consistent with its written expense allocation policy. Fees and expenses are generally allocated to applicable Advisory Clients on a *pro rata* basis based on assets under management, unless otherwise deemed fair and equitable by the Firm acting in good faith. Generally, expenses allocated to an Advisory Client will be indirectly borne on a *pro rata* basis by all underlying investors in the Advisory Client unless otherwise deemed fair and equitable by the Firm acting in good faith. With respect to expenses associated with a potential investment that was not made, such expenses will generally be allocated to the Advisory Clients to which the potential investment was expected or intended to be allocated, determined on the basis of the Advisory Client's Governing Documents and/or the Advisory Client's past investments, to the extent applicable and deemed to be fair and equitable by the Firm.

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

As described in greater detail in the Advisory Client Governing Documents, and as noted in Item 5 of this Brochure, certain Advisory Client allocate to the General Partner (which is an affiliate of DCP) or DCP an incentive allocation based on the performance of such Advisory Client, or a targeted carried interest distribution based on the return of capital to investors of such Advisory Client. The rates applicable to such performance-based compensation vary from Advisory Client to Advisory Client, and even within an Advisory Client (such as the Funds) based on the series of interests. In addition, certain personnel of the Firm are compensated on a basis that includes a performance-based component.

Although the right to receive an incentive allocation or carried distribution is generally viewed as aligning the interests of the Firm and its Advisory Clients, conflicts arise from such arrangements, for example:

- The General Partner's receipt of incentive allocation or carried distribution may motivate DCP to make investments that are riskier or more speculative than it would make if its affiliate did not receive a performance-based compensation. This conflict may be particularly acute when the General Partner's incentive allocation is fully payable only upon exceeding a high-water mark and the value of an investor's investment in a Fund is below such high-water mark.
- Certain Advisory Clients may have higher management fees or incentive allocation or carried interest rates which are more favorable to DCP than other Advisory Clients. As a result, DCP may seek to favor one Advisory Client over another in allocating investment opportunities.

The Firm manages more than one Advisory Client with varying investment objectives, and to mitigate the risk of favoring one Advisory Client over another, the Firm has implemented policies and procedures relating to the allocation of investment opportunities and related expenses among multiple Advisory Clients. DCP recognizes that it is a fiduciary and as such must act in the best interests of its Advisory Clients. Further, investors are provided with clear disclosure in applicable Governing Documents as to how the performance-based compensation is charged.

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## Item 7. Types of Clients

DCP provides investment advisory services to the Funds, which are evergreen and closed-end investment funds, CDOs and CLOs. DCP also provides investment advisory services to customized funds. DCP may provide investment advisory services to additional Advisory Clients, including separately managed accounts in the future.

With respect to the Funds, any initial and additional subscription minimums from investors are disclosed in the relevant Governing Documents; however, the General Partner has discretion to waive the minimum amounts and accept lesser subscription amounts. The General Partner exercises its discretion to waive the minimum subscription amounts on a case-by-case basis. With respect to the CDOs and the CLOs, the Governing Documents of the CDOs or the CLOs, as applicable, specify any minimum investment amounts.

Generally, the minimum investment in the Advisory Clients for investors who are not affiliated with DCP ranges from \$50,000 to \$10,000,000 (depending on the Advisory Client and specific series of interest being subscribed to).

Investors in the Advisory Clients can include institutional investors (including fund of funds, pension plans, charitable organizations, and sovereign/governmental investors), high net worth individuals, family offices and employees of the Firm. U.S. investors must be “accredited investors” under the meaning of Regulation D of the Securities Act of 1933, as amended and “qualified purchasers” or “knowledgeable employees” (as defined in Section 2(a)(52) of the Investment Company Act of 1940, as amended). Certain employees of DCP, their family members, or entities formed for the benefit of these individuals can also invest in the Advisory Clients, to the extent permitted by applicable laws and regulations.

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

### **INVESTMENT STRATEGIES**

The Firm combines research and trading skills to exploit inefficiencies in global credit markets. DCP makes investments across the full range of markets and instruments, from new issue and performing to stressed, distressed and equities. This involves combining a focus on market technicals with fundamental research that begins with industry thematic analysis and continues through company-specific work. DCP strives for absolute returns and de-emphasizes returns relative to a fixed market index. Each Advisory Client has its own specific investment objective as described in its Governing Documents, and the Firm generally does not invest in the same instruments or investments across all its Advisory Clients.

DPF LP’s direct lending strategy is focused on generating current income by targeting direct lending and related investments with favorable risk-adjusted returns. DPF LP seeks to execute this strategy by primarily investing in the debt of private, U.S. domiciled, sponsored and non-sponsored middle-market and upper middle-market companies. DPF LP intends to focus on high quality, performing borrowers in stable or growing industries. DPF LP’s direct lending strategy will seek to prioritize borrower quality, and capital preservation over yield, in order to select investments that offer current income.

### **RISKS**

The Firm seeks to manage risk actively in order to protect capital and enhance the stability of returns in its Advisory Client portfolios. The Firm actively monitors the Funds’ long-to-short position ratio, industry and company concentration, cash/credit default swap (“CDS”) basis risk, portfolio liquidity by individual position and risk bucket, interest rate exposure and foreign exchange exposure. The Evergreen Funds seek to hedge currency and interest rate risk exposure, where believed appropriate. The Firm actively manages the investment portfolios of the CDOs to ensure that it is in compliance with the concentration and other portfolio characteristics specified in the CDO Governing Documents. The Firm actively manages the investment portfolios of the CLOs to ensure that it is in compliance with the concentration and other portfolio characteristics specified in the CLO Governing Documents.

Investing in securities involves significant risks, including the risk of loss of some or all of an investment. An investment by investors in an Advisory Client may be deemed speculative and is not intended as a complete investment program as each Advisory Client is designed only for experienced and sophisticated persons who are able to bear the risk of substantial impairment or total loss of their investment. Prospective investors should speak with their legal, tax and financial advisors prior to making an investment with the Firm. The following summary identifies the material risks related to the Firm's significant investment strategies and should be carefully evaluated before making an investment with the Firm; however, the following does not intend to identify all possible risks of an investment with the Firm or provide a full description of the identified risks. It is critical that investors refer to the Advisory Client Governing Documents in order to obtain a complete understanding of the risks associated with an investment in an Advisory Client.

## **PRIMARY RISKS**

**Risk of Loss** – No guarantee or representation is made that an Advisory Client's investment program, including its investment objective, diversification strategies or risk monitoring goals, will be successful. Investment results may vary substantially over time. No assurance can be made that profits will be achieved or that substantial or complete losses will not be incurred. Past investment results of the investments otherwise made by the investment professionals of the Firm are not necessarily indicative of an Advisory Client's or the Firm's future performance.

**Credit Risk** – Deterioration in the credit quality of issuers can lead to a change in the value of the debt securities of the issuer. An improvement in credit quality of the issuer could lead to a spread tightening or rise in price of the issuer's securities. The Firm will be focused on shorts with asymmetric payoffs primarily through the use of cash bonds, CDS, and equity put options to mitigate the potential downside of these positions.

**Market Risk** – Market fluctuations are subject to a number of factors, most of which are outside of the Firm's control. The Firm seeks to prioritize capital preservation in the face of market volatility through defensive portfolio construction, selectively chosen short positions that should underperform indices in all markets, methodical rates and currency hedges, and constant stress-testing.

**Liquidity Risk** – The Firm will compare the liquidity of the portfolio with any expected redemption requests (if applicable to the Advisory Client) and other liquidity needs to ensure adequate coverage. While the Firm's strategy focuses predominantly on liquid credit securities, there will be a distressed component to the portfolio of certain Advisory Clients, such as the Evergreen Funds. Companies that in many cases were initially encountered as performing, new issue or shorts, may be temporarily illiquid as they go through the restructuring process. The Firm will strive to mitigate this risk by limiting position size and, with regard to credit instruments, the Firm seeks to focus on larger, more liquid issues.

**Concentration Risk** – Generally, DCP manages its Advisory Clients with a broad and flexible investment mandate, and the governing documents of the Advisory Client do not contain limitations on concentrations with respect to any particular issuer/obligor, region or industry. Redemptions from an Advisory Client (to the extent applicable) may result in a greater concentration in any one obligor, region or industry and such resulting concentration would subject the Advisory Client's portfolio to a greater degree of risk with respect to collateral defaults by such obligor, and such concentration of the portfolio in any one industry or region would subject the portfolio to a greater degree of risk with respect to economic downturns relating to such industry or region. In certain Advisory Clients, such as the CDOs, the portfolios are expected to be constituted primarily of certain asset classes (e.g. below investment grade debt obligations), and to the extent that such obligations underperform as a class, the Advisory Client's portfolio will likely experience losses.

**Cyber Security Breaches and Identity Theft** – With the increased use of technologies such as the Internet and the dependence on computer systems to perform business and operational functions, Advisory Client portfolios and their service providers may be prone to operational and information security risks resulting from cyber-attacks and/or technological malfunctions. In general, cyber-attacks are deliberate, but unintentional events may have similar effects. Cyber-attacks include, among others, stealing or corrupting data maintained online or digitally, preventing legitimate users from accessing information or services on a website, releasing confidential information without authorization, and causing operational disruption. Successful cyber-attacks against, or security breakdowns of, the Advisory Clients, the Firm, or a custodian, or other affiliated or third-party service provider may adversely affect the Advisory Clients

or the investors in the Advisory Clients. For instance, cyber-attacks may interfere with the processing of transactions, affect the Firm's ability to calculate net asset value on behalf of its Advisory Clients, cause the release of private investor information or confidential Client portfolio information, impede trading, cause reputational damage, and subject the Advisory Client or the Firm to regulatory fines, penalties or financial losses, reimbursement or other compensation costs, and additional compliance costs. Cyber-attacks may render records of Advisory Client assets and transactions, ownership of Client interests, and other data integral to the functioning of an Advisory Client inaccessible or inaccurate or incomplete. An Advisory Client may also incur substantial costs for cyber security risk management in order to prevent cyber incidents in the future. The Advisory Clients and investors could be negatively impacted as a result. While the Firm has established business continuity plans and systems designed to minimize the risk of cyber-attacks through the use of technology, processes and controls, there are inherent limitations in such plans and systems, including the possibility that certain risks have not been identified given the evolving nature of this threat. The Advisory Clients rely on third-party service providers for many of their day-to-day operations, and will be subject to the risk that the protections and protocols implemented by those service providers will be ineffective to protect the Advisory Client from cyber-attack.

**Foreign Exchange and Interest Rate Risk** – Interest rate fluctuations are determined by macroeconomic policy which is beyond the Firm's control. The Funds will invest in investment grade corporate bonds, investment grade municipal bonds, and investment grade sovereign bonds that have a trading convention of "spread over risk free rate of similar duration." The Firm will hedge out the interest rate risk in these positions at the time of trade execution. The Firm will also hold sub-investment grade securities that have a component of interest rate risk. Each sub-investment grade security will be assigned a factor based on its spread to risk-free and a hedge proportional to that factor will be implemented to eliminate the interest rate risk of those securities. The sub-investment grade securities will be hedged daily on a portfolio basis. From time to time, the Firm may hold distressed or equity investments that are exposed to moves in interest rates and the Firm may look to reduce that interest rate risk.

**Government Risk** – Government intervention in securities markets is unpredictable and may lead to fluctuations in value of the Advisory Clients' investment portfolio. The Firm will seek to limit the size of single name investments that are directly exposed to a regulatory or government decision which would lead to a binary outcome for the investment. Legislative and regulatory action related to Advisory Clients may have adverse effects on the tax consequences, or investment portfolios of Advisory Clients.

**Dependence on Service Providers** – The Firm is dependent upon Advisory Client counterparties and vendors that are not controlled by the Firm that provide important services to the Advisory Clients (the "Service Providers"). Examples of Service Providers include the fund administrator, the prime brokers, trustees and custodian, legal counsel, the auditors and pricing and information technology vendors. Errors are inherent in the business and operations of any business, and although the Firm has adopted measures to prevent and detect errors by, and misconduct of, counterparties and third-party service providers, and transact with counterparties and third-party service providers it believes to be reliable, such measures may not be effective in all cases. Errors or misconduct could have a material adverse effect on an Advisory Client and the investor's investments therein. As the Advisory Clients have no employees and the Firm's staff is limited, the Advisory Clients are reliant on the performance of the Service Providers, and accordingly, any business interruptions or errors caused by such Service Providers could have an adverse effect on the Advisory Clients.

**Conflicts of Interest** – Various potential and actual conflicts of interest may arise from the overall investment activity of the Firm, its Advisory Clients and affiliates. Although the Firm will devote as much time to each Advisory Client as the Firm deems appropriate in order to satisfy its obligations, the Firm may have conflicts in allocating its time and services among the Advisory Clients. The Firm's employees will make investments of varying sizes in different Advisory Clients, or the Firm and its affiliates will earn varying management fees and incentive allocation from Advisory Clients and this may cause a potential conflict of interest in managing the allocation of investment opportunities among Advisory Clients.

From time to time the Firm may acquire certain securities or loan instruments of a particular issuer for one Fund and/or Advisory Client, but invest in a different part of the same issuer's capital structure (or in different classes of debt) for another Fund and/or Advisory Client. To this end, the Firm has and will potentially continue to purchase on behalf of one Fund or Advisory Client different classes of debt of one issuer and debt and equity of the same issuer for other Funds and/or Advisory Clients. These and other investments can be deemed to create conflicts of interest, particularly

because the Firm might take certain actions for one or more Funds or Advisory Clients that, based on the circumstances, could be deemed to have an adverse effect on one or more other Funds or Advisory Clients (specifically, in connection with restructuring and reorganization situations). In such cases, the Firm will seek to act in a manner it reasonably believes to be as fair and equitable as possible for all Funds and Advisory Clients under the circumstances. However, in such cases the Firm's actions and decisions would not always be for the benefit of all Funds and Advisory Clients as compared with the situation where the Firm purchased only one security.

The Firm may determine that it would be in the best interests of certain Advisory Clients to transfer a security or the right to participate in a security from one Advisory Client to another (each such transfer, a "Cross Trade") for a variety of reasons, including, without limitation, tax purposes, liquidity purposes, to rebalance the portfolios of the Advisory Clients, or to reduce transaction costs that may arise in an open market transaction. The procedures for Cross Trades are approved by an independent governance committee. If the Firm decides to engage in a Cross Trade, the Firm will determine that the trade is in the best interests of both of the Advisory Clients involved in it and take steps to ensure that the transaction is consistent with the duty to obtain best execution for each of those Advisory Clients. The Firm intends to execute all Cross Trades with the assistance of a broker-dealer who executes and determines the purchase/sale price for the transaction. Alternatively, a cross transaction between two Advisory Clients may occur as an "internal cross," where the Firm instructs the custodian for the funds to book the transaction at the price determined in accordance with the Firm's valuation policy. If the Firm effects an internal cross, the Firm will not receive any fee in connection with the completion of the transaction.

**Diameter BDC Regulatory Considerations** – The Diameter BDC has elected to be regulated as a business development company under the Investment Company Act of 1940 and is subject to a number of restrictions and regulations imposed thereunder. Such restrictions and regulations may constrain its operations, which could have an adverse impact on any Advisory Clients that coinvest alongside the Diameter BDC, including with respect to the structuring, terms, allocations, consummation and disposition of the Advisory Clients' investments. The Firm and certain of its affiliates have filed an application for an exemptive order (the "Order") from the SEC that would permit the Advisory Clients to co-invest alongside the Diameter BDC. The Order was granted in February 2024. Pursuant to the terms of the Order, and in accordance with other provisions of the 1940 Act, DCP expects that certain Advisory Clients (particularly the Direct Lending Vehicles) will co-invest with the Diameter BDC, unless doing so is impermissible under existing regulatory guidance, applicable regulations, the terms of the Order, or the Firm's Investment Allocation Policy. Certain Advisory Clients, particularly the Direct Lending Vehicles, have similar or competing investment objectives as the Diameter BDC. To the extent the Diameter BDC competes with one or more Advisory Clients for a particular investment opportunity, the Firm will allocate investment opportunities across the entities for which such opportunities are appropriate, consistent with (1) the Firm's Investment Allocation Policy, (2) the requirements of the Advisers Act and (3) certain restrictions under the Investment Company Act of 1940 regarding co-investments with affiliates, as modified by no-action relief granted by the SEC as well as the Order, in each case in compliance with the terms and conditions of such no-action relief or the Order. Under the terms of the Order and the Investment Allocation Policy, to the extent there is an investment opportunity that is suitable for both the Advisory Clients and the Diameter BDC, the Diameter BDC's targeted position size will first be "filled," followed by other Advisory Clients, in each case, in accordance with the requirements of the 1940 Act and the Order. In addition, if an Advisory Client were to participate in co-investments alongside the Diameter BDC, such other Advisory Client is not expected to dispose of the investment unless the Diameter BDC also disposed of the investment, provided that the Advisory Client may dispose of such an investment if the Diameter BDC is given the opportunity to dispose of the investment on the same terms and determines not to do so.

A copy of the Order can be found at: <https://www.sec.gov/Archives/edgar/data/1916099/999999999724000406/filename1.pdf>, and a copy of the corresponding application for exemptive relief setting forth the applicable conditions of such Exemptive Relief Order can be found at: <https://www.sec.gov/Archives/edgar/data/1727012/000119312523266345/d410920d40appa.htm>.

**Allocation of Investments** – The Funds, the CDOs and the CLOs have overlapping investment strategies and may make investments in the same securities or other financial instrument. The Firm may earn varied management fee percentages from such Advisory Clients, and its affiliated entities may receive varying percentages of incentive allocation/carried interest from the Advisory Clients. As described in Item 12, the Firm has adopted written procedures in an Investment Allocation Policy in connection with ensuring that investment opportunities are allocated fairly to

each Advisory Client. The Investment Allocation Policy governs aggregation of orders, purchases of investments, sales of investments, exceptions and monitoring and compliance obligations. It is not currently expected that the Direct Lending Vehicles and other Advisory Clients will invest in the same securities or other financial instrument, however, in the event an Advisory Client(s) does make an investment in the same securities or financial instrument as a Direct Lending Vehicle it will be conducted in accordance with the Investment Allocation Policy. The Direct Lending Vehicles and the Diameter BDC have overlapping investment strategies and may make investments in the same securities or other financial instrument. The Firm and the BDC Adviser may earn varied management fee percentages from such Advisory Clients and the Diameter BDC, as applicable, and its affiliated entities may receive varying percentages of incentive allocation/carried interest from the Advisory Clients and the Diameter BDC, as applicable. Under the terms of the Order and the Investment Allocation Policy, to the extent there is an investment opportunity that is suitable for both the Advisory Clients and the Diameter BDC, the Diameter BDC's targeted position size will first be "filled," followed by other Direct Lending Vehicles, in each case, in accordance with the requirements of the Investment Company Act of 1940 and the Order. The Firm has adopted written procedures in an Investment Allocation Policy, as supplemented by the Direct Lending Supplement, in connection with ensuring that investment opportunities are allocated fairly to each Advisory Client and the Diameter BDC, subject in all respect to the terms and conditions of the Order and any other restriction imposed under the Investment Company Act of 1940.

**Ownership Interest in Service Provider** – The Firm made an equity investment, constituting less than 5% of the outstanding equity, in Siepe LLC, a vendor that provides IT and middle-office services related to loan trading and settlement (the "Loan/IT Service Provider"). The Loan/IT Service Provider has entered into a services agreement (the "Services Agreement") with the Firm and its affiliates to provide IT and desktop support, and has entered into separate agreements with certain Advisory Clients pursuant to which, for a fee payable by such Advisory Clients, the Loan/IT Service Provider will provide loan middle office and settlement support to such Advisory Clients. The Management Fees payable by the Advisory Clients will not be reduced by the amount of fees payable by the Advisory Clients to the Loan/IT Service Provider under the preceding agreements, since the Firm is not obligated under the respective investment management agreements to provide such services. Accordingly, the Firm will indirectly benefit economically through the arrangement between the Loan/IT Service Provider and the Advisory Clients, in that it will share in the profitability of the Loan/IT Service Provider as an equityholder. The Firm and its affiliates believe, however, that the fees charged to the Advisory Clients under their services agreements are reasonable in relation to the services provided and are comparable to what other third-party providers would charge.

**MNPI Risk** – From time to time, the Firm comes into possession of material non-public information with respect to an issuer of securities or other instruments in which one or more Advisory Clients have a current investment, because the Firm is researching a potential investment or additional information for other Advisory Clients or the Diameter BDC. Possessing such information could limit the ability of the Firm to buy or sell such securities or other instruments on behalf of all Advisory Clients, even if not all Advisory Clients will otherwise participate in the potential new investment or otherwise have use for the new information. Accordingly, the Firm could be prohibited from buying or selling such securities or other instruments on behalf of the Advisory Clients at times when the Firm might otherwise wish to buy or sell such securities or other instruments.

**Availability of Attractive Investments** – Depending on market conditions, which may change quickly, there is no assurance that attractive investments will be available for the account of any Advisory Client, or that available investments will meet the investment criteria of an Advisory Client. Whether or not suitable investment opportunities are available to Advisory Clients, Advisory Clients will bear fees and expenses, including in connection with unconsummated investments, as provided in each Advisory Client's Governing Documents.

**Epidemics, Pandemics and Market Disruption** – An Advisory Client's portfolio and business may be materially affected by conditions in the global financial markets and economic conditions or events throughout the world that are outside of the Firm's control including, but not limited to, economic uncertainty, slowdown in global growth, changes in laws (including laws relating to taxation and regulations on the financial industry), due to disease, pandemics (including COVID-19) or other severe public health events, including related trade and travel barriers, volatility in commodity prices, currency exchange rates and controls and other national and international political circumstances.

**Remote Work** – To the extent that personnel, as a result of working remotely, rely more heavily on external sources for information and technology systems for their business-related communications and information sharing, that business will likely be more vulnerable to cybersecurity incidents and cyberattacks and could have more difficulty resuming normal operations in the event it is the target of such incident or attack.

**Force Majeure Risk** – An Advisory Client’s portfolio and business may be affected by force majeure events (i.e., events beyond the control of the party claiming that the event has occurred, including, without limitation, acts of God, fire, flood, earthquakes, war, terrorism, and labor strikes. Some force majeure events may adversely affect the ability of a party (including an Advisory Client’s portfolio company or a counterparty to an Advisory Client or its investments) to perform its obligations until it is able to remedy the force majeure event. In addition, the cost to a portfolio company of repairing or replacing damaged assets resulting from such force majeure event could be material. Certain force majeure events, such as war, could have a broader negative impact on the world economy and international business activity generally, or in any of the countries in which an Advisory Client may invest specifically. Additionally, a major governmental intervention into an industry, including the nationalization of an industry or the assertion of control over one or more of an Advisory Client’s investments or its assets, could result in a loss to an Advisory Client, including if its investments are cancelled, unwound, or acquired (which could be without what an Advisory Client considers to be adequate compensation). Any of the foregoing may therefore adversely affect the performance of an Advisory Client and its investments.

**Retention and Motivation of Key Employees** – The success of the Firm and the Advisory Clients is dependent upon the talents and efforts of highly skilled individuals employed by the Firm. There can be no assurance that the Firm’s investment professionals will continue to be associated with the Firm, and the failure to attract or retain such investment professionals could have a material adverse effect on the Advisory Clients. Competition in the financial services industry for qualified employees is intense and there is no guarantee that, if lost, the talents of the Firm’s investment professionals could be replaced. Furthermore, as the Firm’s Advisory Clients and services it offer expands, so does the need for the retention of qualified personnel at all levels to continue to monitor the supervision of the Firm’s activities and facilitate meeting the objectives and requirements of Advisory Clients.

**Additional Brokerage Costs and Turnover** – Additional costs could be incurred in connection with an Advisory Client’s non-U.S. investment activities. Non-U.S. brokerage commissions generally are higher than in the United States. Increased custodian costs as well as administrative difficulties (such as the applicability of foreign laws to foreign custodians in various circumstances, including bankruptcy, ability to recover lost assets, expropriation, nationalization and record access) may be associated with the maintenance of assets in non-U.S. jurisdictions. Certain Advisory Client’s investment mandates emphasizes active management of the Advisory Client’s portfolio. Consequently, portfolio turnover and brokerage commission expenses experienced by these Advisory Clients may exceed those of other comparable investment advisors.

## **RISKS ASSOCIATED WITH SPECIFIC INSTRUMENTS**

**Debt Instruments.** The debt instruments in which the Advisory Clients invest may be subject to price volatility due to various factors including, but not limited to, changes in interest rates, market perception of the creditworthiness of the issuer and general market liquidity. The Advisory Clients will invest in non-investment grade debt securities, which are typically subject to greater market fluctuations and risks of loss of income and principal than lower yielding, investment grade securities and are often influenced by many of the same unpredictable factors which affect equity prices. In addition to the sensitivity of debt securities to overall interest-rate movements, debt securities involve a fundamental credit risk based on the issuer’s ability to make principal and interest payments on the debt it issues. The Advisory Clients investments in debt instruments may experience substantial losses due to adverse changes in interest rates and the market’s perception of any particular issuer’s creditworthiness, which may inhibit such issuer’s ability to refinance, restructure or otherwise experience recovery. The Funds also will invest in certain hybrid debt arrangements, which are subject to risks in addition to the conventional risks of general interest-rate movements and the issuer’s ability to pay the debt in accordance with its terms.

**Distressed and Defaulted Credits.** Certain Advisory Clients, such as the Funds, will invest in securities of issuers in weak financial condition or default, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems, or involved in bankruptcy or reorganization

proceedings. Investments of this type may involve substantial financial and business risks that can result in substantial or at times even total losses. Among the risks inherent in investments in troubled entities is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments also may be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability, and a tribunal's power to disallow, reduce, subordinate, or disenfranchise particular claims. The market prices of such securities are also subject to abrupt and erratic market movements and above-average price volatility, and the spread between the bid and asked prices of such securities may be greater than those prevailing in other securities markets. It may take a number of years for the market price of such securities to reflect their intrinsic value. 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 (*e.g.*, 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 the Funds of the security in respect to which such distribution was made.

**Bank Loans.** The Advisory Clients will invest in loans and participations therein originated by banks and other financial institutions. These investments may include highly leveraged loans to borrowers whose credit is rated below investment grade. Such loans are typically private corporate loans that are negotiated by one or more commercial banks or financial institutions and syndicated among a group of commercial banks and financial institutions. In order to induce the lenders to extend credit and to offer a favorable interest rate, the borrower often provides the lenders with extensive information about its business that is not generally available to the public. To the extent that the Advisory Clients obtain such information and it is material and nonpublic, the Advisory Clients will be unable to trade in the securities of the borrower until the information is disclosed to the public or otherwise ceases to be material, nonpublic information.

The Advisory Clients may invest directly or through participations in loans with revolving credit features or other commitments or guarantees to lend funds in the future. A failure by the Advisory Clients to advance requested funds to a borrower could result in claims against the Advisory Clients and in possible assertions of offsets against amounts previously lent.

The Advisory Clients may acquire interests in bank loans and other debt obligations either directly (by way of sale or assignment) or indirectly (by way of participation). The purchaser of an assignment typically succeeds to all the rights and obligations of the assigning institution and becomes a lender under the credit agreement with respect to the debt obligation; however, its rights can be more restricted than those of the assigning institution. A participation interest in a portion of a debt obligation typically results in a contractual relationship with only the institution acting as a lender under the credit agreement, not with the borrower. As a holder of a participation interest, the Advisory Clients generally will have no right to exercise the rights of the lender under the credit agreement, including the right to enforce compliance by the borrower with the terms of the loan agreement, approve amendments or waivers of terms, nor will the Advisory Clients have any rights of set-off against the borrower, and the Advisory Clients may not directly benefit from the collateral supporting the debt obligation in which it has purchased the participation. As a result, the Advisory Clients will be exposed to the credit risk of both the borrower and the institution selling the participation.

**Risks Associated with Issuers in Bankruptcy and/or Liquidation.** Investments made by the Advisory Clients may be non-performing or in default, and the issuer or obligor may be forced to enter into bankruptcy or liquidation proceedings. Events within a bankruptcy case are frequently adversarial and beyond the control of creditors. While creditors generally are afforded an opportunity to object to significant actions, a bankruptcy court may approve actions that may be contrary to the interests of the Advisory Clients. Furthermore, creditors and equity holders may lose their ranking and priority when they take over management and functional operating control of a debtor.

The duration of a bankruptcy cannot be estimated with any degree of certainty. Generally, no interest will be permitted to accrue during, and, therefore, return on investment may be adversely affected by, the passage of time during which a plan of reorganization of a debtor is being negotiated, approved by the creditors and confirmed by a bankruptcy court.

The Firm, on behalf of the Advisory Clients, may seek representation on creditors' committees, equity holders' committees or other groups to ensure preservation or enhancement of the Advisory Clients' position as a creditor or equity holder. A member of any such committee or group may owe certain obligations generally to all parties similarly



situated that the committee represents. If the Firm concludes that its obligations owed to the other parties as a committee or group member conflict with its duties owed to the Advisory Clients, it may decide to resign from that committee or group, and the Advisory Clients may not realize the benefits, if any, of the Firm's participation on the committee or group. In addition, if the Advisory Clients are- represented on a committee or group, it may be restricted or prohibited under applicable law from disposing of its investments in that debtor while it continues to be represented on such committee or group.

**Investments in Special Purpose Acquisition Companies.** The Funds invest in the initial public offerings ("IPOs") of special purpose acquisition companies ("SPACs") and in private investments in public equity transactions ("PIPEs") offered on "de-SPAC" transactions. A SPAC is a development-stage company that has no specific business plan or purpose or has indicated its business plan is to engage in a merger or acquisition with an unidentified company or companies, other entity, or person. Because SPACs have broad discretion to select potential business combinations (subject to industry, geographic or other limitations, if any), it is not possible for the Firm to fully ascertain the merits or risks of investing in a particular SPAC. The Firm generally intends to select for investment securities of SPACs with strong structures, those headed by management teams with proven track records or SPACs with other elements that suggest the likelihood of a favorable result, but there is no guarantee that the SPAC will achieve positive returns. The Funds are dependent upon the integrity, skill and judgment of the management team of each SPAC in which the Funds invest. There is no guarantee that a SPAC selected by the Firm for investment will be able to effect a business combination with an operating entity, or that any operating entity that is acquired by a SPAC will achieve profitability or continue to operate profitably post-acquisition. SPACs may encounter intense competition from other entities having similar business objectives, such as venture capital funds, leveraged buy-out funds and other private equity entities, as well as operating businesses competing for acquisitions. If the invests in the initial public offering of a SPAC that is unable to effect a business combination, the Fund will receive its share of the proceeds held in trust, subject to reduction if third-party claims are made against the SPAC or escrow or if the funds in the trust otherwise decline prior to liquidation. Investment in SPACs is also subject to certain investor risks, including limits on tradability of securities issued by a current or former SPAC. In addition, if the Fund were to acquire warrants in a dual-deal structure, the Fund may lose the entire value of such warrants if a business combination cannot be effected by such SPAC.

**Purchasing Securities in Initial Public Offerings.** The Funds purchase securities of companies in initial public offerings or shortly thereafter. Special risks associated with these securities may include a limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the company, lack of revenues and limited operating history. These factors may contribute to substantial price volatility for the shares of these companies. The limited number of shares available for trading in some initial public offerings may make it more difficult for the Funds to buy or sell significant amounts of shares without an unfavorable impact on prevailing market prices. In addition, some companies in initial public offerings are involved in relatively new industries or lines of business, which may not be widely understood by investors. Some of these companies may be undercapitalized or regarded as developmental stage companies, without revenues or operating income, or the near-term prospects of achieving them.

**Fraudulent Conveyance Considerations.** Various laws enacted for the protection of creditors may apply to certain investments that are debt obligations, although the existence and applicability of such laws will vary from jurisdiction to jurisdiction. For example, if a court were to find that the borrower did not receive fair consideration or reasonably equivalent value for incurring indebtedness evidenced by an investment and the grant of any security interest or other lien securing such investment, and, after giving effect to such indebtedness, the borrower (i) was insolvent, (ii) was engaged in a business for which the assets remaining in such borrower constituted unreasonably small capital or (iii) intended to incur or believed that it would incur debts beyond its ability to pay such debts as they mature, such court could invalidate such indebtedness and such security interest or other lien as fraudulent conveyances, subordinate such indebtedness to existing or future creditors of the borrower or recover amounts previously paid by the borrower (including to the Advisory Clients) in satisfaction of such indebtedness or proceeds of such security interest or other lien previously applied in satisfaction of such indebtedness. In addition, if an issuer in which the Advisory Clients have an investment becomes insolvent, any payment made on such investment may be subject to avoidance as a "preference" if made within a certain period of time (which may be as long as one year) before insolvency.

In general, if payments on an investment are avoidable, whether as fraudulent conveyances or preferences, such payments can be recaptured either from the initial recipient or from subsequent transferees of such payments. To the

extent that any such payments are recaptured from the Advisory Clients, the resulting loss will be borne by investors in the Advisory Clients.

**Short Selling.** Certain Advisory Clients, such as the Evergreen Funds, actively engage in short selling. A short sale in equity 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 Funds of buying those securities to cover the short position. In credit short sales the risk of loss is generally limited by spread tightening to risk free rate or zero bound in the case of CDS. There can be no assurance that a Fund will be able to maintain the ability to borrow securities sold short. In such cases, the Funds 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 a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. Short strategies can also be implemented synthetically through various instruments and be used with respect to indices or in the over-the-counter market and with respect to futures and other instruments. In some cases of synthetic short sales, there is no floating supply of an underlying instrument with which to cover or close out a short position and the Funds may be entirely dependent on the willingness of the over-the-counter market makers to quote prices at which the synthetic short position may be unwound. There can be no assurance that such market maker will be willing to make such quotes. Short strategies can also be implemented on a leveraged basis. Lastly, even though a Fund secures a “good borrow” of the security sold short at the time of the execution, the lending institution may recall the lent security at any time, thereby forcing the Funds to purchase the security at the then-prevailing market price, which may be higher than the price at which such security was originally sold short by the Funds.

**Equities.** Certain Advisory Clients, such as the Funds, may invest its capital in long and short positions in equities, deferred interest obligations and other investments which do not produce current income for the Funds. Equity prices are directly affected by issuer-specific events, as well as general market conditions. In addition, in many countries investing in equity is subject to heightened regulatory and self-regulatory scrutiny as compared to investing in debt or other financial instruments.

**Bankruptcy and Other General Unsecured Claims.** Certain Advisory Clients, such as the Funds, may acquire interests in claims of creditors which can include general unsecured claims against a debtor (“Claims” or “Trade Claims”). Claims generally include, but are not limited to, claims arising from commercial and financial contracts, ranging from obligations owed to creditors by debtors for goods, services and other commercial and financial arrangements delivered prior to or after the filing of a bankruptcy, to causes of action against debtors for failure to honor prospective contracts, and including, without limitation, wage claims, tax claims, environmental claims, personal injury claims, contract rejection claims, government claims, claims for administrative expenses and lease claims. Such bankruptcy claims are typically unsecured and may, in unusual circumstances, be subordinated to other unsecured obligations of the debtor. The repayment of Claims is subject to significant uncertainties, including potential set-off by the debtor, characterization of “preferences” in bankruptcy as well as the other uncertainties described herein with respect to other distressed debt obligations. Specific risks associated with Trade Claims include: (i) the possibility that the amount of the claim may be disputed by the obligor, (ii) difficulties in obtaining information regarding the obligor’s true financial condition, (iii) fraud on the part of the assignor of the claim and (iv) logistical and mechanical issues that may affect the ability of the Advisory Client or its agents to collect on the claim in whole or in part. Such investments may also be adversely affected by state and federal laws relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and the U.S. Bankruptcy Court’s discretionary power to disallow, subordinate and disenfranchise certain claims. Trade Claims are generally monetized by distributions, which may be in the form of cash, securities and/or other instruments, over an extended period of time as opposed to outright sales.

**Derivative Instruments Generally.** Certain Advisory Clients, such as the Funds, may trade with a variety of derivatives instruments. Certain swaps, options and other derivative instruments may be subject to various types of risks, including market risk, liquidity risk, the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty, legal risk and operations risk. Derivatives traded over-the-counter may not have an authoritative source of valuation and the models used to value such derivatives is subject to change. In addition, the Funds may, in the future, take advantage of opportunities. Special risks may apply in the future that cannot be determined at this time with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available. The regulatory and tax environment for derivative

instruments in which the Funds may participate is evolving, and changes in the regulation or taxation of such securities may have a material adverse effect on the Funds.

*Call Options.* The seller (writer) of a call option which is covered (*i.e.*, 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 less the premium received, 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 securities necessary to satisfy the exercise of an uncovered call option may be unavailable for purchase, except at much higher prices, thereby reducing or eliminating the value of the premium. Purchasing securities to cover the exercise of an uncovered call option can cause the price of the securities to increase, thereby exacerbating the loss. The buyer of a call option assumes the risk of losing its entire premium investment in the call option.

*Put Options.* The seller (writer) of a put option which is covered (*i.e.*, 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 sales price (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the underlying security if the market price falls 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 below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option.

*Index or Index Options.* The value of an index or index option fluctuates with changes in the market values of the securities included in the index. Because the value of an index or index option depends upon movements in the level of the index rather than the price of a particular security, whether the Funds will realize appreciation or depreciation from the purchase or writing of options on indices depends upon movements in the level of instrument prices in the security market generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of particular securities.

*Index Futures.* The price of index futures contracts may not correlate perfectly with the movement in the underlying 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, shareholders may close futures contracts through offsetting transactions that would distort the normal relationship between the index and futures markets. Second, 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 index futures contracts by the Funds also is subject to the Firm's ability to correctly predict movements in the direction of the market.

*Swaps.* Whether the Funds' use of swap agreements or swaptions will be successful will depend on the Firm's ability to select appropriate transactions for the Funds. Swap agreements and options on swap agreements ("swaptions") can be individually negotiated and 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 the holder's exposure to, for example, equity securities, long-term or short-term interest rates, foreign currency values, credit spreads or other factors. Swap agreements can take many different forms and are known by a variety of names. Swap transactions may be highly illiquid and may increase or decrease the volatility of the Funds' portfolio. Moreover, the Funds bear 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. The Funds will also bear the risk of loss related to swap agreements, for example, for breaches of such agreements or the failure of the Funds to post or maintain required collateral. It is possible that developments in the swap markets, including potential government regulation, could adversely affect the Funds' ability to terminate swap transactions or to realize amounts to be received under such transactions.

*Futures Contracts.* The value of futures contracts depends upon the price of the securities, such as commodities, underlying them. The prices of futures contracts are highly volatile, and price movements of futures contracts can be influenced by, among other things, interest rates, changing supply and demand

relationships, trade, fiscal, monetary and exchange control programs and policies of governments, as well as national and international political and economic events and policies. In addition, investments in futures contracts are also subject to the risk of the failure of any of the exchanges on which the Funds' positions trade or of its clearing houses or counterparties. Futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a particular futures contract has increased or decreased by an amount equal to the daily limit, positions in that contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent the Funds from promptly liquidating unfavorable positions and subject the Funds to substantial losses or prevent it from entering into desired trades. Also, 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. In extraordinary circumstances, a futures exchange or the U.S. Commodity Futures Trading Commission (the "CFTC") could suspend trading in a particular futures contract, or order liquidation or settlement of all open positions in such contract.

*Forward Contracts.* Banking authorities generally do not regulate trading in forward contracts. The principals who deal in the forward contract market are not required to continue to make markets in such contracts. There have been periods during which certain participants in forward markets have refused to quote prices for forward contracts 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. The imposition of credit controls or price risk limitations by governmental authorities may limit such forward trading to less than that which the Firm would otherwise recommend, to the possible detriment of the Funds. In its forward trading, the Funds will be subject to the risk of the failure of, or the inability or refusal to perform with respect to its forward contracts by, the principals with which the Funds trade. Fund assets on deposit with such principals will also generally not be protected by the same segregation requirements imposed on certain regulated brokers in respect of customer funds on deposit with them. The Firm may order trades for the Funds in such markets through agents. Accordingly, the insolvency or bankruptcy of such parties could also subject the Funds to the risk of loss.

*Contracts for Differences.* Contracts for differences ("CFDs") are privately negotiated contracts between two parties, buyer and seller, stipulating that the seller will pay to or receive from the buyer the difference between the nominal value of the underlying instrument at the opening of the contract and that instrument's value at the end of the contract. The underlying instrument may be a single security, stock basket or index. A CFD can be set up to take either a short or long position on the underlying instrument. The buyer and seller are both required to post margin, which is adjusted daily. The buyer will also pay to the seller a financing rate on the notional amount of the capital employed by the seller less the margin deposit. A CFD is usually terminated at the buyer's initiative. As is the case with owning any financial instrument, there is the risk of loss associated with buying a CFD. There may be liquidity risk if the underlying instrument is illiquid because the liquidity of a CFD is based on the liquidity of the underlying instrument. A further risk is that adverse movements in the underlying security will require the buyer to post additional margin. CFDs also carry counterparty risk, *i.e.*, the risk that the counterparty to the CFD transaction may be unable or unwilling to make payments or to otherwise honor its financial obligations under the terms of the contract. If the counterparty were to do so, the value of the contract may be reduced. Entry into a 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 Funds' obligation to its counterparty under the CFDs and the return on related assets in its portfolio, the CFD transaction may increase the Funds' financial risk.

*Credit Default Swaps.* The Funds may purchase and sell credit derivative contracts – primarily credit default swaps – both for hedging and other purposes. The typical credit default swap contract requires the seller to pay to the buyer, in the event that a particular reference entity experiences specified credit events, the difference between the notional amount of the contract and the value of a portfolio of securities issued by the reference entity that they buyer delivers to the seller. In return, the buyer agrees to make periodic payments

equal to a fixed percentage of the notional amount of the contract. The Funds may also sell credit default swaps on a basket of reference entities as part of a synthetic collateralized debt obligation transaction.

As a buyer of credit default swaps, the Funds will be exposed to the risk that deliverable securities will not be available in the market, or will be available only at unfavorable prices, as would be the case in a so-called “short squeeze.” While the credit default swap market auction protocols reduce this risk, it is still possible that an auction will not be organized or will be unsuccessful. In certain instances of issuer defaults or restructurings (for those credit default swaps for which restructuring is specified as a credit event), it has been unclear under the standard industry documentation for credit default swaps whether or not a “credit event” triggering the seller’s payment obligation has occurred. The creation of the new ISDA Credit Derivative Determination Committee (the “Determination Committee”) is intended to reduce this uncertainty and create uniformity across the market, although it is possible that the Determinations Committee will not be able to reach a resolution or do so on a timely basis. In either of these cases, the Funds would not be able to realize the full value of the credit default swap upon a default by the reference entity.

As a seller of credit default swaps, the Funds will incur leveraged exposure to the credit of the reference entity and is subject to many of the same risks it would incur if it were holding debt securities issued by the reference entity. However, the Funds will not have any legal recourse against the reference entity and will not benefit from any collateral securing the reference entity’s debt obligations. In addition, the credit default swap buyer will have broad discretion to select which of the reference entity’s debt obligations to deliver to the Funds following a credit event and will likely choose the obligations with the lowest market value in order to maximize the payment obligations of the Funds.

Credit default swaps generally trade on the basis of theoretical pricing and valuation models, which may not accurately value such swap positions when established or when subsequently traded or unwound under actual market conditions.

It appears that there are likely to be widespread defaults under certain credit default swaps as a result of the current credit market disruptions. The credit derivative market may become subject to increased regulation, which could increase costs or even prevent participation by the Funds.

**Structured Credit Products.** Certain Advisory Clients, such as the Funds, may make investments in structured credit products. Special risks may be associated with investments in structured credit products, collateralized debt obligations, synthetic credit portfolio transactions and asset-backed securities. For example, synthetic portfolio transactions may be structured with two or more classes of tranches that receive different proportions of the interest and principal distributions on a pool of credit assets. The yield to maturity of a tranche may be extremely sensitive to the rate of defaults in the underlying reference portfolio. A rapid change in the rate of defaults may have a material adverse effect on the yield to maturity. It is therefore possible that a Fund may incur losses on its investments in structured products regardless of their ratings by S&P or Moody’s. Additionally, the securities in which the Funds are authorized to invest include securities that are subject to legal or contractual restrictions on their resale or for which there is a relatively inactive trading market. Securities subject to resale restrictions may sell at a price lower than similar securities that are not subject to such restrictions.

CLO securities are secured primarily by loans (including commercial loans and eligible synthetic securities whose reference obligations consist of commercial loans), which are subject to liquidity, market value, credit, interest rate, reinvestment, and certain other risks. These risks could be exacerbated to the extent that the loans are concentrated in one or more particular types of loans. Payments on CLO securities are dependent on payments from the underlying loan portfolio. An investor’s investment in a CLO may be subordinate in right of payment to other securities sold by the CLO and not readily marketable. Depending upon the default rate on the collateral of the CLO, an investor may incur substantial losses on its investment.

Certain Advisory Clients may purchase the junior subordinated tranche or equity of the CDOs/CLOs managed by the Firm in the preclosing or “warehouse” period, which it may hold after the pricing, and through closing date, of the structured product offering. The Firm (acting as the collateral manager of such CDOs/CLOs) will apply the proceeds from the Advisory Client’s purchase of the junior subordinated tranche to acquire securities and other assets for the applicable CDO/CLO during the pre-closing period. Such transactions will be executed at the

prevailing market prices at the time of execution of such trades and in market conditions applicable at that time. The Advisory Client, as the holder of the subordinated classes of notes or equity tranche, may be adversely impacted by higher prevailing prices, the quality of assets and other market conditions during the limited time period during which the pre-closing acquisitions are executed. The Advisory Client may not always retain its interest in the equity of the applicable CDO/CLO acquired in such pre-closing period, and its interests may be redeemed prior to the closing. Further, one or more other Advisory Clients may purchase the junior subordinated or equity tranche of such CDO/CLO after the “warehouse” period has ended. As further discussed in **Item 5** (Fees and Compensation), while the Firm receives collateral management or advisory fees from third parties that invest in such CDOs/CLOs, the Firm does not receive any duplicative (or “double-dipped”) fees from the applicable Advisory Client in connection with such CDO/CLO investment.

**Failure to Enter into Offsetting Trade.** To the extent the Funds invest in a futures contract or option long, unless an offsetting trade is made, the Funds would be required to take physical delivery of the commodity underlying the future or option. To the extent the Firm fails to enter into such offsetting trade prior to the expiration of the contract, the Funds may suffer a loss since neither the Funds nor the Firm has the operational capacity to accept physical delivery of commodities.

**Illiquid Investments.** The Funds invest in restricted, as well as thinly-traded, instruments and securities (including privately placed securities and instruments). The Funds also make investments in privately held companies or special purpose entities, provided that it is allowed under the applicable regulation. There may be no trading market for these securities and instruments, and the Funds might only be able to liquidate these positions, if at all, at disadvantageous prices. As a result, the Funds may be required to hold such securities despite adverse price movements. In addition, if the Funds make a short sale of an illiquid security or instrument, it may have difficulty in covering the short sale, resulting in a potentially unlimited loss on that position.

**Convertible Securities.** The Funds may invest in convertible securities. 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 the Funds is called for redemption, the Funds 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.

**Warrants.** The Funds expects to invest, or receive as additional consideration for its credit investments, warrants from time to time. Warrants are generally exercisable for a set period of time at a purchase price is based on the valuation of the underlying security as of a certain date. If the price of the underlying security does not exceed the exercise price of a warrant when it is exercisable, the warrant may not have any value. Additionally, until a Fund exercises the warrant, it generally will not provide such Fund with any rights of a holder of such security.

**Private Investments in Public Equities.** The Funds have made private investments in public equities (“PIPEs”). In a PIPE transaction, the Funds may be required to enter into a lock-up agreement and will be subject to securities law restrictions on its ability to liquidate the shares. As a result, the Funds may be required to bear the price risk from the time of pricing for a period of six months or longer. In addition, the Funds may have to commit to purchase a specified number of shares at a fixed price, with the closing conditioned upon, among other things, the SEC’s preparedness to declare effective a resale registration statement covering the resale, from time to time, of the shares sold in the private financing. To the extent that the public market for such companies declines, it is possible that private investments in public equities transactions may generate losses or returns that do not justify the risk associated with such investments. In addition, due to securities law regulations, the Funds may be restricted from selling, or hedging their exposure to, such securities during a time when the Funds would otherwise seek to do so.

**Real Estate Investment Trust Risk.** Certain Advisory Clients, such as the Funds, may invest in REITs. REITs are companies that invest primarily in income-producing real estate or real estate-related loans or interests. REITs are generally classified as equity REITs, mortgage REITs or a combination of equity and mortgage REITs. Equity REITs invest the majority of their assets directly in real property and derive income primarily from the collection of rents. Equity REITs can also realize capital gains by selling properties that have appreciated in value. Mortgage REITs invest the majority of their assets in real estate mortgages and derive income from the collection of interest payments. REITs are not taxed on income distributed to shareholders, provided they comply with the applicable requirements of the Internal Revenue Code. Debt securities issued by REITs are, for the most part, general and unsecured obligations and are subject to risks associated with REITs. Investing in REITs involves certain unique risks in addition to those risks

associated with investing in the real estate industry in general. An equity REIT may be affected by changes in the value of the underlying properties owned by the REIT. A mortgage REIT may be affected by changes in interest rates and the ability of the issuers of its portfolio mortgages to repay their obligations. REITs are dependent upon the skills of their managers and are not diversified. REITs are generally dependent upon maintaining cash flows to repay borrowings and to make distributions to shareholders and are subject to the risk of default by lessees or borrowers. REITs whose underlying assets are concentrated in properties used by a particular industry, such as health care or geographic area, are also subject to risks associated with such industry or geographic area. REITs are also subject to interest rate risk. When interest rates decline, the value of a REIT's investment in fixed rate obligations can be expected to rise. When interest rates rise, the value of a REIT's investment in fixed rate obligations can be expected to decline. Conversely, when interest rates decline, the value of a REIT's investment in fixed rate obligations can be expected to decline. REITs may have limited financial resources, may trade less frequently and in a limited volume, and may be subject to more abrupt or erratic price movements than larger company securities.

**Tax Credits.** Certain Advisory Clients, such as the Funds, may acquire direct or indirect exposure to interests in receivable claims from U.S. state and federal tax credits. State and federal tax credits are subject to various risks, including recapture risk, downward adjustment of the credit, or disallowance a credit. The Firm seeks to minimize these risks, however, depending on the structure of investment may not be able to mitigate these risks.

**Carbon Credits.** Certain Advisory Clients, such as the Funds, may invest in carbon credits both in the form of allowances and offsets. The Funds' carbon credit investments may include, without limitation, direct investments in carbon offsets, futures contracts based on such offsets and allowances, and derivative instruments on carbon allowances. The trading markets for carbon credits are still developing and therefore do not possess the attributes of a fully developed market, and thus are subject to illiquidity, high price volatility and changes to the supply and demand for carbon credits. In addition, the carbon market is still developing and thus may be adversely impacted by international, national, state, local or other governmental regulation. Carbon markets are highly sensitive to regulatory developments and prices can vary widely based on governmental decisions, inaction or change in policies. It is possible that environmental financial instruments related to the trading of carbon credits may be superseded at a later date by different or more sophisticated forms of instruments which may, as a result, lower the market value of a Fund's carbon related investments. Additionally, the Funds may be adversely affected by legal challenges with respect to the regulation of carbon credits. The infrastructure in connection with issuance and transfer of certain carbon credits is still developing. Therefore, the timing and volume of delivery of such credits can be uncertain and may be subject to transfer disruptions. A Fund's record of allowances is maintained by a registrar or administrator appointed by the relevant regulatory authority. Accordingly, the Funds cannot provide any assurance that the allowances will not be subject to theft, fraud or a security breach.

**Risk Transfer Transactions.** Certain Advisory Clients, such as the Funds, may make investments in synthetic securitizations, including investments in instruments issued directly or indirectly by banks and/or other financial institutions that are intended to reduce such entities' regulatory capital obligations ("Risk Transfer Transactions"). Such synthetic securitizations are expected to expose clients to risks related to both (a) the instruments in which such clients are expected to invest directly (i.e., the credit-linked notes, financial guarantees, financial guarantee-linked notes, credit protection agreements, other credit risk transfer instruments, and other instruments related to synthetic securitizations (or combination thereof) that are issued, directly or indirectly, by such banks and/or other financial institutions), and (b) the "underlying exposures" referenced by or related to such instruments (i.e., the securities, instruments, interests, and/or property underlying any such synthetic securitization). Risk Transfer Transactions are extremely complex and subject to various material risks, including risks related to the relevant underlying exposures. Such risks include counterparty non-performance, credit, illiquidity, lack of transparency, adverse selection, market, geographical concentration, legal, basis, operational, and regulatory risks. Synthetic securitizations typically are divided into tranches representing different degrees of credit quality, with mezzanine and other junior tranches being subordinate to senior tranches. The Funds are expected to invest primarily in such subordinated junior tranches, including "first-loss" positions (which could represent all or substantially all of investments). It is expected that the returns on the junior tranches of a synthetic securitization would be particularly sensitive to the rate of defaults in such synthetic securitization's underlying exposures, and junior tranches would be expected to be subject to a risk of loss that is (possibly materially) higher than the risk of loss applicable to more senior tranches. However, there are no restrictions on the tranches in which an Advisory Client may directly or indirectly invest. In addition, synthetic securitizations typically will be highly illiquid. There is expected to be no (or only a limited) secondary market for certain such assets and, to the extent a market exists, no assurance can be given that such market will continue to exist.

in the future. Further, banks and other financial institutions are heavily regulated, and the regulatory capital requirements applicable to such institutions are often complex and may be open to interpretation. Accordingly, the Funds would be subject to significant regulatory risk in connection with synthetic securitizations, including with respect to “Risk Transfer Transactions” transactions in particular. Such risks include the risk of regulatory sanction, reputational harm, regulatory decisions or actions that result in the premature unwinding of the applicable transaction, and changes in applicable regulatory capital and/or other similar laws or regulations and/or their interpretation. Similarly, certain synthetic securitizations may be deemed by relevant authorities to constitute insurance products. Because Advisory Clients are not expected to obtain a license to provide insurance, any such synthetic securitization could expose Advisory Clients to liability for unlicensed insurance activity. In addition, any such synthetic securitization could expose clients to negative tax consequences. Certain Funds are expected to pursue synthetic securitizations with various types of underlying exposures. Such underlying exposures are expected to include corporate loans, small and medium enterprise loans, revolving credit facilities, project finance loans, fund finance loans, leases, shipping and airline loans, commercial loans (including commercial real estate), mortgage loans, consumer loans, and/or derivatives (i.e., in “credit valuation adjustment” transactions). Further, such underlying exposures might be secured and/or unsecured and might be investment grade and/or sub-investment grade. There is no limitation on the types of synthetic securitizations and underlying exposures that an Advisory Client can pursue and/or on the geographic location of any such synthetic securitization or underlying exposure. In particular, such underlying exposures may be located in any region, including in one or more emerging markets, and therefore may be subject to various political, social, economic, market, and/or other risks related to investing and trading in, or otherwise related to, international markets and/or with international counterparties, any of which could increase the likelihood of a default or other credit event. Further, the underlying exposures associated with a particular synthetic securitization might be uniform or varied in nature, and in certain cases the Firm is expected not to have significant (or any) information about such underlying exposures. In addition, the performance of certain underlying exposures is expected to be correlated (e.g., if the underlying exposures are uniform and/or otherwise subject to the same types of market and/or other risks), and the risks associated with any such correlated underlying exposures are expected to be particularly acute.

**Contingent Convertible Capital Securities.** Certain Advisory Clients, such as the Funds, may invest in contingent convertible capital securities (“CoCos”), including those that are Tier 1 and Tier 2 subordinated debt securities issued by financial institutions. CoCos generally contain loss absorption mechanisms, or ‘bail-in’ clauses, to avoid public sector intervention to keep the issuer of such securities from insolvency or bankruptcy. CoCo terms may vary from issuer to issuer and instrument to instrument and may expose investors to the loss of some or all of the investment in the event the bail-in provisions are exercised. This may include the loss or indefinite postponement of payments of interest or redemption amounts, even where the due date for payment has passed at the time the bail-in takes place. A CoCo differs from a U.S. bank preferred stock by containing a contractual mechanism for principal writedown/conversion into equity in the event of reaching capital triggers or bank regulatory intervention. CoCo bondholders often suffer losses prior to other investors in the same financial institution, even those holding equity or bonds ranking *pari passu* or junior to the CoCos. For this reason, CoCos tend to have higher price volatility and greater liquidity risk than other securities which do not expose investors to these risks, and they may be illiquid and difficult to dispose of, especially as the issuer may be under no effective obligation to redeem them.

**Reinsurance Transactions.** Certain Advisory Clients, such as the Funds, may invest in reinsurance transactions. Reinsurance transactions include insurance-linked securities and insurance-linked derivatives. Insurance-linked securities are fixed income or equity securities for which the return of principal or invested capital and payment of interest or dividends are contingent on the occurrence or non-occurrence of specific natural or man-made perils such as hurricanes, earthquakes or other physical or weather-related catastrophic events, aviation or marine disasters and similar events. Insurance-linked derivatives are financial contracts the returns on which are linked to the same types of events as insurance-linked securities. In addition, reinsurance transactions may include life insurance-based financial instruments, the returns on which are linked to mortality risks or other performance-based measures of a portfolio of life insurance policies. Insurance-linked investments are subject to relatively infrequent but severe losses resulting from the occurrence of one or more catastrophic events, such as hurricanes, windstorms, hailstorms, earthquakes, fires, explosions, severe winter weather, tsunamis, floods, riots, aviation disasters, or other physical or weather-related or man-made catastrophic events. The occurrence or non-occurrence of such catastrophic events can be expected to result in volatility with respect to a Fund. In connection with its investment diligence process related to insurance-linked investments, an Advisory Client may rely on models and analysis performed by third parties (including the sponsors of such insurance-linked investments). Actual loss experience can materially differ from that



generated by such models. These models rely on various assumptions, some of which are subjective and some of which vary between the different catastrophe risk modeling firms. The loss probabilities generated by such models are not predictive of future catastrophic events, or of the magnitude of losses that may occur. Actual frequency of catastrophic events and their attendant losses could materially differ from those estimated by such models. An investment in insurance-linked investments will expose a Fund to the credit risk of several parties involved in the reinsurance product chain. For example, a Fund will have exposure to the reinsurer that is buying the reinsurance from the issuer of the insurance-linked investments in respect of such reinsurer's obligation to make premium payments to the issuer. The issuers of insurance-linked investments may also be exposed to the credit risk of reinsurance brokers and other service providers with whom the sponsoring reinsurer conducts business related to the reinsurance policies to which such insurance-linked investments have exposure. Certain insurance-linked investments may permit a Fund to acquire such investments with one or more deliveries or pledges of securities in lieu of a one-time cash purchase payment but such investments may also obligate such Fund to post additional collateral if the value of securities delivered by such Fund falls below certain levels. Such margin call requirements expose a Fund to the risk that the securities delivered by such Fund to secure its obligations to the issuer of the related insurance-linked investments or the sponsoring reinsured company may fall below certain specified levels and cause such Fund to use its most liquid assets to meet margin calls. U.S. state insurance laws and regulations and the laws of many non-U.S. jurisdictions contain broad definitions of the activities that may constitute the conduct of the business of insurance or reinsurance in such jurisdictions. Insurance regulatory authorities have broad discretionary powers in administering insurance laws, including the authority (subject to appeal in court or otherwise) to determine whether a party is conducting the business of insurance or reinsurance within their applicable jurisdictions. Because insurance-linked investments have certain features and an investment return that may be based on the occurrence of events that traditionally are the subject of insurance, it is possible that such instruments may be structured in a manner where insurance regulatory authorities or courts would determine that the purchase or holding of such securities or the writing of such derivatives by a Fund constitutes the conduct of the business of insurance and reinsurance. In the event such a determination were made, such Fund may be subject to regulatory and legal action.

**First-Lien Debt, Second Lien Debt, Mezzanine Debt and Unsecured Debt.** The Advisory Clients, particularly the Direct Lending Vehicles, may invest in first-lien debt, second-lien debt, mezzanine and unsecured debt or equity or other securities issued by middle-market and upper middle-market companies. The companies in which such Advisory Clients may invest are typically highly leveraged, and, in most cases, such investments in these companies are not rated by any rating agency. If these instruments were rated, the Firm believes that they would likely receive a rating of below investment grade (that is, below BBB- or Baa3, which is often referred to as "junk"). Exposure to below investment grade instruments involves certain risks, including speculation with respect to the borrower's capacity to pay interest and repay principal.

*First-Lien Debt.* If an Advisory Client invests in a first-lien loan, it generally takes a security interest in the available assets of the portfolio company, including the equity interests of its subsidiaries, which is expected to help mitigate the risk that the Advisory Client will not be repaid. However, there is a risk that the collateral securing such loans may decrease in value over time, may be difficult to sell in a timely manner, may be difficult to appraise, and may fluctuate in value based upon the success of the business and market conditions, including as a result of the inability of the portfolio company to raise additional capital. In some circumstances, such lien is, or could become, subordinated to claims of other creditors. Consequently, the fact that a loan is secured does not guarantee that the Advisory Client will receive principal and interest payments according to the loan's terms, or at all, or that the Advisory Client will be able to collect on the loan should the Firm need to enforce the Advisory Client's remedies. In addition, in connection with any Advisory Client's "last out" first-lien loans, the Firm enters into agreements among lenders. Under these agreements, the Advisory Client's interest in the collateral of the first-lien loans may rank junior to those of other lenders in the loan under certain circumstances. This may result in greater risk and loss of principal on these loans.

*Second-Lien and Mezzanine Debt.* Investments in second-lien and mezzanine debt generally are subordinated to senior loans and will either have junior security interests or be unsecured. As such, other creditors may rank senior to such investment in the event of insolvency. This may result in greater risk and loss of principal.

**Prepayment Risk.** The frequency at which prepayments (including voluntary prepayments by the obligors and liquidations due to defaults and foreclosures) occur on loans underlying assets 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, borrowers tend to prepay their loans when prevailing interest rates fall below the interest rates on their outstanding loans. The Firm accounts for anticipated prepayment levels in investing in loan assets. However, increased prepayment levels may negatively impact the total cash realized over the life of the assets and may consequently affect the rate of return on such investments.

**Borrower Ability to Refinance.** Any loan originated by Advisory Clients may be structured such that most or all of the principal is due at maturity. The ability of the obligor(s) under such loan to make such a large payment upon maturity typically depends upon its ability to refinance the loan prior to maturity. The ability of an obligor to consummate a refinancing will be affected by many factors, including the availability of financing at acceptable rates to such obligor, the financial condition of such obligor, the marketability of the collateral (if any) securing such loan, the operating history of the obligor and related businesses, tax laws and prevailing general economic conditions. Additionally, upper middle market obligors generally have more limited access to capital and higher funding costs, may be in a weaker financial position, may need more capital to expand or compete, and may be unable to obtain financing from public capital markets or from more traditional sources, such as commercial banks. Consequently, such obligor may not have the ability to repay the loan at maturity and, unless it is able to refinance such loan, it could default in payment at maturity, which could result in losses to the Advisory Clients.

Significant numbers of obligors are expected to need to refinance their debt over the next few years, and significant numbers of collateralized loan obligation transactions (historically an important source of funding for loans) have reached or are close to reaching the end of their reinvestment periods or the final maturities of their own debt. As a result, there could be significant pressure on the ability of obligors to refinance their debt over the next few years unless a significant volume of new collateralized loan obligation transactions or other sources of funding develop. If such sources of funding do not develop, significant defaults in the Advisory Client's assets could occur, and there could be downward pressure on the prices and markets for debt instruments, including assets held by the Advisory Clients.

**Lender Liability Considerations and Equitable Subordination.** In recent years, a number of judicial decisions in the United States have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories (collectively termed "lender liability"). Generally, lender liability is founded upon the premise that an institutional lender has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the obligor or has assumed a degree of control over the obligor that creates a fiduciary duty owed to the obligor or its other creditors or shareholders. Because of the nature of the loans, the Advisory Clients could be subject to allegations of lender liability made against it with respect to U.S. investments, if any, as part of a group of lenders and may be liable for pro rata liabilities of the agent or lead lender. In addition, under common law principles that in some cases form the basis for lender liability claims, if a lending institution (i) intentionally takes an action that results in the undercapitalization of an obligor to the detriment of other creditors of such obligor, (ii) engages in other inequitable conduct to the detriment of such other creditors, (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors or (iv) uses its influence as a stockholder to dominate or control an obligor to the detriment of other creditors of such obligor, a court may elect to subordinate the claim of the offending lending institution to the claims of the disadvantaged creditor or creditors, a remedy called "equitable subordination". Because of the nature of certain of the loans, the Advisory Clients could be subject to claims from creditors of an obligor that loans issued by such obligor should be equitably subordinated.

**Market and Credit Risks of Debt Securities.** Debt securities are subject to credit and interest rate risks. "Credit risk" refers to the likelihood that an issuer will default in the payment of principal and/or interest on an instrument and how this risk changes over time. Financial strength and solvency of an issuer and the priority of the lien are the primary factors influencing credit risk. In addition, lack or inadequacy of collateral or credit enhancement for a debt instrument may affect its credit risk. Certain of the Advisory Clients' investments may provide for payment-in-kind interest, which has a similar effect of deferring current cash payments. In addition, certain of the Advisory Clients' investments may have an interest-only payment schedule, with the principal amount remaining outstanding and at risk until the maturity of the investment. Further, credit risk may change over the life of an instrument and debt instruments that are rated by rating agencies are subject to downgrade at a later date. Advisory Clients will be dependent upon the judgment of the Firm as to the credit quality of the investments.

**The foregoing risk factors do not purport to be a complete analysis or explanation of the risks and conflicts involved in an investment in an Advisory Client Fund. Prospective investors are strongly encouraged to read the Governing Documents of an Advisory Client carefully and consult with their own advisors as appropriate before deciding whether to invest in an Advisory Client.**

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#### **Item 9. Disciplinary Information**

DCP is not aware of any legal or disciplinary events that are material to an investor's or prospective investor's or an Advisory Client's evaluation of its advisory business or the integrity of its management.

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#### **Item 10. Other Financial Industry Activities and Affiliations**

The General Partner is an affiliate of the Firm and receives performance-based compensation from certain of the Funds for which it serves as general partner. In addition, the Firm has its own general partner entity. Diameter CLO Advisors LLC serves as a "relying adviser" that is registered under the Advisers Act pursuant to the Firm's registration and serves as the collateral manager to the CLOs. Diameter Principal Finance Partnership LP also serves as a "relying adviser" that is registered under the Advisers Act pursuant to the Firm's registration and serves as the investment manager of DLF, DPRR and will advise future Direct Lending Vehicles.

Diameter Capital (UK) Limited ("Diameter UK"), a wholly owned subsidiary of Diameter, operates from its offices in London, United Kingdom. Certain of Diameter UK's advisory personnel based in London have been seconded to Mirabella Financial Services LLP ("Mirabella"), which serves as a sub-manager to Diameter with respect to certain Advisory Clients. Mirabella is authorized and regulated by the UK Financial Conduct Authority.

Diameter Principal Finance LLC ("BDC Adviser"), a newly formed investment adviser, has commenced operations providing investment advisory services to Diameter Credit Company (the "Diameter BDC"), a Delaware statutory trust that has elected to be regulated as a business development company under the Investment Company Act of 1940. The BDC Adviser registered with the SEC as an investment adviser in October 2023. The BDC Adviser is an indirect, wholly-owned subsidiary of Diameter Capital Partners LP. The BDC Adviser was formed for the purpose of serving as investment adviser to the Diameter BDC and does not serve as investment adviser to any other DCP-affiliated entity. The BDC Adviser files a separate Form ADV. The Diameter BDC files periodic reports with the SEC under the Exchange Act.

Although it is not currently expected that the Advisory Clients, other than the Direct Lending Vehicles, will invest in the same securities or other financial instrument as the Diameter BDC, the relationship between the Diameter BDC and Advisory Clients may create certain conflicts of interest. For example, the Diameter BDC will invest alongside certain Advisory Clients, such as the Direct Lending Vehicles, in certain investments, which will reduce the portion of each investment that would otherwise have been allocated to such Advisory Client. In addition, as business development company, the Diameter BDC are subject to certain regulatory considerations that constrain their operations, which could have an adverse impact on Advisory Clients that coinvest alongside the Diameter BDC, including with respect to the structuring, terms, allocations, consummation and disposition of the Advisory Clients' investments.

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

The Firm has adopted a Code of Ethics (the "Code") that obligates the Firm and its "Access Persons" to put the interests of the Firm's Advisory Clients before their own interests and to act honestly and fairly in all respects in their dealings with Advisory Clients. The Firm believes that high professional and ethical standards are essential for the

success of Diameter. In addition to compliance with DCP's policies and procedures, all Access Persons of the Firm are required to comply with all applicable laws including the federal securities laws.

The Firm and its Access Persons may give and/or receive gifts, services or other items to/from any person or entity that does business with or potentially could conduct business with or on behalf of the Firm. To ensure that these exchanges are conducted in a manner that does not adversely affect DCP's Advisory Clients and in a manner consistent with the fiduciary duty owed by DCP to its Advisory Clients, it has adopted policies and procedures governing gifts and business entertainment, which requires disclosure and/or pre-approval of certain gifts and business entertainment in excess of *de minimis* thresholds as detailed within the Code.

The Firm, in the course of its investment management and other activities (e.g., board or creditor committee service), may come into possession of confidential or material, nonpublic information about issuers, including issuers in which DCP or its Access Persons have invested or seek to invest on behalf of clients. The Firm and its Access Persons are prohibited from improperly disclosing or using such information for their own benefit or for the benefit of any other person, regardless of whether such other person is an Advisory Client. DCP maintains and enforces written policies and procedures that prohibit the communication of such information to persons who do not have a legitimate "need to know" such information and to assure that the Firm is meeting its obligations to its clients and remains in compliance with applicable law. In certain circumstances, the Firm may possess certain confidential or material, nonpublic information that, if disclosed, might be material to a decision to buy, sell or hold a security, but the Firm will be prohibited from communicating such information to the Advisory Clients(s) or using such information for the benefit of the client(s) or themselves. In such circumstances, DCP will have no responsibility or liability to the Advisory Clients(s) for not disclosing such information to the Advisory Clients(s) (or the fact that the Firm possesses such information), or not using such information for the benefit of the Advisory Clients(s), as a result of following DCP's policies and procedures designed to provide reasonable assurances that it is complying with applicable law.

Advisory Clients or prospective clients may review a copy of the Code by contacting Ms. Shailini Rao, the Firm's Chief Compliance Officer, by telephone at (212) 655-1419 or email: [srao@diametercap.com](mailto:srao@diametercap.com).

It is DCP's policy that its Access Persons, including employees, may not engage in any transactions in his or her personal account in single name securities without pre-approval from the Chief Compliance Officer. Pre-approval is generally granted for the disposition of pre-existing positions held by the Access Person prior to the commencement of his or her employment with the Firm, and for the acquisition of privately held, illiquid investments, so long as they do not pose a conflict to other Advisory Clients. DCP believes that such policy minimizes potential conflicts of interests presented when, because of the information the Firm has, the Firm or its Access Persons are in a position to trade in a manner that could adversely affect Advisory Clients (e.g., place their own trades before or after client trades are executed in order to benefit from any price movements due to the Advisory Clients' trades). In addition to affecting DCP's or its Access Persons' objectivity, these practices by DCP or its Access Persons may also harm Advisory Clients by adversely affecting the price at which the Advisory Clients' trades are executed.

The Firm has adopted the following additional procedures in an effort to minimize such conflicts. Access Persons of DCP must pre-clear transactions in reportable securities in their personal accounts (with the exception of transactions in U.S. treasuries, shares issued by money market funds and CDs or other cash equivalents) with the Chief Compliance Officer (or her designee), who may deny permission to execute the transaction if such transaction will have any adverse economic impact on one (or more) of its' Advisory Clients, or if holding period requirements are not satisfied with respect to certain instruments. All Access Persons of DCP are required to disclose their holdings upon commencement of employment with the Firm and on an annual basis thereafter. All Access Persons of the Firm are also required to certify to reportable security transactions on a quarterly basis. Access Persons' accounts and transactions (if any) are reviewed by the Chief Compliance Officer (or their designee).

The Firm acts as collateral manager to the CDOs/CLOs. Certain partners, officers and employees of the Firm who are "knowledgeable employees" have, and may in the future, purchase the junior subordinated tranche or equity of certain CDOs. These interests can create an incentive to favor one Advisory Client over another, including with respect to placing trades or engaging in cross trades. Advisory Clients have purchased and as of the date of this Brochure, hold an interest in the junior subordinated tranche or equity of certain CDOs/CLOs.

As stated in **Item 11** herein, in order to address these potential conflicts DCP has implemented policies and procedures reasonably designed to identify such conflicts of interest and provide a means to resolve any such actual or potential conflict in favor of the Advisory Client. Such policies and procedures are designed to ensure that the Firm and its employees service all Advisory Clients in a manner consistent with the duties an adviser owes to its Advisory Clients, including pursuant to applicable law, without considering such persons' ownership or other interest.

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## **Item 12. Brokerage Practices**

DCP considers a number of factors in selecting a broker-dealer or counterparty to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's (or counterparty's) compensation. Such factors include, but are not limited to, financial stability or creditworthiness; the actual executed price and the commission or spread; research (including economic forecasts, investment strategy advice, fundamental and technical advice on securities and other financial instruments, valuation advice and market analysis), custodial and other services provided for the enhancement of the Firm's general portfolio management capabilities; type of settlement (delivery versus payment vs. free delivery); the size and type of the transaction; the difficulty of execution and the ability to handle difficult trades; willingness and ability of the broker or counterparty to make a market; and the operational facilities of the brokers and/or dealers involved (including back office efficiency). In selecting a broker-dealer or counterparty to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation, the Firm does not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not DCP's practice to negotiate "execution only" commission rates; thus, a Client is deemed to be paying for research, brokerage or other services provided by a broker-dealer which are included in the commission rate. DCP's Chief Compliance Officer and selected employees of the Firm meet periodically to evaluate the overall quality of broker-dealers and counterparties used by the Firm to execute client trades using the foregoing factors.

Section 28(e) of the U.S. Securities Exchange Act of 1934, as amended, is a "safe harbor" that permits an investment manager to cause a client to pay more than the lowest possible commissions rate in order to obtain research and brokerage services that provide lawful and appropriate assistance in the investment decision-making process. Among other things, the safe harbor permits an investment manager to use client commissions to offset certain expenses that it would otherwise be obligated to pay for itself. The governing documents of the Advisory Clients describe the expenses that are to be borne by the Advisory Clients and those expenses which are to be borne by DCP. Pursuant to the governing documents, the Advisory Clients bear all research expenses. Accordingly, any portion of commissions that can be attributable to research expenses does not cause the Firm to receive any benefit, since the commissions and the research expenses are both the expenses of the Advisory Clients. As a result, DCP does not face the kind of conflict of interest that Section 28(e) is intended to address, since it does not use client commissions to pay for research that it would otherwise have paid for itself. Nonetheless, DCP assesses the value and quality of the brokerage and research services provided by the broker dealers with which it does business to determine that the cost of such services is appropriate and reasonable in light of the brokerage and research services provided (see the foregoing paragraph).

From time to time, the Firm participates in capital introduction programs arranged by broker-dealers, including firms that serve as prime brokers to a Fund managed by the Firm or recommend investments in the Funds as investments to the Advisory Clients of the broker-dealer. The Firm places Advisory Client portfolio transactions with firms who have provided capital introduction opportunities if the Firm determines that it is otherwise consistent with seeking best execution. In no event will the Firm select a broker-dealer as a means of remuneration for recommending the Firm or any other product managed by the Firm (or an affiliate) or affording the Firm with the opportunity to participate in capital introduction programs. In addition, while the Firm recognizes that it has an incentive to favor broker-dealers that provide capital introduction services to the Firm or otherwise refer prospective investors for an investment in an Advisory Client, the Firm does not select broker-dealers in recognition of the opportunity to participate in such capital introduction events or the referral of investors.

The Firm addresses the potential conflicts of interest in connection with its brokerage practices through its best execution review process. The Firm's best execution review process, led by the Firm's Chief Compliance Officer (or her designee), in collaboration with the quantitative analysts, Chief Financial Officer, portfolio managers, senior traders and operations analysts, includes an analysis of overall performance of broker-dealers in light of the amount of business directed to such broker-dealers. To the extent the Firm determines that the amount of business directed to a particular broker-dealer is inconsistent with the overall performance of such broker-dealer, the Firm will work

towards scaling back the amount of business directed to the broker-dealer unless there is a compelling reason for such allocation, including, but not limited to, the availability of a particular security or their expertise in a particular sector.

The Firm purchases or sells the same security or other financial instrument for multiple Advisory Clients contemporaneously and using the same executing broker/dealer or counterparty. It is the Firm's practice, when appropriate, to aggregate Advisory Client orders for the purchase or sale of the same security or other financial instrument submitted at or near the same time for execution using the same executing broker/ dealer or counterparty. Such aggregation may enable the Firm to obtain a more favorable price or a better commission rate for clients based upon the volume of a particular transaction. DCP will act in a fair and equitable manner in allocating investment and trading opportunities among its Advisory Clients and will act in the best interests of its Advisory Clients, not itself. It reviews the investment strategy and current portfolio of each Advisory Client and evaluates a number of factors in order to determine how much of a particular investment is appropriate for each Advisory Client.

The Firm has adopted written procedures in connection with ensuring that investment opportunities are allocated fairly to each Advisory Client in an Investment Allocation Policy (which includes a Direct Lending Supplement that is applicable to the Direct Lending Vehicles and the Diameter BDC). In accordance with the Firm's Investment Allocation Policy, the Firm will allocate a particular investment opportunity to Advisory Clients based on its consideration of various factors, including the investment objectives, guidelines and restrictions of the Advisory Client and an analysis of the risk and return profile of such investment opportunity (which analysis may include a review of the expected yield, the expected yield to maturity and the convexity or interest rate sensitivity of the investment opportunity). If, after consideration of such factors, the Firm determines such investment opportunity is appropriate for multiple Advisory Clients, then such investment opportunity will be allocated (i) *pro rata*, based on the AUM of the Advisory Clients as of the first day of the calendar month, among all such eligible Advisory Clients or (ii) with respect to allocations made pursuant to the Direct Lending Supplement, based on the targeted position size of the participating Advisory Clients and/or the Diameter BDC, in each case, unless the Investment Manager, acting in the best interest of such Advisory Clients and after its consideration of a number of factors, determines that such *pro rata* allocation (or, with respect to allocations made pursuant to the Direct Lending Supplement, such targeted position size allocation) will not result in a fair and equitable allocation of the investment opportunity. Examples of the factors that the Investment Manager will consider when determining whether non *pro rata* allocations (or, with respect to allocations made pursuant to the Direct Lending Supplement, such non targeted position size allocations) to eligible Advisory Clients are appropriate include, but are not limited to, the following: the availability of cash of a Advisory Client, the Advisory Client's liquidity requirements, the terms and conditions of the Order and whether the Advisory Client is already at the target position size for such investment opportunity. It is not currently expected that the Direct Lending Vehicles and other Advisory Clients will invest in the same securities or other financial instrument, however, in the event an Advisory Client(s) does make an investment in the same securities or financial instrument as a Direct Lending Vehicle it will be conducted in accordance with the Investment Allocation Policy. The Direct Lending Vehicles and the Diameter BDC have overlapping investment strategies and may make investments in the same securities or other financial instrument. The Firm and the BDC Adviser may earn varied management fee percentages from such Advisory Clients and the Diameter BDC, as applicable, and its affiliated entities may receive varying percentages of incentive allocation/carried interest from the Advisory Clients and the Diameter BDC, as applicable. Under the terms of the Order and the Investment Allocation Policy, to the extent there is an investment opportunity that is suitable for both the Advisory Clients and the Diameter BDC, the Diameter BDC's targeted position size will first be "filled," followed by other Direct Lending Vehicles, in each case, in accordance with the requirements of the Investment Company Act of 1940 and the Order. The Firm has adopted written procedures in an Investment Allocation Policy, as supplemented by the Direct Lending Supplement, in connection with ensuring that investment opportunities are allocated fairly to each Advisory Client and the Diameter BDC, subject in all respect to the terms and conditions of the Order and any other restriction imposed under the Investment Company Act of 1940.

The Firm's compliance team regularly reviews the allocation of investment opportunities in order to ensure that investments are allocated in accordance with the Firm's Investment Allocation Policy. The Firm's Investment Allocation Policy is made available to all investors upon request.

The Advisory Clients will on occasion experience errors with respect to trades made on its behalf. Trade errors may include, for example, (i) the placement of orders (either purchases or sales) in excess of the amount of securities the

Firm intended to trade on behalf of an Advisory Client; (ii) the sale of a security when it should have been purchased; (iii) the purchase of a security when it should have been sold; (iv) the purchase or sale of the wrong security; (v) the purchase or sale of a security contrary to regulatory restrictions or an Advisory Client's investment guidelines or restrictions; (vi) incorrect allocations of securities; (vii) keystroke errors that occur when entering trades into an electronic trading system; and (viii) typographical or drafting errors related to derivatives contracts or similar agreements. Trade errors may result in losses or gains. DCP will endeavor to detect trade errors prior to settlement and correct and/or mitigate them in an expeditious manner. To the extent an error is caused by a counterparty's gross negligence or willful misconduct, DCP seeks to recover any losses associated with such error from the counterparty. Pursuant to the exculpation and indemnification provided by the Advisory Clients to DCP and its affiliates and personnel, DCP and its affiliates and personnel will generally not be liable to the Advisory Clients for any act or omission resulting in a trade error, absent bad faith, gross negligence, willful misconduct or actual fraud, and the Advisory Clients will generally be required to indemnify such persons against any losses they may incur by reason of any act or omission related to the Advisory Clients, absent bad faith, gross negligence, willful misconduct or actual fraud. As a result of these provisions, the Advisory Clients (and not DCP) will benefit from any gains resulting from trade errors and will be responsible for any losses (including additional trading costs) resulting from trade errors and similar human errors, absent bad faith, gross negligence, willful misconduct or actual fraud. DCP will offset any such net gains and net losses resulting from trade errors and, in the case of net losses for which DCP is responsible under the exculpation provisions, DCP will reimburse the applicable Advisory Client for such net losses.

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

The investment objective of each Advisory Client is set forth in the Advisory Client's Governing Documents. The active management of the Advisory Clients is the only business of DCP. DCP's portfolio managers, including its Managing Partners, are actively involved in making investment decisions on behalf of the Advisory Clients. The Firm manages and reviews various aspects of each Advisory Client's portfolio on a daily, weekly, monthly or other basis as it considers appropriate, with the frequency and nature of such reviews depending on the Advisory Client's investment program and market conditions. The portfolio managers and investment analysts review on a daily basis position reports related to the Advisory Client portfolios. The portfolio managers also review a detailed risk package related to the Evergreen Funds and Dislocation Funds on a daily basis. While the Funds do not have a formal investment committee, investment analysts meet regularly with the portfolio managers to review specific names, sectors or themes. The CDOs and CLOs have an investment committee that consists of the managing partners and certain senior traders and senior analysts, who generally meet on a weekly basis. The investment team regularly communicates with respect to real-time market conditions that may have a material impact on an Advisory Client's portfolio.

DCP's operations and compliance teams review the Advisory Client portfolios on a daily basis to ensure accurate trade booking and counterparty reconciliation, timely settlement and compliance checks (such as reviewing whether trades allocations have been made consistently with the Firm's written policy).

Investors in the Advisory Clients receive written reports in accordance with the terms of each Advisory Client's Governing Documents. Investors in the Funds receive monthly or quarterly account statements from the respective Fund's third party fund administrator regarding their capital accounts. Audited year-end financial statements are provided annually to investors in Funds. In addition, investors in the Evergreen Funds receive monthly reports, which may include certain information relating to investment performance and investment themes going forward. Investors in the Dislocation Funds receive quarterly reports, which may include certain information relating to investment performance and investment themes going forward. Investors in the CDOs and the CLOs have access to periodic reports from the CDO trustee or CLO trustee in accordance with the CDO Governing Documents or the CLO Governing Documents, as applicable.

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

The Firm does not make any payments to third-party solicitors for client referrals. The Firm has, and may in the future, compensate third parties, such as placement agents, in connection with soliciting investors for Advisory Clients. Such compensation is typically based on a percentage of the assets initially invested from the investor.

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#### **Item 15. Custody**

The General Partner is deemed to have custody of assets of the Funds due to serving as the general partner to certain of the Funds, DCP is deemed to have custody by virtue of its status as being a related person of the general partner and DPF LP is deemed to have custody of the assets of the Direct Lending Vehicles because of the authority DPF LP has over such Advisory Client or its assets. The General Partner and the Firm comply with Rule 206(4)-2 under the Advisers Act (the “Custody Rule”) by meeting the conditions of the pooled vehicle annual audit provision of the Custody Rule, including providing investors in the Funds and the Direct Lending Vehicles with audited annual financial statements of the Funds and the Direct Lending Vehicles, as applicable, prepared by an independent public accountant, registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board (“PCAOB”), in accordance with generally accepted accounting principles, within 120 days of the applicable Fund’s or Direct Lending Vehicle’s fiscal year end. Neither the Firm nor the General Partner maintain physical custody of client assets of the Funds or the Direct Lending Vehicles, which are held at accounts maintained in the applicable Advisory Client’s name with qualified custodians. DCP is not deemed to have custody with respect to assets of the CDOs or the CLOs because a third-party trustee (which is a qualified custodian), rather than DCP, controls the cash or securities that is held in the applicable CDO or CLO account.

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#### **Item 16. Investment Discretion**

The Firm provides investment advisory services to its Advisory Clients on a discretionary basis. Prior to assuming discretion over an Advisory Client’s assets, the Firm enters into an investment management agreement or other agreement that sets forth the scope of the Firm’s discretion. The Firm has full discretionary authority to determine the securities or other financial instruments and the amount of the securities or other financial instruments to be purchased or sold for each Advisory Client in accordance with that Advisory Client’s investment objectives, guidelines and restrictions set forth in its Governing Documents.

The Firm has and may in the future enter into additional agreements, or “side letters”, with certain prospective or existing investors in pooled investment vehicles whereby such investors may be subject to terms and conditions that are more advantageous than those set forth in the applicable Governing Documents of a Fund, without notice to, or consent of, other investors in the applicable Fund. For example, certain government-related investors (e.g., public pensions), as a condition of their investment, may require that the Firm agree to certain notifications or to comply with the investor’s status-specific requirements. In addition, the terms and conditions of side letters have and may provide for special rights to make future investments; special redemption rights generally relating to regulatory issues; or such other rights as may be negotiated by the Funds and such investor.

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

To the extent the Firm has been delegated proxy voting authority on behalf of its Advisory Clients, the Firm complies with its proxy voting policies and procedures that are designed to ensure that in cases where the Firm chooses to vote proxies with respect to securities managed for clients, such proxies are voted in the best interests of its Advisory Clients. In fulfilling its obligations to clients, the Firm endeavors to act in a manner that will enhance the economic value of the underlying securities held by each of its Advisory Clients. In some cases, DCP may abstain from voting or may affirmatively decide not to vote if it determines that abstaining or not voting is in the best interests of the Advisory Clients.

Investors in the Advisory Clients are not permitted to direct the votes in a particular solicitation.



If a material conflict of interest between the Firm and an Advisory Client exists related to voting the proxies on behalf of the client, the Firm will determine whether voting in accordance with the guidelines set forth in its proxy voting policies and procedures is in the best interests of the client or whether to take some other appropriate action.

Advisory Clients may review a copy of the Firm's proxy voting policies and procedures and information about how the Firm voted proxies by contacting Ms. Shailini Rao, the Firm's Chief Compliance Officer by telephone at (212) 655-1419 or email: [srao@diametercap.com](mailto:srao@diametercap.com).

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**Item 18. Financial Information**

The Firm does not require or solicit prepayment of more than \$1,200 in fees per Advisory Clients, six months or more in advance and therefore has not included a balance sheet.

The Firm does not believe that there are any conditions that are reasonably likely to impair the Firm's ability to meet contractual commitments to clients.

The Firm has never been the subject of a bankruptcy petition.