

ANNALY CREDIT OPPORTUNITIES MANAGEMENT LLC

Form ADV, Part 2A BROCHURE

# ANNALY

CREDIT OPPORTUNITIES MANAGEMENT  
An Annaly Company

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**This brochure provides information about the qualifications and business practices of our firm, Annaly Credit Opportunities Management LLC (the “Adviser”). If you have any questions about the contents of this brochure, please contact us at 212-696-0100. 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 us is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

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

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

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**Item 2 – Material Changes**

This update of this brochure as of March 26, 2024 reflects changes to the Adviser's compliance policies and procedures and other clarifying changes since the Adviser's last annual update, which was filed on March 31, 2023.

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### Item 4 – Advisory Business

#### FIRM DESCRIPTION

The Adviser was formed in Delaware in 2017 and is a registered investment adviser with the SEC under Section 203 of the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”). The Adviser is an indirect, wholly-owned subsidiary of Annaly Capital Management, Inc. (NYSE: NLY), a publicly-traded real estate investment trust (“**Annaly**”).

#### SERVICES PROVIDED

The Adviser provides advisory services on a discretionary basis to its clients, which include a pooled investment vehicle and a separately managed account (each, a “**Fund**” and collectively, the “**Funds**”) focused on residential mortgage loans and residential mortgage-backed securities.

The Adviser’s investment advisory services to the Funds are principally focused on aggregating residential mortgage whole loans, securitizing such whole loans, and holding a portion of the securities resulting from such securitizations.

The Adviser provides advice to client accounts based on specific investment objectives and strategies. Under certain circumstances, the Adviser may agree to tailor advisory services to the individual needs of a client. Funds may impose restrictions on investing in certain securities or certain types of securities. A description of the services provided by the Adviser to the Funds, as well as the fees, investment guidelines, and other relevant terms are set forth in the organizational documents, investment management agreements, offering materials, or other related documents (collectively, “**Governing Documents**”) of each client.

The Adviser is not permitted to assign (within the meaning of the Advisers Act) a management agreement without consent from the applicable client. Termination of an advisory relationship is subject to the applicable Governing Documents. In some cases, a client or the Adviser could be permitted to terminate the corresponding management agreement at-will with advance written notice. Fees will be charged through the date service is terminated.

As of December 31, 2023, the Adviser had approximately \$2,308,160,000 in regulatory assets under management, all of which is managed on a discretionary basis.

### Item 5 – Fees and Compensation

#### FEE SCHEDULE

All fees are subject to negotiation.

The Adviser typically bills fees on a monthly or quarterly basis in arrears. A client account can elect to be billed directly for fees or to authorize the Adviser to debit fees directly from

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the Fund's accounts. Fees charged to Funds can be prorated for each capital contribution or withdrawal made during the applicable billing period. Accounts initiated or terminated during a calendar quarter are charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

The Adviser's fees are exclusive of brokerage commissions, transaction fees and costs (including broken deal costs), and other management related costs and expenses which shall be incurred by Funds. All fees and expenses, and any related limitations and restrictions thereon, charged by the Adviser, are set forth in each Fund's respective Governing Documents and can include (i) administration, legal, auditing, consulting, banking, custody, regulatory, compliance, reporting (including securities filings related to the Fund) and accounting expenses; (ii) tax expenses and expenses related to a Fund's financial statements, tax returns, tax estimates and filings (including, without limitation, expenses related to the foregoing incurred to allow a Fund or its affiliate(s) to comply with non-U.S. and U.S. federal, local and state laws and regulations (including all expenses incurred with respect to filing the Form PF and Form D); (iii) expenses associated with the identification, investigation, acquisition, holding, structuring, organizing, financing, refinancing, restructuring, winding up, liquidation, dissolution and disposition of the Fund's assets; (iv) all costs incurred in connection with the organization, management, operation, and dissolution, liquidation and final winding up of any blocker subsidiaries; (v) expenses incurred in connection with valuing a Fund's assets, including, without limitation, third-party valuation services; (vi) expenses attributable to any proposed investment that is ultimately not made by a Fund (including expenses that may have been allocable to third-party co-investors had such transactions been consummated); (vii) all costs of leverage incurred by a Fund and other similar fees and expenses, all interest on borrowed funds (if any), and other expenses relating to the financing or refinancing of any indebtedness of, guarantees or other obligations of the Fund; (viii) expenses incurred in connection with the obtaining and maintaining of insurance policies by or on behalf of a Fund, its general partner and the Adviser (including directors and officers, errors and omissions liability and other insurance); (x) extraordinary expenses of a Fund (such as fees or expenses incurred in litigation or in respect of indemnification obligations); (xi) expenses of an investor led advisory board or committee, if applicable of a Fund, if any; (xi) any taxes, fees and other governmental charges levied against a Fund; (xii) any loan servicing fees (*e.g.*, structuring and/or underwriting and arrangement fees from loan syndication activities, administrative loan agency fees and investment advisory fees), whether such fees are paid to a third-party or to Annaly, or an entity affiliated with Annaly; and (xiii) organizational expenses of a Fund. Such costs and expenses are exclusive of and in addition to the Adviser's fees, and, except as set forth in the applicable Governing Documents with respect to any Fund, the Adviser does not receive any portion of these costs and expenses.

In particular, with respect to the Funds, Annaly will incur fees in connection with the origination or acquisition of loans or other assets or the holding of a loan or asset, including commitment fees, unused facility fees, prepayment premiums, amendment fees, and other

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similar fees, payments or compensation. Annaly will, subject to the applicable Governing Documents, allocate to the Funds the portion of these fees attributable to the loans held by the Fund. In addition, Annaly will generate fees in respect of loans when it is the lead arranger of such loans, which may include structuring and/or underwriting and arrangement fees from loan syndication activities, administrative loan agency fees, and investment advisory fees. Such fees will be retained by Annaly and will not offset the fees paid by, or otherwise shared with, the Funds.

### **Item 6 – Performance-Based Fees and Side-By-Side Management**

Arrangements for performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a Fund), if any, are negotiated with each Fund on an individualized basis and will in all cases be in compliance with Section 205(a)(1) of the Advisers Act in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3.

When measuring a Fund's assets for the calculation of performance-based fees, the Adviser may include realized and unrealized capital gains and losses. Performance-based fee arrangements may create an incentive for us to recommend investments that may be riskier or more speculative than those that would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee-paying accounts over other accounts in the allocation of investment opportunities and an incentive to favor accounts based on differential pecuniary interests.

The Adviser can grant certain preferential terms to certain investors in the Funds, including a waiver or reduction of management fees or carried interest or other performance-based fees, a blended management fee, or carried interest rates that are lower than those generally applicable to investors in the Fund.

The Adviser seeks to treat all clients in a fair and equitable manner and in the best interests of the Funds. Accordingly, the Adviser has various procedures designed and implemented to ensure that the clients are treated fairly and in accordance with our fiduciary obligations.

### **Item 7 – Types of Clients**

The Adviser provides discretionary investment advice to the Funds. The sole nonaffiliated investor in the Funds is a sovereign wealth fund.

With respect to any Fund that is a pooled investment vehicle, any initial and additional subscription minimums are disclosed in the applicable Governing Documents for such pooled investment vehicle. The Adviser can waive such minimums for an investor at its discretion. The minimum size for non-pooled investment vehicles is determined by the Adviser on a case-by-case basis.

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Interests in the Funds are not registered under the Securities Act of 1933, as amended (the “**Securities Act**”), and such Funds are not registered under the Investment Company Act of 1940, as amended (the “**Investment Company Act**”). Accordingly, interests in the Funds are offered and sold exclusively to investors satisfying the applicable eligibility and suitability requirements, as set forth in such Fund’s Governing Documents. Generally, investors participating in the Funds are required to meet certain suitability and net worth qualifications, such as being an “accredited investor” within the meaning of Rule 501 of Regulation D under the Securities Act and “qualified purchaser” as defined in Section 2(a)(51) of the Investment Company Act.

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

## INVESTMENT STRATEGIES; METHODS OF ANALYSIS

*Residential Credit Strategy*

The Adviser’s objective for the Funds is to generate current income with a focus on preservation of capital by investing in residential mortgage whole loans, securitizing those whole loans and holding a portion of the subordinated securities issued in such securitizations (the “**Resi-Credit Strategy**”). A portion of such securities will require longer term retention under the U.S. credit risk retention rules. The Adviser intends to leverage relationships with mortgage loan originators that comply with the Adviser’s disciplined underwriting process to generate investment opportunities. The Adviser will rely on its deep experience analyzing the residential credit markets and trends in acquiring and managing these investments.

Investments which the Adviser has determined meet the investment objectives and criteria of the Resi-Credit Strategy will be made by such Funds and Annaly in accordance with the Funds’ allocation policy (the “**Allocation Policy**”).

## RISK OF LOSS

*General Risk*

Investing involves a risk of loss that investors in one or more Funds should be prepared to bear. Investors should carefully consider, among other factors, the following risks involved with the Adviser’s investment strategies and methods of analysis.

- *Disease Outbreaks and Public Health Concerns.* Health crises, such as pandemic and epidemic diseases, as well as other catastrophes that interrupt the expected course of events, such as natural disasters, war or civil disturbance, acts of terrorism, power outages and other unforeseeable and external events, and the public response to or fear of such diseases or events, have and may in the future have an adverse effect on the Funds’ investments and the Adviser’s operations. For example, any preventative or protective actions that governments may take in respect of such diseases or events may have a negative impact on the economic and business activities of the Adviser’s Funds and its current and potential

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borrowers, which could materially and adversely affect the performance of the Funds' investments and the Funds' business, financial condition, liquidity, results of operations and prospects, and further may materially adversely affect the Adviser's ability to effectively conduct and manage the affairs of the Adviser's Funds. The Adviser cannot predict the likelihood of disease outbreaks occurring in the future, nor how such outbreaks may affect the performance of the Adviser's Funds. Further, the occurrence and pendency of such diseases or events could adversely affect the economies and financial markets either in specific countries or worldwide.

- *Cybersecurity Risks.* The Adviser's Funds' business relies on secure information technology systems. These systems are subject to potential attacks, including through adverse events that threaten the confidentiality, integrity, or availability of the Adviser's Funds' information resources (i.e., cyber incidents). These attacks could involve gaining unauthorized access to the Adviser's or its Funds' information systems for purposes of misappropriating assets, stealing confidential information, corrupting data or causing operational disruption and result in disrupted operations, misstated or unreliable financial data, liability for stolen assets, or information, increased cybersecurity protection and insurance costs, litigation and damage to the Adviser's or its Funds' business relationships, any of which could have a material adverse effect on the Adviser's or its Funds' business, financial condition and results of operations. As the Adviser's and its Funds' reliance on technology has increased, so have the risks posed to the Adviser's and its Funds' information systems, both internal and those provided by the Adviser and third-party service providers.
- *Inflation Risk.* Client accounts may be subject to inflation risk. Inflation risk is the risk that the value of investments or income from investments will be lower in the future as inflation decreases the value of money. As inflation increases, the value of the investments in a client's account can decline.

#### *Funds*

Identifying investment opportunities and managing those investments can be difficult. There can be no assurance that any client account managed by the Adviser will be able to make and realize any particular investment or generate returns. Please refer to the Governing Documents for the applicable client for more complete and detailed information regarding its investment strategies and methods of analysis, and the corresponding risks associated with those investment strategies and analysis.

#### *Residential Credit Funds*

- *General Business Risks.* The residential credit Fund's investment portfolio will consist primarily of residential mortgage whole loans, securitized whole loans and subordinated securities issued in such securitization (collectively, "**Residential Credit Assets**"), each of which may have significant risks as a result of business, financial, market or legal uncertainties. Such investments involve business and



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financial risks that can result in substantial losses and investors may lose their entire investment in a Fund. In particular, Residential Credit Assets will be materially affected by conditions in the financial markets and economic conditions in the United States, including interest rates, availability of and terms of credit, housing supply and demand, employment rates, inflation rates, economic uncertainty, natural disasters, changes in laws, regulation and policy, particularly those affecting the U.S. housing and real estate markets.

- *Federal and State Policy Considerations.* As a result of the credit crisis and subsequent financial turmoil, the federal government put in place statutory and regulatory frameworks and policies (including the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “**Dodd-Frank Act**”) enacted in 2010) providing for extensive supervision and regulation of financial firms, as well as various state and local laws and regulations. In particular, the Dodd-Frank Act and other federal and state legislation and rules have also affected residential mortgage loan origination, including underwriting practices. These include rules prohibiting lenders from originating residential mortgage loans unless the lender determines that the borrower has a reasonable ability to repay the loan. Loans originated with features more indicative of meeting that ability to pay, including annual percentage rates below certain prescribed thresholds and, as of March 2021, non-QM loans (as defined herein) meeting amortization, term and points and fee requirements along with limited delinquencies may be denominated as a “qualified mortgage” thirty-six months or more after consummation. Purchasers of qualified mortgages have limited assignee liability and securitizers of such mortgages are not subject to the risk retention rules described under “Liquidity” below. If a loan is not originated or seasoned in compliance with the “qualified mortgage” requirements (such loans being commonly referred to as “non-QM loans”), purchasers are not afforded the enhanced protections from legal liability associated with qualified mortgages, which, in addition to the risk retention requirements described below, increases the risk of investment in these types of loans. These laws and regulations may affect the price and/or marketability of residential mortgage loans.

Funds bear the risk that future regulatory and legal developments, and the attendant increase in servicing costs, may result in situations where proceeds received in respect of residential mortgage loans are less than anticipated.

- *Housing Market Cyclicalities.* Beginning in the second quarter of 2007, the residential mortgage market in the United States, and the United States economy as a whole, experienced a variety of difficulties and negative economic conditions that adversely affected the performance and market value of Residential Credit Assets, which rebounded starting in 2012. Between 2007 and 2012, residential real estate values declined, often severely, after extended periods of significant appreciation. Similarly, delinquencies and losses with respect to Residential Credit Assets increased during this period, leaving many mortgagors with little or no equity in their mortgaged

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properties. The lack of equity gives borrowers less incentive to cure delinquencies and avoid foreclosure and hinders their ability to refinance in an environment of increasingly restrictive lending standards. Since 2012, however, the U.S. economy and the U.S. real estate market has seen gradual improvement with real estate prices increasing in certain markets, resulting in the restoration of some or all of certain borrowers lost equity. However, there can be no assurance that market conditions will remain or improve further in the near future.

As a result of market conditions and legislation, lenders initially adjusted their loan programs and underwriting standards to be generally more conservative, thereby reducing the availability of mortgage credit to prospective mortgagors and mortgagors seeking to refinance their mortgage loans. More recently, as the market has improved and the legislative requirements have become more mature and established, lenders have begun to offer loan products to borrowers across a broader credit spectrum.

Even as market conditions have continued to improve, the depressing effect of the above adverse conditions and increased regulations on the market value, and liquidity of Residential Credit Assets generally may continue for some time. This may adversely affect a Fund's ability to leverage its investments or achieve profitable returns and may delay return of capital or result in a loss in invested capital.

- *Model Assumptions.* Although updated periodically to reflect changing or additional assumptions or data, reliance on analytic models like those used by the Adviser entails significant risk, particularly if the assumptions or the data on which such models rely prove to be incorrect, misleading, or incomplete. In such case, reliance on models may lead the Adviser to recommend the purchase of Residential Credit Assets at prices that are too high, the sale of such assets at prices that are too low, or cause Funds to miss favorable opportunities altogether.

In addition, the Adviser stores the majority of the data upon which these models rely in computer databases. The failure of such computer systems could adversely affect Fund accounts for whom such models are used.

- *Liquidity; Yield.* Investments in Residential Credit Assets are relatively illiquid, and such illiquidity may limit the Adviser's ability to optimally execute on loss mitigation or asset resolution strategies. Residential Credit Assets acquired by Funds may be subject to legal and other restrictions on transfer and a liquid market for such Residential Credit Assets may not exist. The market prices, if any, for such investments tend to be volatile and may not be readily ascertainable and a Fund may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. Prices for such Residential Credit Assets may fluctuate due to a variety of factors, including market and regulatory conditions, type of pool and composition of Residential Credit Assets and whether the Residential Credit Assets are performing or not.

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The ability to securitize Residential Credit Assets may be adversely affected by the risk retention rules enacted by the federal bank regulatory agencies, United States Department of Housing and Urban Development (HUD) and the SEC pursuant to the Dodd-Frank Act, which became effective in late 2015. Such rules generally require securitizers to retain not less than 5% of the credit risk of the mortgage loans (other than qualified mortgage loans) securitized. In addition, since 2007, the public loan securitization market has been significantly disrupted, and as a result, securitizations of Residential Credit Assets have been accomplished with a limited number of institutional investors through the private market. The private market is a less liquid market, and generally affords investors more input into the price and other terms of the securitization. The sale of such Residential Credit Assets may require significant time. Such risk retention rules may also adversely affect the availability or terms of financing of Residential Credit Assets.

The rate and timing of residential mortgage loan prepayments as well as residential mortgage loan delinquencies will affect the investment's yield.

- *Concentration.* Investment in Residential Credit Assets generally involves more risk than investment in diversified asset types. In addition, specific portfolios of Residential Credit Assets may be or become concentrated in certain geographic areas, and as a result, may be adversely affected by economic, political, regulatory or natural events only affecting those limited regions.
- *Leverage.* A Fund may borrow funds to pay expenses, make or facilitate new investments or for other purposes. The use of borrowed funds created the opportunity for greater total returns, but at the same time involves certain risks. A Fund may not be successful without the use of significant leverage in its portfolio investments and leverage may be costly or unavailable. See "Liquidity" above. The inability of a client to obtain desired amounts of leverage may limit the Fund's overall investment exposure, thereby reducing total returns. Borrowed funds are subject to interest, transaction and other costs, which may not be recovered by portfolio returns and therefore decrease investment returns.
- *Interest Rate Risk.* Changes in market interest rates can affect the value of Residential Credit Assets. Generally, the value of re-performing residential mortgage loans is adversely affected as interest rates rise.

#### **Item 9 – Disciplinary Information**

Not applicable.

## Item 10 – Other Financial Industry Activities and Affiliations

### Related Persons

We have relationships with, and will utilize, suggest or recommend our own services or those of entities which are related to us and are affiliates of Annaly in connection with our activities. The particular services involved will depend on the types of services offered by affiliates of Annaly. Certain of our trading, advisory and other activity for the Fund can be delegated to Annaly affiliates at our discretion. These arrangements will generally involve sharing or joint compensation related to each entity's responsibilities for the Fund, subject to the requirements of applicable law.

### Business Relationship with Annaly

The Adviser is an indirect wholly owned subsidiary of Annaly. The Adviser will manage investments for the Funds, while Annaly's officers and directors will manage investments for Annaly. In the future, the Adviser may also manage investments for other accounts, in which Annaly may or may not have a beneficial interest.

The Adviser's personnel also provide services to Annaly, and Annaly's personnel, including finance, accounting, legal and other employees, may provide services to the Adviser in relation to the Funds and their respective investments.

These arrangements create conflicts of interest, as discussed below and in the Governing Documents for the Funds, but this conflict of interest may also arise in ways not contemplated in this brochure or the applicable Governing Documents. In general, however, the Adviser and Annaly address conflicts of interest arising from this business relationship through the Allocation Policy applicable to a Fund or other account, the Governing Documents of the Funds and by adhering to the requirements of the Advisers Act and other applicable law.

- *Conflicts Related to Multiple Legal Duties.* The Adviser has a fiduciary duty under the Advisers Act to act in the best interest of the Funds. The directors, officers and employees of Annaly, the parent of the Adviser, have a duty under Maryland law to act in the best interest of Annaly's shareholders. There may be instances where these duties are in conflict and present a conflict of interest to the Adviser's duties to the Funds.
- *Conflicts Related to Allocation of Investment Opportunities.* There may be a conflict of interest in the allocation of investment opportunities among the Funds, Annaly, and the other investment vehicles permitted by the Governing Documents of the Funds (collectively, the "**Annaly Vehicles**"). The many investment activities by the Adviser, Annaly and their affiliates may present conflicts of interest in determining how much, if any, of certain investment opportunities to offer to the Funds. The Adviser intends to address such conflicts through the Allocation Policy applicable to such Funds.

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- Further, because Annaly generally will invest in the same investment opportunities that the Adviser identifies for the Funds in accordance with the applicable Allocation Policy, we must ensure that the investment opportunities are appropriate for both Annaly and the Funds, which could create a conflict of interest. The type and characteristics of investments that are desirable to Annaly may change over time and are outside of the control of the Adviser. If a type or characteristic of a particular investment is not desirable to Annaly at any given time, the Funds may not have the opportunity to invest in such investments even though they otherwise meet Annaly's investment criteria and objectives.
- *Conflicts Relating to Other Annaly Vehicles.* The Adviser, Annaly or their affiliates manage, or may manage, funds other than the Funds, Annaly, or the Annaly Vehicles, which invest in assets eligible for purchase by the Funds, and the Funds may or may not participate in such investments. There may be a conflict of interest in the allocation of investment opportunities among the Funds, Annaly, and the Annaly Vehicles, which are generally expected to be allocated pursuant to the applicable Allocation Policy, as amended from time to time to account for new Annaly Vehicles. In certain circumstances, the Funds may invest in portfolio borrowers in which Annaly and/or an Annaly Vehicle has invested in another part of the portfolio borrower's capital structure, which may result in potential conflicts of interest, particularly in the case of financial distress of the portfolio borrower.

The Funds may invest, directly or indirectly, in investments in which Annaly and/or an Annaly Vehicle (i) have an investment, (ii) are contemplating an investment, or (iii) have decided not to invest. In addition, Annaly and/or the Annaly Vehicles may invest, directly or indirectly, in investments in which the Funds (i) have an investment, (ii) are contemplating an investment, or (iii) have decided not to invest. Without limiting the foregoing, investors should be aware that the Funds may have conflicting interests in negotiating the terms of an investment and investing in a company if Annaly and/or one or more other Annaly Vehicles have or propose to make an investment in the same issuer, particularly where Annaly and/or such Annaly Vehicle(s) have a controlling interest in the issuer. Such negotiated terms may include, but are not limited to, the collateral, if any, pledged to secure the issuer's obligations, the interest rates to be paid on the issuer's debt securities, the characterization of the issuer's securities (whether as preferred stock or subordinated debt), the amount and nature of equity securities (if any) attached to debt, the fees and expenses to be charged to or by the Funds, and the nature of the covenants running in favor of the Funds.

With respect to the Funds in the Resi-Credit Strategy, the Adviser will regularly acquire certain residential mortgage whole loans as well as residential mortgage-backed securities from securitizations that are sponsored by an affiliate of the Adviser. The Adviser will not be required to notify or seek the approval of the Fund

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for such acquisitions. The purchase price will be set in accordance with the Governing Documents of such Fund.

- *Conflicts Related to Non-Public Information.* From time to time, the Adviser, Annaly and/or one or more of their affiliates may come into possession of material non-public information, and such information may limit the ability of the Funds to buy and sell investments, even if such information was obtained in the context of the investment activities of Annaly and/or other Annaly Vehicles.

**Item 11 – Code of Business Conduct and Ethics**

The Adviser has adopted a Code of Ethics (the “**Code**”) for all of our supervised persons describing our high standard of business conduct, and fiduciary duty to Funds. The Code is available to investors or potential investors upon request and includes standards of business conduct, avoiding conflicts of interest, a prohibition on insider trading, and personal securities trading procedures, among other things. We utilize MyComplianceOffice Inc. (“**MCO**”) to obtain attestations from supervised persons related to relevant provisions of the Code. Our employees must acknowledge the terms of the Code annually, or as amended.

Unless permitted by the Chief Compliance Officer, our supervised persons are prohibited from trading and investing in securities issued by the Funds, as well as in mortgage-backed securities and derivatives of mortgage-backed securities. We maintain a Restricted List of securities in which there is a conflict or non-public information known about an issuer of securities. Our employees are prohibited from trading and investing in securities on the Restricted List. For compliance purposes, supervised persons are required to report their personal securities transactions on a quarterly basis, have their accounts monitored electronically by MCO, (or if unable to connect electronically, provide duplicate confirmations and account statements) for review by Compliance..

The Code is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of the Funds, and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would not materially interfere with the best interests of the Funds. In addition, the Code requires pre-clearance of many transactions. Nonetheless, because the Code in some circumstances would permit employees to invest in the same securities as the Fund, the possibility exists employees might benefit from market activity by a Fund in a security held by an employee. Employee trading is continually monitored under the Code through MCO and the review of employee account confirmations and statements, in a reasonable effort to prevent conflicts of interest between employees and the Funds.

Investors or prospective investors may request a copy of the Code by contacting the Chief Compliance Officer at 212-696-0100.

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The Adviser recommends the purchase or sale of certain assets from Annaly. This is done in a manner that is consistent with the best interests of the Fund, applicable law, and the Governing Documents of each respective Fund.

#### **Item 12 – Brokerage Practices**

As a fiduciary with discretionary authority, the Adviser acknowledges its responsibility to obtain best execution for client securities transactions whenever it is in a position to direct the execution of such transactions. With respect to the Funds, generally, the Adviser does not use broker-dealers for client transactions. However, the Adviser has used and in the future is likely to use independent broker dealers to source residential mortgage loan investment opportunities for Funds.

#### **Item 13 – Review of Accounts**

The Adviser will monitor all portfolio investments on behalf of each Fund on an ongoing basis. Accounts with little or no activity may be reviewed on a less frequent basis, but no less frequently than monthly where there is activity. Reviews of accounts are performed in the context of each Fund's (i) adherence to the investment objectives and guidelines set forth in such Fund's Governing Documents and (ii) investment performance. Reviewers include Portfolio Managers, Vice Presidents, and accounting personnel, as well as external independent auditors. Reviewers are instructed to confirm the accuracy of the account position, performance, and alignment with account objectives.

The Adviser provides reports to investors in the Funds as required by the applicable Governing Documents for such Funds, or as otherwise agreed upon with a Fund or an investor in a Fund. The Governing Documents require quarterly and annual financial statements to be distributed to the Fund's investors, and the Adviser also typically provides written additional disclosure with respect to a Fund and its performance. The Adviser distributes tax information on Schedule K-1 to investors, where applicable, and provides certain other reports and analyses to investors and potential investors upon request.

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

The Adviser will not receive economic benefits from non-clients for providing investment advice or other advisory services to Funds. The Adviser will not compensate third parties for Fund referrals.

#### **Item 15 – Custody**

The Adviser and certain affiliated entities are deemed to have custody of the assets of pooled investment vehicles. Each of the Adviser and its affiliates intends to comply with Rule 206(4)-2 under the Advisers Act, by meeting the conditions of the pooled vehicle annual audit provision.

**Item 16 – Investment Discretion**

The Adviser will receive discretionary authority in writing from client accounts at the outset of an advisory relationship. In all cases, however, such discretion shall be exercised in a manner consistent with the stated investment objectives for a particular client account. When selecting securities and determining the amounts to invest, the Adviser shall observe the investment policies, limitations, and restrictions of each client. The Adviser's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made. Investment guidelines and restrictions must be provided to the Adviser in writing.

**Item 17 – Voting Client Securities**

The Adviser does not currently manage client assets consisting of common stock and therefore does not vote proxies in relation thereto. In the event that this changes and the Adviser is in a position to vote proxies on behalf of its clients, the Adviser has adopted policies and procedures relating to voting proxies and other corporate actions that are designed reasonably to ensure that we vote proxies in the best interest of our Fund where requested, including notice to the Fund of any potential or actual conflict of interest that may arise. Funds may request a copy of the Adviser's Proxy Voting Policy, by making a written request to the Chief Compliance Officer at the address set forth on the first page of this form.

**Item 18 – Financial Information**

Not applicable.