

**Highbridge Capital Management, LLC**

**40 West 57<sup>th</sup> Street, 33<sup>rd</sup> Floor  
New York, NY 10019  
(212) 287-4900**

**[www.highbridge.com](http://www.highbridge.com)**

Form ADV, Part 2A

October 23, 2015

This brochure provides information about the qualifications and business practices of Highbridge Capital Management, LLC (“**HCM**”). If you have any questions about the contents of this brochure, please contact us at (212) 287-4900. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“**SEC**”) or by any state securities authority.

HCM is a registered investment adviser. Registration with the SEC does not imply a certain level of skill or training.

This brochure does not constitute an offer to sell or the solicitation of an offer to purchase any securities of any entities described herein.

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

## Item 2 - Material Changes

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#### Item 4 - Advisory Business

HCM is a global alternative investment management firm founded in 1992. Since its inception, the firm has developed a leading, diversified investment platform that includes hedge funds, traditional investment management products and private credit and equity investing. With approximately 340 employees, including approximately 130 investment professionals as of December 31, 2014, HCM manages capital for sophisticated investors, including financial institutions, public and corporate pension funds, sovereign wealth funds, fund of funds, endowments, foundations and family offices, as well as individuals. HCM is based in New York with its principal offices in New York, Hong Kong, and London. HCM is a subsidiary of JPMorgan Asset Management Holdings Inc. (“**JPMAM**”), a wholly owned subsidiary of JPMorgan Chase & Co. (“**JPM**”). HCM generally provides investment advisory services directly and through subsidiary advisory entities (each, a “**Relying Adviser**” and collectively, the “**Relying Advisers**”) that are listed in Item 10 below. Unless specifically noted otherwise, the responses to this Form ADV Part 2A combine information about HCM and the Relying Advisers.

HCM provides investment advisory services to clients pursuant to the investment objectives, strategies and restrictions as set forth in each client’s offering documents and/or agreements with each client.

HCM currently does not participate in wrap fee programs, but it may do so in the future.

As of August 31, 2015, HCM managed \$23,000,000,000 of client assets on a discretionary basis and \$0 of client assets on a non-discretionary basis.

## Item 5 - Fees and Compensation

### **HCM Funds**

Private collective investment vehicles including domestic and foreign partnerships, companies and trusts managed by HCM (collectively, the “**HCM Funds**”) pay a monthly or quarterly management fee at the beginning or end of the applicable period. A certain HCM Fund pays a semi-monthly management fee in arrears at the end of the 15<sup>th</sup> day and the last day of each month. The management fees are based on the net assets of each HCM Fund and are generally equal to a rate of between 0.6% and 2.0% on an annualized basis. In addition, HCM or Highbridge Capital Administrators, LLC (“**HCA**”), an affiliate of HCM and special limited partner of certain HCM Funds, is entitled to receive performance compensation. For certain HCM Funds, the performance compensation is generally equal to between 0% and 25% of the net trading profits (in excess of applicable hurdles, if any) with respect to each fiscal year, payable as of the fiscal year end. For other HCM Funds, the performance compensation is equal to 6.25% of the net trading profits for each of the last four quarters (generally comparable to a 25% rate for four quarters), payable as of each fiscal quarter end. With respect to a certain HCM Fund, HCM is not entitled to receive any performance based compensation. Although the above fees are generally not negotiable, HCM and/or HCA may rebate, reduce and/or waive some or all of its management fee and/or performance compensation, as applicable, with respect to any investor in an HCM Fund, and intends to rebate, reduce and/or waive some or all of its management fee and/or performance compensation with respect to, but not limited to, principals, employees and certain affiliates of HCM as well as certain investment funds managed by HCM or its affiliates. Certain HCM Funds have been made available only to eligible HCM employees, and HCM receives no management fee or performance compensation with respect to such investments.

### **HPS Funds**

Highbridge Principal Strategies, LLC (“**HPS**”, and together with HCM, the “**HCM Entities**” and each, an “**HCM Entity**”) is a wholly owned subsidiary of HCM. References herein to HPS generally mean HPS and its direct and indirect subsidiaries, collectively. Certain private collective investment vehicles including domestic and foreign partnerships and corporations managed by HPS (“**HPS Funds**”) pay a quarterly or monthly management fee generally at the beginning or end of each quarter or month. Certain HPS Funds pay a monthly management fee in arrears or a semi-monthly management fee in arrears at the end of the 15<sup>th</sup> day and the last day of each month. During the commitment period of certain HPS Funds, the management fee is based on total commitments to or leveraged or unleveraged invested capital of the relevant HPS Fund and is generally comparable to a rate of between 0.50% and 1.50% on an annualized basis. Thereafter, the management fee is based on the outstanding leveraged or unleveraged invested capital of each HPS Fund and is generally comparable to a rate of between 0.50% and 1.50% on an annualized basis. Certain HPS Funds pay management fees based on the net assets of such HPS Funds and are equal to a rate of between 0.60% and 1.50% on an annualized basis. In addition, HPS and certain of its affiliates serve as the general partners, or act as special limited partners, of certain of the HPS Funds and are apportioned allocations of net profits, or “carried interest,” generally comparable to 20% of net profits, generally subject to or in excess of applicable hurdles or preferred rates of return to the investor. Other HPS Funds have an independent general partner. With respect to certain HPS Funds, HPS receives an incentive fee generally between 5% and 20% of net profits subject to or in excess of applicable hurdles or preferred rates of return. With respect to certain HPS Funds, HPS is not entitled to receive any performance based compensation. Although the above fees are generally not negotiable, HPS may rebate, reduce and/or waive some or all of its management fee and/or performance compensation, as applicable, with respect to any investor in an HPS Fund, and intends to rebate, reduce and/or waive some or all of its management fee and/or performance compensation with respect to, but not limited to, principals, employees and certain affiliates of HPS as well as certain investment funds managed by HPS or its affiliates.

### **SICAVs**

HCM serves as sub-investment manager to sub-funds of Luxembourg investment companies sponsored by affiliates of JPM (together, “**SICAVs**”). As compensation for services rendered as sub-investment manager, HCM receives a management fee based on net assets payable monthly, equal to 0.50% on an annualized basis. HCM is entitled to receive from one or more SICAVs a performance fee payable annually, equal to 20% in excess of applicable hurdles.

### **Third-Party Funds**

Each of HCM and HPS serves as investment manager to separately managed accounts and single-investor vehicles each established by, or on behalf of, a single third party investor (or two or more affiliated third-party investors) (“**Third Party Funds**”). The Third Party Funds generally pay a management fee based on net assets or invested capital which is payable monthly or quarterly and is equal to between 0.20% and 1.5% on an annualized basis. HCM and HPS, as applicable, may also receive performance compensation generally payable annually or upon a distribution between 0% and 20% of the net trading profits, subject to or in excess of applicable hurdles or preferred rates of return in certain cases. The management fee for certain Third Party Funds includes a base management fee of 0.20% per annum and subordinated management fee of 0.30% per annum of the principal amount of the collateral obligations held by such Third Party Funds, including collateral obligations obtained through the use of leverage, which are payable only to the extent that funds are available for such purpose in accordance with the priority of payments described in the applicable Third Party Fund documents.

### **Fees and Compensation**

The fees and compensation described under this Item 5 are deducted from clients’ assets for certain clients, while other clients, including certain Third Party Funds, are billed for such fees and compensation. Certain HCM Funds and HPS Funds must pay their management fees in advance. Such HCM Funds and HPS Funds may terminate their management agreements in accordance with the terms of such agreements and receive a prorated refund of any prepaid management fees.

In addition to the foregoing fees, clients may incur additional costs, including, but not limited to, (i) organizational and offering expenses, (ii) the cost of investments (including all direct expenses, investment expenses (e.g., brokerage commissions, exchange, National Futures Association and clearing fees, interest expenses, borrowing costs, clearing and settlement charges, custodial fees and bank service fees), legal, accounting and tax expenses relating thereto, unconsummated investment expenses and other charges for transactions), (iii) compensation paid to boards of directors, general partners or trustees, as applicable, (iv) administrative, legal and accounting fees, (v) other operating expenses, (vi) maintenance fees and (vii) extraordinary or non-recurring expenses. Clients that invest all or a portion of their assets through another investment vehicle may also pay their respective pro rata share of the expenses of such investment vehicle. See Item 12 for more detail on the brokerage practices of the HCM Entities.

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

As described in the response to Item 5 above, the HCM Entities receive performance-based compensation from certain clients. Certain employees of the HCM Entities manage both accounts that are charged a performance-based fee and accounts that are charged only an asset-based fee.

With respect to clients from which an HCM Entity receives only an asset-based fee, such HCM Entity may have an interest in engaging in relatively safe investments in order to receive such asset-based fee. On the other hand, with respect to clients from which an HCM Entity receives performance-based compensation, such HCM Entity may have an interest in engaging in riskier investments than would be engaged in if the performance-based compensation did not exist in order to increase the potential compensation with respect to such clients.

In addition, an HCM Entity may have incentives to favor a client that pays performance-based compensation over a client that (i) pays asset-based fees only or (ii) pays lower performance-based compensation. HCM has developed policies and procedures that provide that the HCM Entities will allocate investment opportunities and make purchase and sale decisions among applicable clients in a manner that the HCM Entities consider, in each HCM Entity's sole discretion and consistent with the fiduciary obligation to each of the respective clients, to be reasonable. In many cases, these policies may result in the pro rata allocation of limited opportunities across accounts, but in many other cases, the allocations may reflect numerous other factors based upon the HCM Entity's good faith assessment of the best use of such limited opportunities relative to the objectives, disclosure to and agreements with applicable clients including limitations and requirements of each such client and applying a variety of other factors, including those further described in each client's offering documents or agreements with each client.

## Item 7 - Types of Clients

As described in the responses to Items 4 and 5, the HCM Entities provide investment advisory services to (i) HCM Funds, (ii) HPS Funds, (iii) SICAVs, and (iv) Third Party Funds. Other than the SICAVs, most of such clients are U.S. and non-U.S. investment limited partnerships, companies, limited liability companies, trusts and other vehicles that are not registered or required to be registered under the U.S. Investment Company Act of 1940, as amended. In addition, the securities issued by HCM Funds, HPS Funds, SICAVs and Third Party Funds are not registered or required to be registered under the U.S. Securities Act of 1933, as amended, and, other than the SICAVs, are generally privately placed to qualified investors in the United States and elsewhere. The investors in the HCM Funds and HPS Funds are primarily sophisticated investors, which include, but are not limited to, financial institutions, public and corporate pension funds, sovereign wealth funds, fund of funds, endowments, foundations and family offices, as well as individuals.

Generally, the minimum initial investment amount for investors in the HCM Funds and the HPS Funds is between \$250,000 and \$10,000,000. The minimum initial investment amount generally can be waived at the discretion of the general partner, board of directors, trustees and/or administrator of each HCM Fund or HPS Fund, but not below an amount required under applicable law.

### **Agreements with Certain Investors**

Certain investors in the HCM Funds and the HPS Funds have been granted one or more of the following rights with respect to their investments: (i) a reduced management fee and/or performance compensation; (ii) subject to certain terms, the right to receive improved fees, liquidity, information rights and other terms received by other investors in the applicable fund; (iii) the right to receive certain additional information with respect to a certain fund; (iv) notification to the investor with respect to the investor's ownership percentage of a certain fund; (v) limitation on the investor's ownership percentage of a certain fund below certain thresholds; (vi) notification to the investor with respect to the ownership by benefit plan investors of a certain fund's equity classes; (vii) certain limitations on an investor's confidentiality obligations under a certain fund's organizational documents pursuant to laws or regulations to which the investor is subject (such as the public information or "sunshine" laws); and (viii) an acknowledgement that such investor is entitled to sovereign status under U.S. federal, state or non-U.S. law.

In addition to the above, certain investors in the HCM Funds and/or HPS Funds have been granted one or more additional rights with respect to their investments, including, but not limited to: (i) the right to opt out of the requirement to fund capital calls or otherwise be excused from participating in certain investments due to regulatory, tax or public policy or the investor's internal considerations; (ii) the right to designate one member of an internal oversight committee; (iii) rights with respect to distributions in kind; (iv) rights with respect to transfers of interests; (v) the right to receive information regarding the investment and/or disposition strategy of the fund; and, (vi) the right to receive information regarding, and/or participate in potential co-investment opportunities.



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

### **Investment Strategies**

I. **HCM:** HCM engages, on behalf of clients, in one or more of the investment strategies summarized below. More detailed information with respect to the following investment strategies is included in each client's offering and/or disclosure documents.

**Convertible and Volatility Arbitrage:** This strategy seeks to profit from both the optionality of the underlying convertibles and the convergence of the securities to fair value. The strategy employs sophisticated pricing/risk management tools which include quantitative modeling and screening software to identify underpriced options imbedded in convertible securities. The strategy may also rely on fundamental analysis with a focus on idiosyncratic volatility creating events. The strategy typically involves the purchase of a convertible bond or other equity linked security that is hedged with one or more of the following: stock, listed equity and index options, interest-rate futures, and credit derivatives.

**Convertible Credit and Capital Structure Arbitrage:** This strategy employs fundamental, bottom-up credit research to identify and isolate idiosyncratic opportunities within the credit portion of the convertible market as well as off-the-run credit opportunities. Position-level, intra-capital structure hedges seek to isolate an attractive credit, an undervalued equity or an inefficiency in a capital structure. Interest rate exposure is systematically hedged, with a target duration of zero, while strategy level hedges are utilized to minimize the impact of broad, directional moves in credit and equity markets.

**Asia Capital Structure Arbitrage:** This strategy employs both a fundamental and quantitative approach to seek idiosyncratic opportunities across the capital structures and within securities, with a focus on credit relative to equity, volatility strategies including correlation and volatility convexity, and dividend swaps versus index and relative share class trades. The strategy implements hedges across the equity, credit, rate and foreign exchange markets.

**Statistical Arbitrage:** This strategy seeks to provide long-term absolute returns by utilizing, as part of its investment strategy, statistically based computer algorithms that model the predictable components in the pricing of financial instruments.

**North America Long/Short Equity:** This strategy employs a fundamental research-based approach, which examines companies and industries from the bottom up. This analysis is driven by both qualitative and quantitative research that ultimately leads to an investment conclusion. The investment approach seeks to develop single-name long and short ideas through a thorough understanding of the fundamentals of a business and/or investment situation, with a focus primarily on large-cap and mid-cap companies in North America.

**Tactical Credit & Convertibles:** This strategy seeks to achieve a positive return on capital by applying fundamental credit research combined with intra-capital structure hedging strategies to select credit-sensitive investment opportunities. The strategy typically involves the purchase of convertible securities, non-convertible bonds and loans, preferred and common equity securities, and warrants, options, and other derivatives.

**Short Focused Equity:** The strategy employs a fundamental, bottom-up approach that seeks to generate the majority of alpha from short positions. The strategy covers equities globally with a focus on North America. For short exposure, the strategy generally targets companies HCM believes to be overvalued, misallocating capital and/or approaching a correction. These short investments are typically reflected through short equity positions, options or credit default swaps. Long positions typically reflect a value

orientation favoring catalyst-centric special situations and companies undergoing value enhancement such as through management changes, capital structure enhancements, mergers and acquisitions and spin-offs.

**Asia Long-Short Equity:** The strategy employs a fundamental, bottom-up approach to identify relative value, thematic and deep value opportunities through equity investments in Asia. The strategy attempts to identify dislocations between intrinsic and market value and to isolate idiosyncratic sources of risk and return through single stock and index hedges.

**Event-Focused European Long/Short Equity:** The strategy seeks to identify securities at inflection points through fundamental, bottom-up analysis and focuses on catalysts to uncover those inflections. These inflection points may result from a wide variety of factors such as regulatory changes, mergers and acquisitions, disposals, restructurings, management changes or significant variations in earnings trajectories due to business fundamentals. The strategy generally focuses on equity investments in Europe.

**Merger Arbitrage:** The strategy seeks to achieve attractive risk-adjusted returns by employing both a qualitative and quantitative analysis of merger transactions. The strategy attempts to capture the spread between the current market price of a merger target and its expected value upon deal completion. In building the portfolio HCM focuses on, among others, yield and relative value, industry diversification and issuer concentration.

**Credit Opportunities:** The strategy seeks to generate attractive risk-adjusted returns with an emphasis on capital preservation. This strategy seeks to invest primarily in corporate debt instruments, including bank loans and high yield bonds and may also invest in other instruments, including equities, credit default swaps, structured credit instruments, and other derivative products. This strategy may also hedge its portfolio to reduce volatility and protect against systemic risks as well as enter into opportunistic short positions in specific circumstances.

**European Relative Value Credit:** The strategy seeks to generate attractive risk-adjusted and non-market correlated returns generally by employing fundamental analysis to identify long and short credit trades. The strategy can invest in opportunities across the credit spectrum in Europe, from investment-grade to high yield to stressed and distressed, primarily through bonds, credit default swaps and indices to express single name and directional views. The strategy seeks to identify opportunities in both the secondary and new issues market, working closely with banks to structure, price and invest in new issues. In addition to fundamental analysis, the strategy factors in liquidity and market technicals when formulating and implementing trading ideas.

**Tactical Commodities:** This strategy employs a systematic investment strategy based upon the quantitative analysis of technical and fundamental factors across multiple short-term holding periods. This strategy analyzes term-structure to gauge supply and demand fundamentals, and models price trend and volatility to form a bullish or bearish bias on individual markets and spreads.

HCM may and currently does allocate a portion of its management responsibilities to affiliated and unaffiliated sub-advisers pursuant to sub-advisory agreements.

In addition, HCM utilizes leverage in its investment program. The leverage is generated from loans made by its clearing brokers for the purchase or sale of securities and from total return swaps.

**II. HPS:** HPS engages, on behalf of clients, in one or more of the investment strategies summarized below. More detailed information with respect to the following investment strategies is included in each client's offering and/or disclosure documents.

Due to various reasons including, but not limited to, regulatory, tax, or jurisdictional requirements, HCM may be appointed as investment manager for certain HPS Funds or Third Party Funds. The Investment Strategies associated with said HCM-managed HPS Funds or Third Party Funds have been included in this HPS Investment Strategies section.

**Collateralized Loan Obligations ("CLO"):** This strategy consists of structured credit vehicles that invest principally in floating rate secured corporate loans through a leveraged capital structure which seeks to benefit from low cost, long term, stable debt financing. This strategy is subject to certain thresholds, as is typical for CLOs, with respect to collateral quality, asset-type concentration, geographic exposure, ratings, covenant terms, and coverage tests.

**Credit Opportunities:** The strategy seeks to generate attractive risk-adjusted returns with an emphasis on capital preservation. This strategy seeks to invest primarily in corporate debt instruments, including bank loans and high yield bonds and may also invest in other instruments, including equities, credit default swaps, structured credit instruments, and other derivative products. This strategy may also hedge its portfolio to reduce volatility and protect against systemic risks as well as enter into opportunistic short positions in specific circumstances.

**Leveraged Loans:** This strategy is expected to invest primarily in senior secured term loans. The strategy may also invest in: (i) second lien term loans, (ii) senior secured bonds, which typically (a) are first lien debt, (b) have a first lien on certain pieces of the issuer's assets, (c) have a second lien on all or certain of the issuer's assets, and/or (d) are a combination of the foregoing, and (iii) unsecured high yield bonds, which are debt obligations that are often subordinate in right of payment to senior secured term loans, senior secured bonds, and second lien term loans but are senior to equity in a leveraged capital structure. This strategy is similar to the Liquid Loans strategy, save for different exposure targets and specific investment guidelines.

**Liquid Loans:** This strategy provides exposure to a diversified, actively managed portfolio consisting primarily of broadly syndicated senior secured loans. This strategy is expected to invest mainly in senior secured term loans. The strategy may also invest in: (i) second lien term loans, (ii) senior secured bonds, and (iii) unsecured high yield bonds, which are debt obligations that are often subordinate in right of payment to senior secured term loans, senior secured bonds, and second lien term loans but are senior to equity in a leveraged capital structure. This strategy is similar to the Leveraged Loans strategy, save for different exposure targets and specific investment guidelines. Additionally, certain funds managed pursuant to this strategy have named HCM as their investment manager due to one or more of a variety of reasons, including, but not limited to, regulatory, tax, or jurisdictional requirements.

**Media, Communications and Technology Growth Equity:** This private equity strategy seeks significant long-term capital appreciation by making early- to late-stage investments in media, communications and technology-based companies both in the United States and internationally. This strategy will generally seek to make equity investments in portfolio companies with a focus on target portfolio companies that fit a specific profile within the media, communications, and technology industry sectors.

**Mezzanine:** This strategy focuses on investments in privately offered mezzanine securities, which are fixed-income securities, such as debt or preferred stock, typically in conjunction with an equity

component such as common stock, warrants or options. This strategy will consider a variety of transactions, including leveraged buyouts, recapitalizations, refinancings, restructurings, and acquisitions. The majority of investments are expected to be in securities of mid-cap companies in North America and Europe, although investment may be made in Latin America, Asia, and elsewhere globally.

**Real Estate:** This strategy will utilize a strategic relationship with a third party real estate developer, owner, and operator in the United States to invest in real estate debt securities. The strategic relationship will pursue gap financing for real estate projects in transition (re-development, conversion, new construction, etc.) through both uni-tranche loans and mezzanine financing. It is expected that this strategy will invest in a variety of transition financing for real estate projects, a majority of which are expected to be sponsored by third party equity partners and/or developers. The real estate projects will generally include redevelopment, conversions, and new development within the residential, office, retail, and hotel markets both in the United States and internationally.

**Specialty Loans:** This strategy primarily invests in newly originated secured debt. Investments made under this strategy are typically floating-rate fixed-income instruments and typically represent the most senior portion of the issuer's capital structure, ahead of any mezzanine, high yield bonds and equity tranches. The term "secured debt" refers to debt that is secured by a security interest in one or more assets of the issuer, without reference to the legal form of the debt contract (loan, bond, note or otherwise). . Additionally, certain funds managed pursuant to this strategy have named HCM as their investment manager due to one or more of a variety of reasons, including, but not limited to, regulatory, tax, or jurisdictional requirements.

**Opportunistic CLO:** This strategy will make investments in CLO tranches managed by unaffiliated third party CLO managers in either the primary or secondary market. The strategy is focused on providing credit exposure diversification based on the underlying assets of the CLO tranche as well as diversification with respect to manager style due to investments in a variety of CLO managers. This strategy may, at times, focus solely on investing in CLO tranches of a specific rating. The strategy will seek to achieve current income and preservation of capital consistent with investments in rated notes of CLOs. Additionally, certain funds managed pursuant to this strategy have named HCM as their investment manager due to one or more of a variety of reasons, including, but not limited to, regulatory, tax, or jurisdictional requirements.

**European Asset Value:** This strategy will seek to invest opportunistically over a cycle in a variety of performing and non-performing single assets, portfolios, and platforms. For performing assets and/or loans, the strategy will focus on acquiring and aggregating like assets with dedicated operating platforms and for non-performing loans, the strategy will pursue complex, non-commoditized portfolios and utilize operating platforms. Utilization of operating platforms will provide the strategy with the ability to leverage sector and/or asset specific expertise, benefit from economies of scale, and seek multiple paths to exit scenarios.

**Strategic Capital Partners:** This strategy seeks (x) investments alongside HPS Funds or Third Party Funds that employ the above listed strategies, (y) opportunistic transactions sourced by HPS that are outside the mandates of the above listed strategies, and (z) investment opportunities introduced by third-party investors of the strategy and other parties related to such investors.

In addition, HPS utilizes leverage in certain of its investment programs. The leverage is generated from loans made by banks with capital commitments or assets as security or from total return swaps.

### **Risk Factors**

**I. HCM:** The investment strategies employed by HCM on behalf of clients involve substantial risks, including the risk of loss of a client's entire investment. The following is a summary of the material risks associated with the investment strategies employed by HCM. More detailed information with respect to the following risk factors and the applicability of the following risk factors to each client managed by HCM is included in each client's offering and/or disclosure documents.

***Risks Associated with Trading Instruments:***

**Securities.** Clients may purchase a wide variety of debt and equity securities. Some of these securities may be low rated or unrated and illiquid. Clients may purchase privately placed and unregistered securities (including investments in private placements by publicly held companies (PIPES)). Such transactions are not subject to exchange rules. In addition, limitations on resale with respect to such securities may have an adverse effect on the marketability of portfolio securities, and the clients might be unable to dispose of securities purchased in private placements or other illiquid securities promptly or at reasonable prices. The value of equity securities generally will vary with the performance of the issuer and movements in the equity markets. Long, unhedged or only partially hedged investments in, and exposure to, equities may decline in value in the event of a general decline of the equity markets, a decline in a sector or a decline in a specific security. The value of convertible securities is sensitive to changes in (i) equity volatility and price and (ii) interest rates and credit spreads. The market for "high yield" bonds, preferred securities and other debt products, including bank loans, which are rated in the lower rating categories by the various credit rating agencies (or in comparable non-rated securities), is thinner and less active than that for higher-rated securities. Further, no assurances can be given that the ratings on such securities accurately reflect their risk profiles.

**Investing in Non-U.S. Instruments.** Investing in non-U.S. instruments involves considerations that are not applicable to investing in U.S. instruments, including unfavorable changes in currency rates and exchange control regulations, reduced and less reliable information about issuers and markets, less stringent accounting standards, illiquidity of securities and markets, higher brokerage commissions and custody fees, local economic or political instability and greater market risk in general. Furthermore, the clients may incur costs in connection with conversions between various currencies. In addition, there can be no assurance that currency hedging transactions will be effective.

**Futures.** Futures markets are highly volatile and are influenced by factors such as changing supply and demand relationships, governmental programs and policies, national and international political and economic events and changes in interest rates. In addition, because of the low margin deposits normally required in futures trading, a high degree of leverage is typical of a futures trading account.

**Over-the-Counter Derivatives and Principal Transactions.** The trading of over-the-counter derivatives will subject the clients to a variety of risks including: 1) counterparty risk; 2) basis risk; 3) interest rate risk; 4) settlement risk; 5) legal risk and 6) operational risk. There is less protection against defaults in principal trading than in trades executed on exchanges and cleared at a clearing house that are subject to regulatory oversight. The clients are generally not restricted from dealing with any particular counterparty or from concentrating any or all of their transactions with one counterparty. Such potential counterparty concentration could result in significant losses to the clients. The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "**Dodd-Frank Act**") grants the Commodity Futures Trading Commission (the "**CFTC**") and SEC broad rulemaking authority to implement various provisions of the Dodd-Frank Act including comprehensive regulation of the over-the-counter derivatives market, which could adversely affect certain clients by increasing transaction costs and imposing restrictions on the investment or other operations of the HCM Funds, HCM or their affiliates. In addition, until the compliance date for various provisions of the Dodd-Frank Act, over-the-counter derivative instruments not traded on exchanges or cleared will not be subject to similar types of government regulation as

exchange-traded instruments as well as the protections afforded to participants in a regulated environment.

**Options.** Specific market movements of the securities, commodities, futures contracts or other instruments underlying an option cannot be predicted accurately.

**Credit Default Swaps and CDS Indices Transactions.** When a CDS Index is bought, the buyer is taking on the credit exposure to the loan and is exposed to defaults similar to when a loan portfolio is bought.

**Bank Loans.** Bank loans and participations are subject to unique risks, including: (i) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors' rights laws; (ii) so-called lender-liability claims by the issuer of the obligations; (iii) environmental liabilities that may arise with respect to collateral securing the obligations; and (iv) limitations on the ability of the clients to directly enforce compliance by the obligor with the terms of the loan or credit agreement or other instrument evidencing such loan obligation, or enforce any rights of set-off against the obligor.

**Distressed Assets.** Certain clients may purchase securities and other obligations, such as bank debt, trade claims and accounts receivable of companies that are experiencing significant financial or business distress. Such purchases may not show any return for a considerable period of time and they may result in substantial, or at times even total, losses.

***Other Risks Associated with Investing:***

**Leverage and Short Exposure.** Certain clients may seek to maximize their investment positions by borrowing funds or engaging in short selling of securities. As a result, the possibilities of profit and loss are increased.

**Statistical Arbitrage; Quantitative Trading.** Quantitative trading strategies, including statistical arbitrage, are highly complex, and could be severely compromised by, among other things, a diminution in the liquidity of the markets traded, telecommunications failures, power loss and software-related "system crashes." Due to the high trading volume of quantitative trading strategies, the resulting transaction costs may be significant. Because this strategy is automated, HCM's ability to respond to sudden developments in the markets may be constrained.

**Prime Broker Risk; Clearing Brokers; Futures Commission Merchants; Custodians.** Most or all of a client's securities, other investments and cash are held by its brokers and custodians. If such brokers and/or custodians became insolvent and there were not sufficient customer assets to pay all customers in full, then the securities and cash held in customers' accounts at the broker or custodian would be distributed pro rata among customers. In addition, if a futures commission merchant fails to properly segregate customer funds, a client may be subject to a risk of loss of its funds on deposit.

**Exchange Risk.** Certain clients are subject to the risk of the failure of any exchanges on which their positions trade or of the exchanges' clearinghouses. In addition, each exchange typically has the right to suspend or limit trading in all securities, futures or other instruments that it lists.

**Trading on Non-U.S. Exchanges.** Trading on a foreign exchange may involve certain risks not applicable to trading on U.S. exchanges, such as risks of fluctuations in the exchange rate between the currency of the locale of the foreign exchange and U.S. dollars, exchange controls, expropriation, burdensome or confiscatory taxation, moratoriums, or political or diplomatic events. In addition, certain

clients may be affected by political and economic developments in or affecting certain non-U.S. markets in which the clients may trade, including those of developing countries, including changes in government policy, taxation and social, ethnic and religious instability.

**Off-Balance Sheet Risk.** A financial instrument with off-balance sheet risk exposes an investor to a loss in excess of the investor's recognized asset carrying value in such financial instrument, if any, or if the ultimate liability associated with the financial instrument has the potential to exceed the amount that the investor recognizes as a liability in the investor's statement of assets and liabilities.

**Effect of the Dodd-Frank Act.** Among other changes to applicable law, the Dodd-Frank Act has been enacted and certain provisions therein (known as the "**Volcker Rule**") will restrict banking entities from acquiring or retaining any equity or other ownership interest in, or sponsoring, certain private funds (referred to in the final rules implementing the Volcker Rule as "covered funds"). However, the final rules permit a banking entity to organize and offer a covered fund if certain conditions are satisfied, including the requirement that the banking entity does not acquire an equity interest or other ownership interest in the covered fund except for a permitted investment (generally, not more than 3% of the total number or value of outstanding ownership interests of the fund) as defined in the final regulations.

Withdrawals from investment vehicles managed by HCM Entities by individuals or entities that are related to, or affiliated with, JPM, including without limitation any investment vehicles advised by JPM and certain employees of JPM as a result of, or in connection with, the Volcker Rule could require liquidations of positions sooner than would otherwise be desirable, which could adversely affect the performance. In addition, regardless of the period of time in which such withdrawals occur, the resulting reduction in net assets, and thus in the equity base, could make it more difficult to diversify holdings and achieve the investment objective. Substantial withdrawals by investors related to or affiliated with JPM could cause the distribution of a considerable percentage of the liquid assets, leaving the remaining portfolio comparatively less liquid and could significantly increase expenses. Similarly, certain investors related to or affiliated with JPM may be required to transfer their interests to a third party as a result of, or in connection with, the Volcker Rule and such transfers may have an adverse effect.

The Volcker Rule's prohibition on "covered transactions," as defined in section 23A of the Federal Reserve Act, between an HCM Entity or any of its affiliates and the investment vehicles managed by such HCM Entities, or any other covered fund that is controlled by such investment vehicles, will restrict the activities of the investment vehicles. There may be certain investment opportunities, investment strategies or actions that an HCM Entity will not undertake on behalf of an investment vehicle it manages in view of its relationship with JPM or JPM's client or firm activities. Further, the investment opportunities, investment strategies or actions of any such investment vehicle may be limited in order to comply with the Volcker Rule's restriction on material conflicts of interest. A fund that is not advised by JPM or its affiliates, including an HCM Entity, may not be subject to these considerations.

**Regulatory Intervention and Changing Regulatory Environment.** The SEC, other regulators and self-regulatory organizations and exchanges are authorized to intervene, directly and by regulation, in certain markets and may restrict or prohibit market practices, such as the short-selling of certain stocks. In addition, the regulatory environment for private investment funds is evolving, and changes in regulation may adversely affect the clients and their investment results. In addition, governmental regulatory activity, especially that of the Board of Governors of the U.S. Federal Reserve System, may have a significant effect on interest rates and on the economy generally, which in turn may affect the price of the instruments in which certain clients plan to deal.

**Turnover.** HCM may make trading decisions on the basis of short-term market considerations. Therefore, the portfolio turnover rate could be significant, requiring substantial brokerage commissions and fees.

**II. HPS:** The investment strategies employed by HPS on behalf of clients involve substantial risks, including the risk of loss of a client's entire investment. In addition to certain of the risk factors listed above, the following is a summary of the additional material risks associated with the investment strategies employed by HPS. To the extent any clients managed by HCM invest in any HPS Funds, the following risks would apply as well. More detailed information with respect to the following risk factors and the applicability of the following risks factors to each client managed by HPS is included in each client's offering and/or disclosure documents.

As noted in the Investment Strategies section within this Item 8, due to various reasons including, but not limited to, regulatory, tax, or jurisdictional requirements, HCM may be appointed as investment manager for certain HPS Funds or Third Party Funds. The risk factors associated with said HCM-managed HPS Funds or Third Party Funds have been included in this HPS Risk Factors section.

***Risks Associated with Trading Instruments:***

**Senior Secured Loans.** Senior secured loans and participations are subject to risks, including: (i) the possible invalidation, avoidance, unwinding or subordination of an investment transaction; (ii) so-called lender liability claims; (iii) environmental liabilities; (iv) limitations on the ability to directly enforce compliance by the obligor with the terms of the loan or credit agreement or enforce (or retain all the proceeds realized from) any rights of set-off against the obligor; and (v) the possibility of being outvoted by other lenders in syndicated senior secured loans on important issues. In addition, these investments may be subject to the risk that the clients' security interests in the underlying collateral are not properly or fully perfected. Compounding these risks, the collateral securing debt investments will often be subject to casualty or devaluation risks. In addition, certain clients may invest in senior loans that, unlike typical senior loans, have limited mandatory amortization requirements. Lastly, the characterization of an investment as senior debt or senior secured debt does not mean that such debt will necessarily have repayment priority with respect to all other obligations of a portfolio company. Portfolio companies may have, and/or may be permitted to incur, other debt and liabilities that rank equally with or senior to the senior loans in which the clients invest.

**Nature of Fixed-Income Securities.** Fixed-income securities in which a client invests may be unsecured, whereas all or a significant portion of the issuer's senior indebtedness may be secured. In such situations, the ability of the client to influence a portfolio company's affairs, especially during periods of financial distress or following an insolvency, is likely to be substantially less than that of senior creditors. Investments in fixed-income securities may be subject to early redemption features, refinancing options, prepayment options or similar provisions which, in each case, could result in the issuer repaying the principal on an obligation held by a client earlier than expected.

**Debtor Risks.** A fundamental risk associated with certain of the client's investment activities is the risk that a corporate debtor will be unable to make principal and interest payments when due.

**Subordinated Loans.** A client may acquire and/or originate subordinated loans. If a borrower defaults on a subordinated loan or on debt senior to the client's loan, or in the event of the bankruptcy of a borrower, the loan held by the client will be satisfied only after the senior loans are repaid in full.



**Below Investment Grade Debt Obligations.** Below investment grade debt obligations have greater credit and liquidity risk than investment grade obligations as the lower rating of such obligations reflects a greater possibility that adverse changes in the financial condition of an obligor or in general economic conditions, or both, may impair the obligor's ability to make payments in respect of such debt. In addition, obligors of below investment grade debt obligations may be highly leveraged and may not have available to them more traditional methods of financing. During an economic downturn, a sustained period of rising interest, or a period of fluctuating exchange rates (in respect of those obligors with operations located in non-U.S. countries), such obligors may be more likely to experience financial stress and may be unable to meet their debt obligations due to the obligors' inability to achieve sufficient financial results or the unavailability of financing or under certain market conditions may not be able to refinance their debt obligations which may increase their risk of default.

**General Real Estate Market Risks.** Investments in real estate and real estate-related assets (whether in the form of debt or equity) are subject to various risks, including changes in regional, national and international economic conditions, adverse local market conditions, the financial condition of tenants, buyers and sellers of properties, changes in the availability of debt financing, changes in interest rates, real estate tax rates and other operating expenses, environmental laws and regulations, zoning laws and other governmental rules and fiscal policies, environmental claims arising in respect of real estate acquired with undisclosed or unknown environmental problems or as to which inadequate reserves had been established, energy prices, changes in the relative popularity of property types and locations, risks due to dependence on cash flow and risks and operating problems arising out of the presence of certain construction materials, as well as acts of God, natural disasters and uninsurable losses, acts of war (declared and undeclared), terrorist acts, strikes and other factors which are beyond the control of the borrower and/or property owner.

**Cov-Lite Loans.** Generally, "Cov-Lite" loans either do not require the obligor to maintain debt service or other financial ratios or do not contain common restrictions on the ability of the obligor to change significantly its operations or to enter into other significant transactions that could affect its ability to repay such loans. Ownership of Cov-Lite loans may expose the fund to different risks, including with respect to liquidity, price volatility and ability to restructure loans, than in the case with loans that have such requirements and restrictions, which could result in an adverse impact on the fund's ability to make payments on its interests/shares.

**Potential Early Redemption of Some Investments.** The terms of loans in which the clients invest may be subject to early redemption features, refinancing options, prepayment options or similar provisions which, in each case, could result in the issuer repaying the principal on an obligation held by the clients earlier than expected, either with no or a nominal prepayment premium.

**Risks Arising from Purchases of Secondary Debt.** Clients are unlikely to be able to negotiate the terms of secondary loans as part of their acquisition of the debt and, as a result, these investments may not include some of the covenants and protections generally sought when the clients originate loans.

**Non-Recourse Obligations.** The clients may invest in certain securities that are non-recourse obligations of issuers. Such securities are payable solely from proceeds collected in respect of collateral pledged by an issuer to secure such obligations.

**Certain Guarantees.** Certain clients may invest in debt that is guaranteed by a subsidiary of the issuer. In some circumstances, guarantees of senior debt issued by subsidiaries of a portfolio company may be subject to fraudulent conveyance or similar avoidance claims made by other creditors. As a result, such creditors may take priority over the claims of the clients under such guarantees.

**Investment in Restructurings.** The clients may make investments in restructurings that involve portfolio companies that are experiencing or are expected to experience severe financial difficulties, which may never be overcome. Such investments could, in certain circumstances, subject the clients to certain additional potential liabilities.

**Investments in Undervalued Assets.** Certain clients may invest in undervalued loans and other assets as part of their investment strategy. The identification of investment opportunities in undervalued loans and other assets is a difficult task, and there is no assurance that such opportunities will be successfully recognized or acquired.

**Equity Investments.** Certain clients may make equity investments. The value of equity securities varies in response to many factors. Factors specific to an issuer, such as certain decisions by management, lower demand for its products or services, or even loss of a key executive, could result in a decrease in the value of the issuer's securities. Factors specific to the industry in which the issuer participates, such as increased competition or costs of production or consumer or investor perception, can have a similar effect. The value of an issuer's equity securities can also be adversely affected by changes in financial markets generally, such as an increase in interest rates or a decrease in consumer confidence, that are unrelated to the issuer itself or its industry. In addition, certain clients may make minority equity investments in entities in which the clients do not control the business or affairs of such entities.

**Term Loan Total Return Swap.** Certain clients may obtain leverage for senior term loans and second lien term loans by borrowing funds through a total return swap. Exposure to such loans through the total return swap presents risks in addition to those resulting from direct purchases of the loans.

***Other Risks Associated with Investing:***

**Long-Term Investments.** Certain investments will typically not be liquidated for a number of years after the initial investment. Factors such as overall economic conditions and the competitive environment may shorten or lengthen the intended holding period for any investment or group of investments.

**Lender Liability Considerations and Equitable Subordination.** Courts 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"). Because of the nature of certain of the investments, a client could be subject to allegations of lender liability. 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."

**Fraud; Financial Reporting.** Of paramount concern in lending is the possibility of material misrepresentation or omission on the part of the borrower.

**Diversification Risk.** Certain clients may invest in a limited number of investments. A consequence of a limited number of investments is that the aggregate returns realized by the clients may be substantially affected by the unfavorable performance of a small number of such investments.

**Control Person Liability.** Certain clients may have controlling interests in some of their portfolio companies. The exercise of control over a company may impose additional risks of liability.

**Reliance on Company Management.** Management will be primarily responsible for the operations of the portfolio companies in which a client invests on a day-to-day basis. Although it is the intent of HPS that the clients invest in companies with strong operating management, there can be no

assurance that the existing management team, or any new one, will be able to operate the company successfully.

**Risk Arising from Provision of Managerial Assistance.** The clients may obtain rights to participate in the governance of certain portfolio companies. Such rights could expose the assets of the clients to claims by a portfolio company, its security holders and its creditors, including claims that a client is a controlling person and thus is liable for securities laws violations.

**Creditors Committee and/or Board Participation.** In connection with some of the investments, the clients may, but are not obligated to, seek representation on official and unofficial creditors committees and/or boards (or comparable governing bodies) of the portfolio companies. While such representation may enable the client to enhance the value of the investments, it may also prevent the client from disposing of the investments in a timely and profitable manner, because serving on a creditors committee increases the possibility that the clients will be deemed an “insider” or a “fiduciary” of the portfolio company.

**Bankruptcy.** A client’s investment and lending activities may result in its becoming a creditor in bankruptcy cases. Investment in the debt of financially distressed companies domiciled outside the United States involves additional risks.

**Competitive Debt Environment.** The business of investing in debt investments is highly competitive. Market competition for investment opportunities includes traditional lending institutions, including commercial and investment banks, as well as a growing number of non-traditional participants, such as private funds and other investors. Strong competition for investments could result in fewer investment opportunities for the clients, as certain of these competitors are establishing investment vehicles that target the same or similar investments that the clients intend to purchase.

**Hedging Policies and Risks.** The clients may employ hedging or other risk management techniques. However, unanticipated changes in interest rates, currency exchange rates or securities prices may result in a poorer overall performance for the clients than if they had not entered into such hedging transactions.

**Effect of Changes in Interest Rates on Investments.** Many loans, especially fixed rate loans, decline in value when long-term interest rates increase. Declines in market value, if not offset by any corresponding gains on hedging instruments, may ultimately reduce earnings or result in losses to the clients.

**Investment in the HCM Funds, the HPS Funds and/or the Third Party Funds involves significant risks and is suitable only for investors who can bear the economic risk of loss of their entire investment and who generally have limited need for liquidity in their investment. There can be no assurance that the HCM Funds the HPS Funds and/or the Third Party Funds will achieve their investment objectives. Investment in the HCM Funds, the HPS Funds and/or the Third Party Funds carries with it inherent and material risks that clients may be subject to other than those described above. Additional risks pertaining to specific clients are disclosed in greater detail in the offering materials and/or disclosure documents of each client. We encourage prospective clients to carefully review the full description of risk factors presented in their offering and/or disclosure documents prior to making a decision to invest in the HCM Funds, the HPS Funds and/or the Third Party Funds.**

#### Item 9 - Disciplinary Information

We do not believe that there have been any legal or disciplinary events that are material to our advisory business or the integrity of our management.

## Item 10 - Other Financial Industry Activities and Affiliations

HCM is registered with the CFTC as a commodity trading advisor and commodity pool operator. Certain HCM employees are registered with the CFTC as associated persons of HCM. Certain HCM employees are registered representatives of an affiliated broker-dealer.

HCM, either directly or indirectly, controls, the following Relying Advisers:

- Highbridge Capital Management (UK), Ltd.
- Highbridge Capital Management (Hong Kong) Limited
- Highbridge Principal Strategies, LLC
- Highbridge Mezzanine Partners, LLC
- Highbridge Mezzanine Partners II, LLC
- Constellation Growth Capital LLC
- CVC III Partners LLC
- Highbridge Principal Strategies (UK), LLP.
- HB RV Partners GP, L.P.
- HPS Del Mar GP, L.P.
- HPS Del Mar Offshore GP, L.P.

Each of the Relying Advisers is involved in identifying and monitoring investments recommended or made on behalf of one or more clients. The Relying Advisers conduct no other investment advisory activities. Principals and employees of the Relying Advisers are subject to HCM's Code of Ethics.

Highbridge Capital Management (UK), Ltd. ("**HCMUK**"), a subsidiary of HCM in the United Kingdom, was organized in January 1998 and has its principal place of business at Devonshire House, 1 Mayfair Place, London W1J 8AJ. HCMUK is authorized in the United Kingdom to carry out asset management services to HCM. HCMUK currently provides investment advice solely to HCM with respect to certain HCM Funds.

Highbridge Capital Management (Hong Kong), Limited ("**HCMHK**") was incorporated in March 2004 and is a subsidiary of HCM. HCMHK has its principal place of business at 15 Queen's Road, The Landmark, York House, 14<sup>th</sup> Floor Central, Hong Kong. HCMHK has obtained a license in Hong Kong to carry out asset management services to HCM. HCMHK currently provides investment advice solely to HCM with respect to certain HCM Funds.

Highbridge Principal Strategies, LLC ("**HPS**") was formed in March 2007, Highbridge Mezzanine Partners, LLC ("**HMP**") was formed in November 2007, Highbridge Mezzanine Partners II, LLC ("**HMP II**") was formed in January 2012, Constellation Growth Capital, LLC ("**CGC**") was formed in September 2008, CVC III Partners LLC ("**CVC**") was formed in April 2007, HB RV Partners GP, L.P. ("**HBRV**") was formed in March 2013, and HPS Del Mar GP, L.P. ("**HPDM**") and HPS Del Mar Offshore GP, L.P. ("**HPDM Offshore**") were formed in July 2015. Each of HMP, HMP II, CGC, CVC, HBRV, HPDM, and HPDM Offshore is a subsidiary of HPS, and references in this paragraph to HPS include such subsidiaries. HPS has its principal place of business at 40 West 57th Street, New York, New York 10019. HPS and its affiliates manage and/or serve as general partner to certain private investment vehicles that invest in debt and equity opportunities. In addition, principals of HPS and HCM have made commitments to invest in investment vehicles managed by HPS.

Highbridge Principal Strategies (UK), LLP (“**HPS-UK**”), an indirect subsidiary of HPS in the United Kingdom, was organized in December 2007 and has its principal place of business at Devonshire House, 1 Mayfair Place, London W1J 8AJ. HPS-UK is authorized in the United Kingdom to carry out asset management services. Affiliates of funds managed by HPS and an affiliate of JPM are parties to a services agreement that provides for arm’s length fee arrangements in consideration of certain operational and financial services provided by one or more employees of the JPM affiliate.

HPS operates in Australia pursuant to HCM’s exemption from registration granted by the Australian Securities and Investment Commission to those investment advisers already registered with the SEC.

HCM is engaged in a strategic partnership with Gávea Investimentos Ltda., a majority owned subsidiary of JPM (“**Gávea**”). Gávea is a Brazilian investment manager that was organized in 2003 and its principal place of business is at Av Ataulfo de Paiva, 1100, 7º andar, Rio de Janeiro RJ, 22440-035, Brazil. Gávea is registered with the CFTC as a commodity pool operator and is an exempt reporting adviser relying on the private fund adviser exemption. Gávea generally provides investment advisory services directly and through subsidiary advisory entities. In addition affiliates of Gávea serve as the general partners and directors of funds managed by Gávea.

A trading manager is required to aggregate those futures and options on futures positions that it or its principals own or control for speculative position limit purposes. Therefore, all futures and options on futures positions owned or controlled by HCM will be aggregated for speculative position limit purposes. In the future, positions of other entities that are owned or controlled by HCM or its principals may be aggregated with HCM’s positions. As a result, HCM, as well as any such other entities in the future, may be required to revise trading orders for their respective clients as a result of such aggregation.

As mentioned in Item 5 above, HCM acts as sub-adviser to certain Luxembourg funds pursuant to investment sub-advisory agreements with J.P. Morgan Asset Management (Europe) S.à.r.l.

CGC has a sub-advisory agreement with Bear Stearns Asset Management Inc. (“**BSAM**”), an affiliated investment adviser of HCM, to manage certain private equity funds. BSAM also has a revenue sharing arrangement with CGC.

Certain affiliates of JPM, including, but not limited to, J.P. Morgan Securities LLC, JPMorgan Distribution Services, Inc., J.P. Morgan Institutional Investments, Inc., J.P. Morgan Asset Management Marketing Limited, J.P. Morgan Asset Management (UK) Limited, JPMorgan Asset Management (Europe) S.à.r.l., J.P. Morgan (Suisse) SA, JPMorgan Asset Management (Japan) Limited, JPMorgan Funds (Asia) Limited, JPMorgan Asset Management (Singapore) Limited, J.P. Morgan Securities plc (together with its affiliates, “**JPMS**”) serve as placement agents for HCM Funds and HPS Funds. JPMS does not receive placement fees from HCM Funds and HPS Funds but in certain cases receives fees directly or indirectly from HCM and HPS, as applicable, and from certain investors subscribing for shares/interests in certain HCM Funds and HPS Funds. In addition, JPM, as owner of the HCM Entities, indirectly benefits from the services of JPMS, which places shares/interests in HCM Funds and HPS Funds, by increasing the assets upon which the HCM Entities receive fees directly or indirectly from HCM Funds and HPS Funds. As such, JPM may separately compensate JPMS for certain placement activities undertaken by JPMS on behalf of HCM and HPS Funds.

Certain affiliates of JPM, including J.P. Morgan Bank (Ireland) plc and J.P. Morgan Bank Luxembourg S.A. serve as the administrator and/or custodian for certain HCM Funds and SICAVs.

Certain clients engage in principal transactions with JPM and its affiliates as counterparty, including, but not limited to, J.P. Morgan Securities LLC, Chase Lincoln First Commercial Corporation and J.P.

Morgan Securities plc, and may do so in the future. Certain clients may also engage in agency cross transactions with or through JPM and its affiliates with respect to which JPM or its affiliates receive commissions, fees or markups. These transactions create a conflict of interest between an HCM Entity's interest in assuring that clients receive best execution on all transactions and in limiting or reducing the fees paid by the clients, and an HCM Entity's interest in generating profits and fees for JPM and its affiliates. An agency cross transaction arises when an investment adviser, or any broker-dealer affiliated with the adviser, acts as a broker in a securities transaction for both an advisory client and another client on the opposite side of the transaction. The affiliated broker-dealer effects the securities transaction by transferring (or crossing) the securities from one account to another and earns commissions from both sides. An HCM Entity would not be able to cause a client to enter into principal transactions with JPM absent consent on a transaction-by-transaction basis before completion of each such transaction. In addition, an HCM Entity would not be able to cause a client to enter into agency cross transactions through JPM absent consent on a blanket prospective basis and disclosures on a transaction-by-transaction basis. In order for clients to enter into these principal and/or agency cross transactions with or through JPM, the HCM Entities or any of their affiliates, in an efficient manner that is also consistent with applicable law, including Section 206(3) of the Advisers Act, the board of directors or general partner of the client or the client directly may select a third party unaffiliated with the HCM Entities, or ask the relevant fund investors' advisory committee, to review and approve or disapprove any such transactions consistent with applicable law. In connection with principal transactions, this means that the unaffiliated third party reviews the terms of each transaction before its completion and approves or disapproves it. In connection with agency cross transactions, this means that the unaffiliated third party would be provided with disclosure of certain details regarding the agency cross transactions with other clients of JPM. A more complete description of this process is included in the client's offering and/or disclosure documents. The fee charged by the unaffiliated third party for these services will generally be an expense of the client. Such unaffiliated third party may perform other services for clients, including valuation services.

Certain HCM Funds and HPS Funds will be treated as affiliated entities for purposes of Sections 23A and B of the Federal Reserve Act, as amended. Those sections require that banking subsidiaries of JPM comply with certain standards and restrictions in dealing with affiliates such as HCM Entities. As a result, certain HCM Funds and HPS Funds may be prohibited from engaging in certain transactions directly with JPM.

Certain clients may be deemed indirectly "controlled" for purposes of the Bank Holding Company Act of 1956, as amended (the "**BHCA**"). As a result, so long as such clients are deemed "controlled," those clients will be limited in investment activities, including the amount of their equity investment in a particular issuer, the length of time that they may hold a particular investment, and if applicable, the ability to have input into the business plans of an issuer. In addition, during any time clients are deemed "controlled," for purposes of calculating maximum permitted ownership under various statutes, positions held by such clients will be aggregated with positions held by JPM and certain accounts managed by affiliates of JPM.

### **JPM Special Purpose Vehicles**

JPM and its affiliates have established various special purpose vehicles (the "**JPM SPVs**") for certain JPM clients to hold interests in certain HCM Funds and HPS Funds. Neither HCM nor HPS serves as the investment manager of the JPM SPVs.

J.P. Morgan Private Investments Inc. ("**JPMPI**"), a wholly owned subsidiary of JPM, is the administrator of the JPM SPVs. JPMPI, on behalf of the JPM SPVs, has engaged Harmonic Fund Services ("**Harmonic**") to provide certain administrative functions to the JPM SPVs. Harmonic also serves as the administrator for certain HCM Funds, and HPS Funds. JPMPI has no role in the business, operations,

investments or investment decisions of HCM Funds or HPS Funds, and JPMPI does not serve as administrator to HCM Funds or HPS Funds.

The HCM Entities may in the future advise other managed accounts and may establish and/or advise other investment vehicles.



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

HCM has adopted a Code of Ethics (the “**Code**”) and each of the Relying Advisers has adopted the Code. The Code obligates all principals, officers, directors, employees and other persons associated with the HCM Entities or designated by the Compliance Department (“**Supervised Persons**”) to put the interests of the clients of the HCM Entities before their own personal interests in connection with their fiduciary duties. All of the Supervised Persons are also required to comply with all applicable federal securities laws and to report violations of the Code. As part of the Code of Ethics, HCM has adopted policies and procedures that are designed to mitigate potential conflicts of interest including, but not limited to, those related to insider trading and the misuse of material, non-public information, personal trading, political contributions, and outside activities. HCM also maintains a gifts and entertainment policy requiring the reporting of gifts and entertainment and restricts the acceptance of certain gifts. On at least an annual basis, but more often quarterly, Supervised Persons are required to complete certifications with respect to their personal accounts, holdings, transactions, political contributions, outside activities, and gifts and entertainment for the preceding period. Additionally, all HCM employees are subject to certain JPMC firm-wide policies and procedures including the JPMC Code of Conduct. HCM employees are required to periodically, but no less than annually, certify that they have complied with the provisions contained in the JPMC Code of Conduct.

As part of HCM’s personal trading policy, Supervised Persons of the HCM Entities are required to disclose their securities holdings. Trading in securities in personal accounts of Supervised Persons as well as the purchase of any private placement or other private investment is subject to preclearance by HCM’s Compliance Department (the “**Compliance Department**”). Holding periods (generally 60 days) apply to purchases and sales of securities in personal trading accounts. Securities that have been or may be traded for client accounts may not be traded in personal trading accounts during certain blackout periods. Generally, no Supervised Person may purchase a security in an initial public offering. Trading in employee accounts is reviewed by the Compliance Department on a pre- and post-trade basis. The Compliance Department may choose to grant exceptions to the personal trading policy in limited circumstances, based on the consideration of individual facts and circumstances.

Clients and prospective clients may obtain access to a copy of the Code by contacting the Compliance Department at (212) 287-4900.

HCM has adopted Information Barrier policies and procedures related to communications between employees of the HCM Entities, which generally prohibit the sharing of information between HCM and HPS. In addition to the information barrier between HCM and HPS, there exists an information barrier, and associated policies and procedures, between JPM and the HCM Entities, which also generally prohibit the sharing of information between the HCM Entities and JPM. As such, HCM maintains one or more restricted lists which are composed of companies whose securities are subject to certain trading prohibitions due to HCM’s, HPS’s, JPM’s or their affiliates’ business activities.

The principals, employees or other related persons of the HCM Entities may from time to time purchase interests in one or more clients. In addition, such principals may also serve on the board of directors of certain HCM Funds or HPS Funds. The offering memorandum of each client that is provided to each investor discloses such affiliated directorship, where applicable.

As described in Item 10 above, certain clients engage in principal transactions with JPM and its affiliates as counterparty, and may do so in the future.

Subject to requirements of applicable law, and without limiting the generality of the foregoing, an HCM Entity may from time to time cause a client to sell or transfer a security or an instrument to another client. HCM Entities may engage in the practice of cross trading in order to “rebalance” the portfolios, where a particular client needs liquidity, where investment objectives differ, to reduce or eliminate transaction costs or market impact, in order to combine accounts or otherwise. HCM has adopted policies and procedures designed to appropriately manage the conflicts associated with such transactions.

HCM Entities may from time to time select JPMS as executing broker in transactions for clients. Such HCM Entity will be acting in a fiduciary capacity and JPMS will receive normal consideration for the services it renders. HCM Entities may effect trades on behalf of client accounts through exchanges, electronic communication networks or other alternative trading systems (“ECNs”), including ECNs sponsored by JPM or in which an HCM Entity or its affiliates have a direct or indirect ownership interest or on which an HCM Entity or its affiliates have a board seat. In certain instances, the HCM Entities and/or their affiliates may be deemed to control one or more such ECNs based on the level of such ownership interest and board representation.

If an HCM Entity directly or indirectly effects client trades through ECNs in which the HCM Entity or its affiliates have an ownership interest, the HCM Entity or its affiliates may receive a direct or indirect economic benefit based on their ownership interest. For example, HCM Entities may effect client trades through JPM-X, an ECN sponsored and wholly-owned by JPM. The ECNs on which an HCM Entity trades for client accounts and in which an HCM Entity or its affiliates own interests may change from time to time. You may contact HCM for an up-to-date list of ECNs in which HCM or its affiliates own interests and on which HCM trades for client accounts.

Certain ECNs offer cash credits for orders that provide liquidity to their books and charge explicit fees for orders that extract liquidity from their books. From time to time, the amount of credits that HCM receives from one or more ECNs may exceed the amount that is charged. Certain ECNs through which an HCM Entity may directly or indirectly effect client trades execute transactions on a “blind” basis, so that a party to a transaction does not know the identity of the counterparty to the transaction. It is possible that an order for a client account that is executed through such a ECN could be automatically matched with a counterparty that is (i) another investment advisory or brokerage client of an HCM Entity or one of its affiliates or (ii) an HCM Entity or one of its affiliates acting for its own proprietary accounts.

JPM and its affiliates have, and continue to seek to develop, banking and other financial and advisory relationships with numerous domestic and overseas companies and governments. JPM and its affiliates also advise and represent potential buyers and sellers of businesses worldwide. Clients may have invested in, or may wish to invest in, such an entity represented by JPM or its affiliates or with which JPM or its affiliates have a banking or other financial relationship. JPM and its affiliates also have relationships with, and represent, entities that may have invested in or may wish to invest in companies in which the client invests. In addition, JPM and its affiliates may represent, or may provide acquisition financing to, a client competing with the client for an investment in a company. In providing services to its clients, JPM and its affiliates may recommend activities that would compete with or otherwise adversely affect the client or the client’s investments. It should be recognized that under certain circumstances identified actual or potential conflicts arising from such relationships may indirectly preclude the client from engaging in certain transactions and may constrain the client’s investment flexibility. The HCM Entities on behalf of clients, consistent with regulatory requirements and relevant client guidelines, may purchase securities or participate in offerings including, but not limited to, Initial Public Offerings (“**IPOs**”) and secondary offerings, in which JPM or an affiliate act as a manager, co-manager, underwriter, placement agent, arranger or in another capacity in which JPM or an affiliate receives fees or other compensation. In addition, an investment could be made where there is an indirect benefit to JPM or its affiliates (e.g., if the proceeds of the investment were used by the issuer to repay a loan that had been provided to the issuer

by JPM or its affiliates). In addition, purchases may be made in offerings where JPM or its affiliates (or funds advised by its affiliates) are selling shareholders. Participation in such offerings are reviewed by Compliance to ensure that any such potential conflicts are identified and mitigated in accordance with regulatory requirements and internal procedures.

From time to time, the activities of certain clients may be restricted because of regulatory requirements applicable to JPM or its internal policies designed to comply with, limit the applicability of, or that otherwise relate to such requirements. An investment fund not affiliated with JPM would not be subject to some of those considerations in relation to transactions with JPM. There may be periods when an HCM Entity may not initiate or recommend certain types of transactions, or may otherwise restrict or limit its advice in certain securities, derivatives and other instruments issued by or related to companies for which JPM is performing investment banking, market making or other services or has proprietary positions. For example, when JPM is engaged in an underwriting or other distribution of securities of, or advisory services for, a company, certain clients may be prohibited from or limited in purchasing or selling securities of that company. In addition, there may be certain investment opportunities, investment strategies or actions that an HCM Entity will not undertake on behalf of a client in view of JPM's client or firm activities.

If permitted by applicable law, including the Volcker Rule, certain clients will make short-term investments of excess cash in money market funds and other instruments sponsored or managed by JPM and/or its affiliates. In connection with any of these investments, such clients will pay all fees pertaining to investments in such money market funds, and, in such event, no portion of any fees otherwise payable by the clients will be offset against fees payable in accordance with any of these investments (i.e., there could be "double fees" involved in making any of these investments). In these circumstances, as well as in other circumstances in which JPM or its affiliates receive any fees or other compensation in any form relating to the provision of services, no accounting or repayment to such clients will be required. Currently, certain HCM Funds, HPS Funds and Third Party Funds invest in such money-market funds.

JPM and its affiliates may provide financial, consulting, investment banking and other services to, and receive customary compensation from, an entity which is the issuer of a security or the borrower with respect to a loan investment purchased or held by a client. In addition, JPM and its affiliates may provide financial, consulting, investment banking and other services to the HCM Entities. Any fees or other compensation received by JPM or its affiliates in connection with such activities will not be shared with the client or any investor in the client. Such compensation could include financial advisory fees or fees in connection with restructurings or mergers and acquisitions, as well as underwriting or placement fees, financing or commitment fees, trustee fees and brokerage fees. Moreover, when JPM or its affiliates provide or arrange financing to a borrower in which a client has invested, the holder of the senior securities (which may include JPM or its affiliate) may have, and in the event of the borrower's financial distress or insolvency will have, interests substantially divergent from those of the client. There can be no assurance that JPM will be able to accommodate the interests of such client or that of its other clients.

JPM may derive ancillary benefits from providing investment advisory, distribution, transfer agency, administrative and other services to clients, and providing such services to a client may enhance JPM's relationships with various parties, facilitate additional business development and enable JPM to obtain additional business and generate additional revenue. In addition, JPM may derive ancillary benefits from certain decisions made by the HCM Entities. While the HCM Entities will make decisions for their clients in accordance with their obligations to manage their assets appropriately, the fees, allocations, compensation and other benefits to JPM (including benefits relating to business relationships of JPM) arising from those decisions may be greater as a result of certain portfolio, investment, service provider or other decisions made by the HCM Entities for certain clients than they would have been had other decisions been made which also might have been appropriate for such clients.

Under certain circumstances, clients may invest in connection with a transaction in which JPM and/or HCM or their affiliates, principals or employees (the “**Affiliated Group**”) have already invested or are expected to invest. In some cases, an HCM Entity may invite JPM or its affiliates or such HCM Entity’s principals to co-invest with the clients because, for example, the investment opportunity is larger than the typical investment amount for the clients or because co-investing with the Affiliated Group may provide the clients or the portfolio company in which the clients invest with certain benefits. In such cases, the amount available for investment by the clients may be correspondingly reduced to permit the Affiliated Group the opportunity to co-invest. Clients may also partner with other entities in which the Affiliated Group holds an investment or with which the Affiliated Group has a significant business relationship. An HCM Entity has the discretion to grant co-investment rights and to determine the terms of any co-investment by its clients, and the terms on which the Affiliated Group may co-invest in an investment opportunity may be substantially different, and potentially more favorable, than the terms on which such clients invest.

In addition, the terms of the clients’ investment, including the type of security purchased, may be different from the terms of the Affiliated Group’s investment or the type of security the Affiliated Group purchases. Conflicts could arise after the Affiliated Group on the one hand, and the clients on the other hand, make investments in the same issuer with respect to the issuer’s strategy, growth and financing alternatives and with respect to the manner and timing of the clients’ exit from the investment compared to the Affiliated Group’s exit. Should the Affiliated Group invest in a different type of security from the security purchased by the clients, additional conflicts may arise, particularly if the issuer experiences financial difficulties.

The Affiliated Group may also have short positions in the same security or instrument or a different security or instrument in the same issuer as a security or instrument purchased by the clients, which may present additional conflicts, particularly if the issuer experiences financial difficulties.

JPM and/or its affiliates, subject to applicable law, may also make a market in and conduct proprietary trading activities in securities of, or other investments in, companies in which a client invests for JPM’s own account, or accounts of its affiliates, and for the account of JPM’s or its affiliates’ clients. Such activities will be conducted independently of the client but could affect the value of securities held by the client.

HCM Entities may recommend that certain clients (including client funds) invest all of their investable assets in other client funds pursuant to a master-feeder fund structure. In addition, HCM and its affiliates, on the one hand, and one or more clients, on the other, may invest in different classes of securities of the same issuer, and the classes in which HCM and its affiliates invest may not have the same rights as the classes in which such clients invest. Moreover, multiple clients may pursue or enforce rights with respect to a particular issuer, or HCM, JPM and/or their affiliates may pursue or enforce rights with respect to a particular issuer on behalf of one or more clients, and such actions may not always be favorable to each of the clients. Finally, in certain instances, personnel of an HCM Entity may obtain information about an issuer that is material to the management of certain clients’ portfolios and that could limit the ability of personnel of the HCM Entities to buy or sell securities of the issuer on behalf of other clients. These facts are disclosed, when applicable, in the offering memorandum of each client that is provided to each investor.

The principals, employees or other related persons of the HCM Entities may from time to time purchase interests in certain client funds that are “master funds” in which certain other client funds invest pursuant to a master-feeder fund structure.

The principals, employees or other related persons of the HCM Entities may from time to time serve as directors of companies that clients invest in and, in that capacity, will be required to make decisions that they consider to be in the best interests of such companies. In certain circumstances, such as in situations involving bankruptcy or near insolvency of a company, actions that may be in the best interest of such company may not be in the best interests of the clients, and vice versa. Accordingly, in these situations, there may be conflicts of interests between an individual's duties as a principal, employee or other related person of an HCM Entity and such individual's duties as a director of such company.

In addition, members of the Affiliated Group may trade for their own accounts and may invest in and trade the same securities and instruments that a client invests in and trades. In addition, the Affiliated Group may manage accounts for other individuals or entities, including entities in which the Affiliated Group or its directors or employees may hold an interest, either directly in managed accounts or indirectly through investments in private investment entities. Any of such accounts may pay different fees, trade with different amounts of leverage or utilize different trading strategies than the clients. In addition, clients may enter into transactions with such accounts and the Affiliated Group may invest in and trade the same securities and instruments on behalf of such accounts that a client invests in and trades. The Affiliated Group or its personnel may have income or other incentives to favor such accounts. The HCM Entities, however, will not knowingly or deliberately favor any such accounts over the clients in its dealings on behalf of such accounts.

## Item 12 - Brokerage Practices

### **Selection Criteria, Generally**

In general, clients will invest directly or indirectly in securities and other interests. Subject to any limitations set out in the investment management agreements with Third Party Funds, an HCM Entity may select any broker or dealer, including its affiliates, and has a formal review process to approve such relationships. Each HCM Entity, as an investment adviser, is under a duty to obtain “best execution,” which the SEC generally describes as a duty to execute securities transactions so that a client’s total costs or proceeds in each transaction are the most favorable under the circumstances. This duty generally begins with a requirement that the HCM Entity obtain the best price available for the securities in each transaction. However, the HCM Entity may not always pay the lowest possible commission or markup or markdown, but may take into account a number of factors when determining best execution, including, but not limited to, a broker’s trading expertise, reliability, responsiveness, reputation, execution, clearance, settlement and error correction capabilities, willingness to commit capital, access to a particular trading market, availability of securities to borrow or short sales, and the value of research it provides. An HCM Entity may give consideration to certain of these factors more than others in choosing brokers depending on the particular investment strategy at issue. Each HCM Entity conducts periodic reviews of the execution quality provided by broker-dealers used by such HCM Entity. Each HCM Entity may have an incentive to select or recommend a broker-dealer based on its interest in receiving the research or other products or services, rather than solely relying on receiving the most favorable execution.

### **Soft Dollars**

An HCM Entity is not required to select the broker or dealer that charges the lowest transaction cost, even if that broker provides execution quality comparable to other brokers or dealers. An HCM Entity may consider the value of research services or products that a broker-dealer provides to the clients of such HCM Entity. Because many of those research services could benefit such HCM Entity and other clients of such HCM Entity, a conflict of interest may exist in allocating a client’s brokerage business. Each HCM Entity intends to comply with Section 28(e) of the Securities Exchange Act of 1934, as amended, except with respect to securities transactions for which Section 28(e) is unavailable. Under Section 28(e), an HCM Entity’s use of a client’s commission dollars to acquire research products and services is not a breach of its fiduciary duty to the client—even if the brokerage commissions paid are higher than the lowest available—as long as (among certain other requirements) such HCM Entity determines that the commissions are reasonable compensation for both the brokerage services and the research acquired. The types of research HCM Entities acquired during the last fiscal year includes, but is not limited to: reports or other information about particular companies or industries; economic surveys and analyses; recommendations as to specific securities and financial publications. The “safe harbor” under Section 28(e) applies to the use of the client’s “soft dollars” even when the research acquired is used in making investment decisions for other clients. Conversely, the research information provided to an HCM Entity by brokers through which other clients of HCM or its affiliates effect securities transactions may be used by HCM or its affiliates in providing services to other clients. The safe harbor is not available where transactions are effected on a principal basis with a markup or markdown paid to the broker-dealer, and is not available for services or products that do not constitute research. Additionally, the safe harbor is not applicable to futures transactions. The HCM Entities do not currently engage in any third-party soft dollar arrangements.

### **Prime Brokers and Futures Commission Merchants**

Prime brokers and futures commission merchants may provide a variety of services to HCM Funds, HPS Funds and other clients of the HCM Entities, which may include clearance and settlement of transactions, placement agent services, custody of the clients’ investment instruments and cash, extending margin credit to clients, arranging for stock loans to implement short sales, lending of the clients’ portfolio

securities to third parties and capital introduction services whereby the HCM Entities may be afforded the opportunity by the prime brokers and/or futures commission merchants to make a presentation regarding its services to certain qualified investors. While the prime brokers, futures commission merchants and/or their affiliates generally provide capital introduction services at no additional cost and certain other services at favorable or below market rates, the HCM Entity, and not the client, may be the principal or sole beneficiary of those services, thus presenting a potential conflict of interest between the client and the HCM Entity, which is responsible for selecting the prime brokers and/or futures commission merchants and negotiating such client's brokerage, margin and other fees. An HCM Entity may have brokerage relationships with other clients of the HCM Entities which may benefit such other clients, thus presenting a potential conflict of interest between such other clients and such HCM Entity.

HCM currently engages certain brokers, affiliates of which may refer investors to certain HCM Funds. HCM pays a portion of the management fee and/or incentive fee to such affiliates of the brokers for referring investors to HCM Funds.

The HCM Entities do not currently have any clients that engage in direct brokerage.

#### **Aggregation and Allocation**

Aggregation (or "bunching") describes the practice of combining the orders of more than one client for the purchase or sale of the same security. The HCM Entities will often employ this practice because generally, larger transactions may enable them to obtain better overall prices, including lower commission costs or mark-ups or mark-downs. In the event that an aggregated order is not completely filled (or is filled throughout the trading day at different prices), the partially filled order (or the various prices) will be average priced and allocated on a fair and consistent basis. With respect to the statistical arbitrage portfolios, because each portfolio has its own dedicated Optimizer, trade lists are not aggregated and orders are sent to market for specific portfolios. Therefore, there is no post trade allocation required.

Subject to applicable law, including the Employee Retirement Income Security Act of 1974, as amended, HCM has developed policies and procedures that provide that it will allocate investment opportunities and make purchase and sale decisions among clients in a manner that it considers, in its sole discretion and consistent with its fiduciary obligation to the clients, to be reasonable. In many cases, these policies may result in the pro rata allocation of limited opportunities across clients' accounts, but in many other cases, the allocations may reflect numerous other factors based upon HCM's good faith assessment of the best use of such limited opportunities relative to the objectives, limitations and requirements of each client and applying a variety of factors, including those described herein. HCM seeks to treat all clients reasonably in light of all factors relevant to managing an account, and in some cases it is possible that the application of the factors described below may result in allocations in which certain clients may receive an allocation when other clients do not. Similarly, HCM may cause the liquidation of such positions for clients in its discretion in accordance with the foregoing principles. Such allocations or liquidations may benefit one client over another or may be detrimental to a client. Certain clients may be restricted from making some types of investments due to (i) regulatory prohibitions, such as with respect to "new issue" securities; (ii) prohibitions on investing in options or other contractual restrictions; or (iii) differing investment objectives, policies or risk parameters.

Without limiting the generality of the foregoing, certain of the SICAVs employ trading strategies similar or substantially similar to the trading strategies employed on behalf of one or more HCM Funds. Certain of the SICAVs, however, do not employ certain categories of strategies or instruments employed by the related HCM Funds. There is a conflict of interest between the interest of investors investing in the HCM Funds to benefit from such strategies and/or instruments and the interest of HCM in allocating investment opportunities to the HCM Funds from which HCM receives higher fees. This allocation of investment

opportunities may, among other reasons, impact the relative performance of such SICAV and their related HCM Funds.

Initial public offerings and secondary offerings are purchased for certain HCM Funds and HPS Funds as disclosed in applicable offering memoranda.

HCM Entities anticipate that certain clients may make an investment in a company in which another client holds an investment in a different class of such company's debt or equity. In such circumstances, HCM may face a conflict in making decisions with respect to such securities given their different rights and economic interest in the company. Generally speaking, HCM expects that clients will make such investments only when, at the time of its investment, HCM believes that such investment is in the best interests of the client, notwithstanding the potential for conflict. In those circumstances where HCM clients hold investments in different classes of a company's debt or equity, HCM may, to the fullest extent permitted by applicable law, take steps to reduce the potential for adversity between each of them, including causing the first account to take certain actions that, in the absence of such conflict, it would not take, such as (i) remaining passive in a restructuring or similar situations (including electing not to vote or voting pro rata with other security holders), (ii) investing in the same or similar classes of securities as the second client in order to align their interests, (iii) divesting investments or (iv) otherwise taking an action designed to reduce adversity. Any such step could have the effect of benefiting one HCM client or HCM or its affiliates and might not be in the best interests of or may be adverse to another client.

HPS endeavors to allocate investment opportunities fairly and equitably among the HPS Funds and any similarly managed Third Party Funds. When HPS purchases and sells securities for more than one account, the trades must be allocated in a manner that is consistent with HPS's fiduciary duties. No one account may be systematically favored over another in the allocation of orders.

HPS also has policies and procedures in place for allocating investment opportunities and making acquisition and disposition decisions among the HPS Funds and similarly managed Third Party Funds in a manner that it considers, in its discretion and consistent with its fiduciary obligation to its clients, to be reasonable. In many cases, allocations will be made pro rata across eligible HPS Funds and similarly managed Third Party Funds, but in many other cases, depending on which of the HPS Funds and similarly managed Third Party Funds are eligible for a certain investment opportunity, the allocations may reflect other factors based upon HPS's good faith assessment of the best use of such limited opportunities relative to the objectives, disclosure to and agreements with applicable clients including, limitations and requirements of each of its clients and applying a variety of other factors.

Due to specific guidelines and investment parameters for individual HPS Funds and any similarly managed Third Party Funds, pro-rata allocations may not always be appropriate. Allocation decisions are also made dependent upon each HPS Fund's or similarly managed Third Party Fund's holdings, positioning and objectives at the specific time an allocation is made. Some of the factors that may be considered during the allocation process include, but may not be limited to, investment strategies, investment guidelines and restrictions, concentration limits, tax and regulatory issues, the nature and size of existing portfolio holdings, portfolio cash positions, and risk/return objectives. As a result, HPS may exercise a certain level of discretion during the allocation process and will accompany an allocation decision with an appropriate explanation of such decision.

#### **Trade Error**

Although the HCM Entities exercise due care in making and implementing investment decisions, employees of the HCM Entities may from time to time make errors with respect to trades made on behalf of a portfolio. Examples of trade errors include: (i) the placement of orders (either purchases or sales) in excess of the amount of securities the applicable HCM Entity intended to trade; (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 explicit regulatory restrictions or portfolio investment guidelines or explicit restrictions; and (vi) incorrect allocations of securities. Errors that do not result in transactions for a portfolio (such as transactions that result in loss of an investment opportunity) will not be viewed as trade errors. The applicable HCM Entity will not be liable to a portfolio for any trading losses, liabilities, damages, expenses or costs resulting from trade errors by the applicable HCM Entity except those losses, liabilities, damages, expenses or costs (i) resulting from the applicable HCM Entity's intentional misconduct, bad faith or gross negligence or (ii) that may not be waived or limited under applicable law. When determining whether a trade error is the result of gross negligence or not, the HCM Entities do not determine whether the individual trading error resulted from the applicable HCM Entity's gross negligence *per se*; rather, the HCM Entities consider if their supervisory procedures were inadequate to prevent such trading errors from recurring with any frequency. HCM Entities will be conflicted when making such decision.

#### **Multiple Trading Desks and Similar Strategies**

The HCM Entities have multiple trading desks, which are utilized by different portfolio managers and managed by different traders. As noted in Item 8 above, the HCM Entities employ a variety of trading and investment strategies by which the HCM Funds, HPS Funds, SICAVs, and Third Party Funds are managed. In certain instances, one or more of the portfolio managers utilizing an HCM strategy may invest similarly (either by strategy or security type, etc.) to that of one or more of the portfolio managers utilizing an HPS strategy. There may also be an instance where an HCM portfolio manager utilizes a strategy similar to that of another HCM portfolio manager or an HPS portfolio manager utilizes a strategy similar to that of another HPS portfolio manager. The existence of similar strategies employed by multiple portfolio managers utilizing multiple trading desks may result in the trading desks placing simultaneous competing orders and/or opposite orders for the same or similar securities, which could cause one or more adverse consequences, including, among other things, paying a higher price or receiving a smaller allocation, for HCM Funds, HPS Funds, SICAVs, and/or Third Party Funds. The existence of similar strategies employed by multiple portfolio managers utilizing multiple trading desks may also result in opposite and/or subordinated positions being held in the same issuer's securities due to the individual portfolio manager's conviction and the applicable investment guidelines for the HCM Funds, HPS Funds, SICAVs, and/or Third Party Funds, which may present additional potentially adverse consequences, especially if the issuer experiences financial difficulties.

### Item 13 - Review of Accounts

The aggregate portfolio risk exposures are continuously monitored and reviewed for HCM Funds by an experienced in-house risk management team at the direction of HCM's Chief Risk Officer. Generally, these reviews are performed to assess risk exposure across the spectrum of the HCM Entities' investment activities and are driven by risk factor models, stress testing and scenario analysis. Additionally, in conjunction with the Risk Management team, the Chief Compliance Officer and/or his designee(s) conduct routine reviews of trading activity in client accounts. Transactions are reviewed to ensure compliance with internal policies and procedures, applicable regulatory limitations and certain investment guidelines.

The risk exposures, trading activity, and profit and loss of HPS portfolios are reviewed daily by the risk and finance teams who report to HPS's Chief Financial Officer (who also serves as Chief Risk Officer of HPS). In addition, a detailed valuation process for illiquid assets is conducted on either a monthly or quarterly basis and is audited annually by an independent third party. HPS investment professionals also conduct portfolio reviews on no less than a monthly basis. Additionally, in conjunction with the HCM and HPS Risk teams, the Compliance Department conducts routine reviews of trading activity in client accounts. Transactions are reviewed to ensure compliance with internal policies and procedures, applicable regulatory limitations and certain investment guidelines.

On a daily basis the Operations team within HCM is responsible for reconciling transactions executed to ensure the accuracy of the books and records of the HCM Entities.

Clients and/or shareholders and limited partners of HCM Funds will generally be sent bi-monthly performance estimates. In addition, shareholders or limited partners of HCM Funds, HPS Funds and Third Party Funds will generally be sent written monthly and/or quarterly performance statements setting forth customary information and certain additional information as agreed between certain shareholders or limited partners and the applicable HCM Entity. In addition, each shareholder and limited partner of the HCM Funds and the HPS Funds will receive written annual reports containing audited financial statements and other indicia of performance. Certain Third Party Funds receive a daily transaction report for the purposes of daily portfolio reconciliation. HCM Entities may provide clients with additional information on an as requested basis. Additionally, certain Third Party Funds receive additional reports, the frequency and details of which are set out in the relevant Third Party Fund's investment management agreement.

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

Placement agents, including solicitors, who refer investors to HCM Funds and HPS Funds are paid separately by HCM and HPS. Such placement agents include, but are not limited to, JPMS and certain affiliates of the brokers of certain HCM Funds and HPS Funds. Certain placement agents, including JPMS, receive fees directly from investors subscribing for shares/interests in such HCM Funds and HPS Funds, as the case may be, in addition to any compensation received from HCM and HPS.

Conflicts of interest may exist with respect to the use of such placement agents. The potential for placement agents affiliated with JPM, such as JPMS, and for JPM itself, to receive (directly or indirectly) compensation in connection with investors' subscriptions for interests in HCM Funds and HPS Funds creates a conflict of interest in recommending that the potential investors purchase such interests. In addition, JPM, as owner of the HCM Entities, indirectly benefits from the services of affiliated placement agents, such as JPMS, which place interests in HCM Funds and HPS Funds, by increasing the assets upon which the HCM Entities receive fees from the clients. Moreover, an affiliated placement agent, such as JPMS, may also be an affiliate of a prime broker of certain HCM Funds, in which case the prime broker indirectly benefits from the services of such placement agent because the placement agent places interests in the HCM Fund, which increases the assets upon which the prime broker receives brokerage commissions from the HCM Fund.

Compensation to placement agents, if any, will be in accordance with Rule 206(4)-3 under the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”).

## Item 15 – Custody

The HCM Entities do not generally maintain custody of client funds or securities except with respect to certain HCM Funds, HPS Funds, and/or Third Party Funds managed by HCM or HPS where an HCM Entity or its affiliate acts as general partner or qualified custodian for such entity. The HCM Entities are subject to the audit provision of Rule 206(4)-2 under the Advisers Act with respect to certain of the client funds over which they have custody and deliver audited financial statements to the investors in such client funds within 120 days of the applicable fiscal year-end. In addition, the assets of such HCM Funds, HPS Funds, and/or Third Party Funds over which the HCM Entities have custody are held by qualified custodians in accordance with Rule 206(4)-2.

#### Item 16 - Investment Discretion

The HCM Entities have discretionary authority to manage the securities portfolios of their respective clients pursuant to investment management agreements with such clients, which customarily do not place limitations on the HCM Entities' authority to manage a client's portfolio, except in limited circumstances where certain Third Party Funds have consent and/or opt out rights with respect to certain investments. The HCM Entities' discretionary authority is generally subject to such restrictions as set forth in each client's offering documents or agreements with such client and/or the rules and regulations of any exchange or market on which HCM and HPS trade securities on behalf of their respective clients. For certain HPS Funds, an investment committee exists that collectively has discretionary authority over investment decisions for the applicable HPS Fund.

## Item 17 - Voting Client Securities

The HCM Entities have the authority to vote client securities on behalf of HCM Funds, HPS Funds and certain Third Party Funds. The proxy voting procedures for the HCM Entities are designed to address the resolution of any conflicts of interest that may arise in connection with proxy voting. The HCM Entities are responsible for voting and handling all proxies in relation to the securities held on behalf of the clients.

The HCM Entities have contracted with Institutional Shareholder Services (“ISS”), a division of RiskMetrics Group, to vote proxies received by the HCM Entities for certain clients. Generally, ISS proxy voting guidelines provide for votes on a case-by-case basis and pursuant to certain guidelines. The proxy voting procedures for the HCM Entities also require that the applicable HCM Entity identify to ISS, and address, conflicts of interest between the applicable HCM Entity and its clients. At times, a Portfolio Manager may determine to vote a proxy contrary to the proposed vote of ISS. In such instances, the Portfolio Manager is required to confirm to the Compliance Department that no material conflict of interest exists personally or with the applicable HCM Entity.

Clients may obtain a copy of the procedures for the HCM Entities and information about how the applicable HCM Entity voted a client’s proxies by contacting the Compliance Department at (212) 287-4900.

#### Item 18 - Financial Information

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