

FIRM BROCHURE

(PART 2A OF FORM ADV)

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This brochure provides information about the qualifications and business practices of Chenavari Credit Partners LLP. If you have any questions about the contents of this brochure, please contact us at +44 (0) 207 259 3600, or by email at: compliance@chenavari.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. Registration with the SEC or a state securities authority does not imply a certain level of skill or training.

Additional information about Chenavari Credit Partners LLP also is available on the SEC's website at www.adviserinfo.sec.gov

ITEM 2: MATERIAL CHANGES

Material Changes since the Last Update

Chenavari Credit Partners LLP's ("Chenavari" or the "Firm") last annual update of its Brochure was December 2015 and there have been no material disclosures to make.

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ITEM 4: ADVISORY BUSINESS

Firm Description

Chenavari Credit Partners LLP (also referred to in this brochure by its trading name of “**Chenavari Investment Managers**”) is a specialized alternative asset-manager dedicated to fixed income credit products. The Firm is a company registered in England and Wales and governed by the law under the UK Companies Act 2006. The Firm was incorporated on 20 May 2008 with principle place of business at 1 Grosvenor Place, London SW1X 7JH, with registration number OC33743.

The Firm is authorised and regulated by the UK Financial Conduct Authority 484392 as an investment adviser and discretionary portfolio manager, the US Commodities and Futures Trading Commission (No. 0426351) as a commodity pool operator, and registered with the US Securities Exchange Commission (the “SEC”) (No. 801-72662) as an investment adviser. Please note that these registrations do not imply a particular level of skill or training on behalf of the Firm.

For individual mandates, we work with clients to create investment guidelines mutually acceptable to the client and Chenavari which may impose investment restrictions on certain individual or types of securities. Clients who impose investment restrictions may limit the Firm’s ability to employ a strategy resulting in investment performance that differs from the intended strategy and from other clients which do not have such restrictions.

Chenavari provides discretionary investment management and advisory services to pooled investment funds, separate account mandates for institutional investors, multi-managers and family offices globally. This includes advisory services to US and non-US clients. The Firm’s mission statement is to deliver a stable investment performance to our clients through active investment management focussed on maximizing total returns while minimizing investment volatility.

In addition to the above, Chenavari also serves as a collateral/ portfolio manager of structured credit products so-called synthetic collateralized debt obligations (CDO). CDOs repackage assets such as corporate loans and mortgage bonds into new debt with varying degrees of risk. Synthetic CDOs sell credit-default swaps that receive annual premiums in return for taking on the risk of losses from defaults on corporate bonds and other debt.

Principal Owners

The principal owners of Chenavari are Loic Fery, Frederic Couderc and Chenavari Financial Group (an entity of which Mr. Fery and Mr. Couderc are the principal owners).

Types of Advisory Services

Chenavari is a dedicated credit asset-manager with investment allocations within the credit asset-class, including:

- Investment Grade Corporate Credits
- High Yield & Financial Corporate Credits
- Leveraged Loans
- Structured Finance securities
- Real Estate Debt
- SME Direct Loans
- Equity
- Trade finance

The credit investment strategies pursued evolve depending on opportunities arising in credit markets and can broadly be defined as follows:

- Credit Spread Neutral/ Convexity strategies
- Relative Value strategies
- Directional strategies
- Regulatory Capital Strategy
- Direct Lending Strategy

Investment strategies are deployed across several investment vehicles, with various liquidity terms:

- Highly liquid investment vehicles (weekly/monthly liquidity)
- Mid-term liquidity profile (semi-annual to 2-year liquidity)
- Longer term vehicles (5+ years lock)

Chenavari manages several investment funds (“Funds”), which seek to achieve returns within credit markets, including the following:

Chenavari Multi-Strategy Credit Fund Limited, a Cayman Islands exempted company (the “Multi-Strategy Fund”), focused on corporate credit markets, this fund pursues strategies including, but not limited to, relative value, credit spread neutral and convexity strategies.

Chenavari Investment Management (Luxembourg) S.a r.l., a Luxembourg open-ended investment company organized as a partnership limited by shares under the laws of Grand Duchy of Luxembourg and qualifies as a Société d’investissement à capital variable – fonds d’investissement spécialisé (“Chenavari Luxembourg”), focused on stressed/distressed European mezzanine structured finance investments. Chenavari Luxembourg is an authorised Alternative Investment Fund Manager as defined by the Alternative Investment Fund Managers Directive 2011/61/EU.

Chenavari European Opportunities Credit Master Fund LP, a limited partnership registered under the laws of Delaware. This fund’s strategies are focused on ABS, real estate debt and regulatory capital

Chenavari European Structured Credit Master Fund LP, a limited partnership registered under the laws of Delaware, focusing on strategies covering ABS, long/short corporate credit and real estate debate.

CIM SG European Opportunities Master Fund LP, an exempted Limited Partnership organized under the laws of the Cayman Islands and is focused on the regulatory capital strategy.

Chenavari European Deleveraging Opportunities Fund (GP) Limited, an exempted Limited Partnership organized under the laws of the Cayman Islands and is focused on bank capital solutions transactions and portfolio acquisition transactions.

Chenavari European Deleveraging Opportunities Fund II (GP) Limited, an exempted Limited Partnership organized under the laws of the Cayman Islands and is focused on bank capital solutions transactions and portfolio acquisition transactions.

Chenavari European Opportunistic Credit Master Fund (GP) II Limited, an exempted Limited Partnership organized under the laws of the Cayman Islands and is focused on the structured credit investment strategies of mortgages, corporate, real estate debt and loans and regulatory capital

Chenavari Real Estate Fund II (GP) S.a r.L., an exempted Limited Partnership organized under the laws of Luxembourg and is focused on the providing financing solutions for commercial real estate properties.

Chenavari European Private Debt Opportunities Fund (GP) S.a r.L., an exempted Limited Partnership organized under the laws of Luxembourg and is focused on investing directly or indirectly in a diversified portfolio of loans and debt instruments.

In addition, Chenavari's team manages and may in the future agree to manage tailored investment mandates focused on the credit markets on behalf of third-party investors, including institutional investors and family offices.

Tailored Relationships

While Chenavari primarily manages pooled investment funds which are not tailored to any individual investors, (i) it has and may in the future agree to enter into customized investment mandates with clients; and (ii) may organize the investment funds it manages into sub-portfolios in order to address concerns that may be common to one or more investors in the applicable fund, such as liquidity or regulatory concerns.

Wrap Fee Programs

Chenavari does not use a wrap fee program.

Assets Under Discretionary and Non-Discretionary Management

Chenavari has assets under its discretionary management of c.\$5.1 billion as of 31 August 2016 (including committed but undrawn capital of approximately US\$327 million).

ITEM 5: FEES AND COMPENSATION

Description

Chenavari historically charges management fees based on assets under management as well as performance fees based on investment appreciation on the portfolios that it manages. Management fees are historically one to two percent (1% to 2%) of assets under management. Performance fees are generally in the amount of twenty percent (20%) of the appreciation in the applicable account over a specified hurdle rate or benchmark index as the case may be. In addition, performance fees are often subject to a high water mark and may incorporate equalization or a similar adjustment methodology. Chenavari may, in its discretion, offer a different fee structure to any investment advisory client or to any particular investor in any pooled investment fund that it manages. Investors should refer to the final offering document or private placement memorandum (collectively, the "Offering Documents") of a particular vehicle or account agreement with Chenavari for more information on applicable fees.

Fee Billing

Clients are billed for fees incurred. Management fees are billed on a monthly basis and performance fees on an annual basis or upon a redemption by an investor of its interests in a Fund other than at year-end or as part of the applicable waterfall at the time of amortization of the investment for a close ended vehicle.

Other Fees or Expenses

Each of the Funds will pay fees to its Directors by way of remuneration for their services at the Fund and the trading subsidiaries of the Fund (if applicable). Current Directors' fees of each Fund are disclosed in the Offering Documents of the relevant Fund.

Additionally, all administration, custody, brokerage, resident agent and similar fees, and all other operating, organizational and offering expenses of a Fund, or account with respect to a client other than a Fund, are paid directly by such Fund or other client.

Participation or Interest in Client Transaction

Neither Chenavari nor any of its supervised persons receives any referral fee, commissions or other similar compensation in connection with any sales of securities or other investment products.

ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

As previously noted in this brochure, Chenavari generally receives performance fees with respect to each of the portfolios over which it exercises discretionary management authority.

The Firm may simultaneously manage multiple types of mandates or products on behalf of clients, known as side-by-side management. These clients may have different investment objectives, restrictions, strategies or other limitations, which gives rise to a variety of conflicts of interest for the Firm, its staff and supervised persons.

ITEM 7: TYPES OF CLIENTS

Chenavari currently provides discretionary investment management services to US and non-US pooled investment funds, including as a sub-advisor to manage the portion of the portfolio of a funds managed by other investment advisers, as well as separate account mandates on behalf of institutional investors, multi-managers and family offices globally.

In addition, with respect to CDO mandates, Chenavari provides discretionary investment management services to the benefit of noteholders subscribing for notes issued by the special purpose vehicles.

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

Methods of Analysis and Investment Strategies

At Chenavari, we believe that investing efficiently in credit markets requires both credit fundamental and technical skills. Further to the strong growth of credit markets (2000-2008) and the market dislocation that followed, the credit markets have become increasingly technical, as the influence of what we call the “new dimensions of credit risk” (spread volatility, spread dispersion, curve, default correlation, recovery and leverage) have increased. With thanks to its infrastructure and team profile, Chenavari believes that it is well-positioned to pursue credit market opportunities, offering its clients:

- ▶ Breadth of team experience, mixing senior credit fundamental professionals and highly skilled risk management traders (Chenavari’s investment team has an average of over 18 years’ experience)
- ▶ Advanced risk management discipline, with clear stop-loss and risk allocation principles
- ▶ Sophisticated flexible and proprietary pricing and risk management technology platform, allowing it to price in all credit instruments, compute precise mark-to-market sensitivities to market parameters on all positions, and simulate risk and stress scenarios on the portfolios it manages.

Corporate Credit Strategies - Investment Process

The Firm holds quarterly macro-strategy meetings to identify key themes for the next 3-6 months by geography and sector. This forms as the base for focussed “bottom-up” research.

In addition, on a daily basis the team follows the general market (portfolio managers) and corporate news flow (analysts) to dynamically update our fundamental view on a sector/credit, whilst marrying this with the move and relative position of credit spreads (e.g. comparing credit indices with equity markets, and corporate spreads with credit indices). The portfolio managers and analysts exchange their observations and views at the desk and as a result, many trade ideas are generated.

We maintain a spread monitor to track target-entry levels on a list of potential trade strategies (directional and pair) which are actively monitored. Sources of data on which we rely for this include investment banks, as well as Credit Sight and Mark-It spread levels.

As a team, our research begins with identifying current macro themes. We follow key broad macroeconomic indicators such as the Baltic dry index, to lagging indicators such as employment-based key performance indicators, as well as standard key measures such as GDP, trade, sector sales, interest rates, inflation, etc. We also assess the likely impact of current and/or proposed government actions, changes in legislation, technical factors such as (credit) supply risk, and risk factors such as M&A and LBOs. Based on the above assessments, we establish a view on themes such as cyclical vs. non-cyclical, developed vs. emerging markets, as well as highlight technical opportunities such as inverted curves due to bank hedging that may potentially offer attractive long 1-year-risk.

With respect to researching a particular corporate issuer, our research starts with the production and maintenance of financials (quarterly, semi-annual and annual). We analyse all three financial statements, as well as collect key other data noted in the notes to the accounts (e.g. liquidity, debt maturity profile, pensions, off balance sheet obligations, segmental performance, covenant disclosures, etc.), to produce sensible and cross-comparable financial ratio analysis. Once the historical financials are produced and reviewed, we build on our existing fundamental operational view of the issuer/sector using the sources of information detailed in the next bullet point. Note most of this is accumulated in our daily review of corporate news & earnings. Combined with historical financials and current operational view, we build/update our financial forecasts, and wherever possible and sensible we try to validate our assumptions with management (e.g. in this limited-visibility market, we rely more on management guidance for capex than on sales/margins). For a corporate credit, our systems then allow us to produce a “Real time company factsheet,” which allows our analysts to timely produce and succinctly convey fundamental views and facts about a company on one page. This serves as a preliminary step to the formal Investment Strategy Proposal, which is produced and discussed from the desk.

We have also developed a relative value “CDS-pair” tool which is utilized by our team to select the most correlated asset to a given credit in order to find the best pair from a selection (e.g. in a cross-sector pair strategy of Long Steel-Short Autos, the tool would be used to identify the most optimal match, from a risk and return perspective, between Long Arcelor and Short Auto OEM). This tool also helps Chenavari to assess the relative value grounds of a fundamental trade idea, and help set optimal target entry and exit levels as well as an appropriate beta for one-leg of the pair.

Finally, our research process with respect to a corporate issuer includes an overview of its peers, to assist in sector analysis, forecasting, and overall view on relative value. Finally, if and only if the research result indicates a trade conviction, an Investment Strategy Proposal document is produced which details the trade idea, reasons (investment considerations as well as financials, ratios and charts), alternatives, and proposed trade target (entry, exit) and parameters. Source of data and information include:

- Management (conferences, direct calls/emails)
- Investor Relations (including IR email service)
- Company (quarterly, semi-annual, annual filings)
- Bloomberg (launchpad news monitor, RNS service)
- Financial Newspapers (including online & email roundups)
- Independent credit research (CreditSights, Debtwire)
- Sellside equity research & credit research (DB, JPM, UniCredito, RBS, etc)
- Rating Agencies

Asset Backed Securities & Structured Finance Strategies - Investment Process

Our ABS and Structured Finance team closely works with major banks, as well as with an increasing number of brokers and intermediaries in order to optimize its bonds' sourcing. The portfolio manager continuously scans the market in order to identify a market opportunity firstly based on his knowledge, experience and conviction. The manager seeks to identify collateral sectors and structural features that offer upward potential out of sector and structures as well as the best down side protection.

In order to review the collateral, the analyst takes into account fundamental factors genuine to each sector, jurisdiction and vintage. A full analysis of the underlying collateral is performed, implying a disciplined verification of data (delinquencies, loss rates, recoveries and prepayments), portfolio characteristics and comparison with appropriate benchmarks. Depending on the level of granularity, the analyst can derive three base case vectors (default, loss severity and prepayment) for each stratified sub-pool or apply an individual scenario for each loan.

The analyst reviews the servicer, originator or manager ability (historical performance, underwriting policy, experience, reputation, financial strength, performance incentives, and technology platform).

If not rejected by the analyst based on their initial research, the team reviews the structural features (waterfall, subordination, reserve fund, amortization triggers, extension risk) and counterparty and legal risk. The analyst develops a proprietary cash flows model or, depending on the asset class, uses a model provided by Intex (after verification). They then compute various breakeven scenarios based on tailored vectors and multiples of historical performance, and also performs a shock test to calculate the effect of a catastrophic scenario in specific, relatively risky parts of the underlying collateral. The breakeven and scenario analyses are compared to current and historical default rate / loss severity. The analyst also calculates sensitivities to default rate, prepayment rate, loss severity and interest rates.

If not rejected following the analysis detailed above, both analyst and portfolio manager assess additional risks (currency, interest rate, concentration risk) and perform compliance tests. The finalized base case scenario is then included within the investment proposal which is submitted to the investment committee.

The investment committee consists of five members, including the senior analyst and the senior portfolio manager. The quorum at any meeting shall be no less than 3 members and it needs 60% (or unanimous if minimum quorum) vote for an investment proposal to be approved. If approved by the investment committee, the portfolio manager will optimally execute the trade and the analyst will simultaneously add the position to the monitoring and surveillance tracking sheets.

Real Estate Debt Strategy- Investment Process

Investment Strategy:

The European Real Estate Debt strategy seeks to generate attractive risk adjusted returns by capitalising on investment opportunities in commercial real estate debt investments in Europe, with a particular focus on transactions in the UK and Germany. Investment opportunities include investments in both debt (whether senior, whole loan, mezzanine loans or CMBS) or preferred equity instruments with or without profit share (typically secured by a first or second mortgage debenture and share pledge).

This opportunity has arisen due to the dislocation in real estate debt markets in Europe caused by the significant volume of real estate debt that needs to be refinanced over the next five years and the capital and funding constraints on the traditional bank lenders to the sector.

The opportunities for the Real Estate Trading Subsidiary are being driven by a combination of the banks' desire to deleverage their balance sheets, the large refinancing pipeline in European commercial real estate, property values which are well below their peak values, the low interest rate environment and the lack of liquidity from other financing sources. While a combination of some of these market conditions are in place the opportunities for the fund should continue to present themselves.

The investment strategy primarily seeks to:

- (i) directly facilitate the origination of real estate debt investments at attractive risk adjusted returns, as part of real estate based acquisitions, recapitalizations, restructurings and refinancings; and
- (ii) purchase existing real estate debt investments that are trading at discounted prices.

The investment strategy mainly seeks to hold such real estate debt investments until maturity. However, investments may be exited prior to maturity having to ensure a more optimum exit timing.

Investment Process:

The operational process requires the preparation by the deal manager of a deal summary with high level deal analysis (including financial returns and high level cash flow modelling, property and sponsor assessment, investment risks and mitigants). Weekly meetings enable the team to discuss the deal summary and to provide feedback and to further analyse the key points. The decision to proceed with an investment requires the approval of all of the portfolio managers in the team.

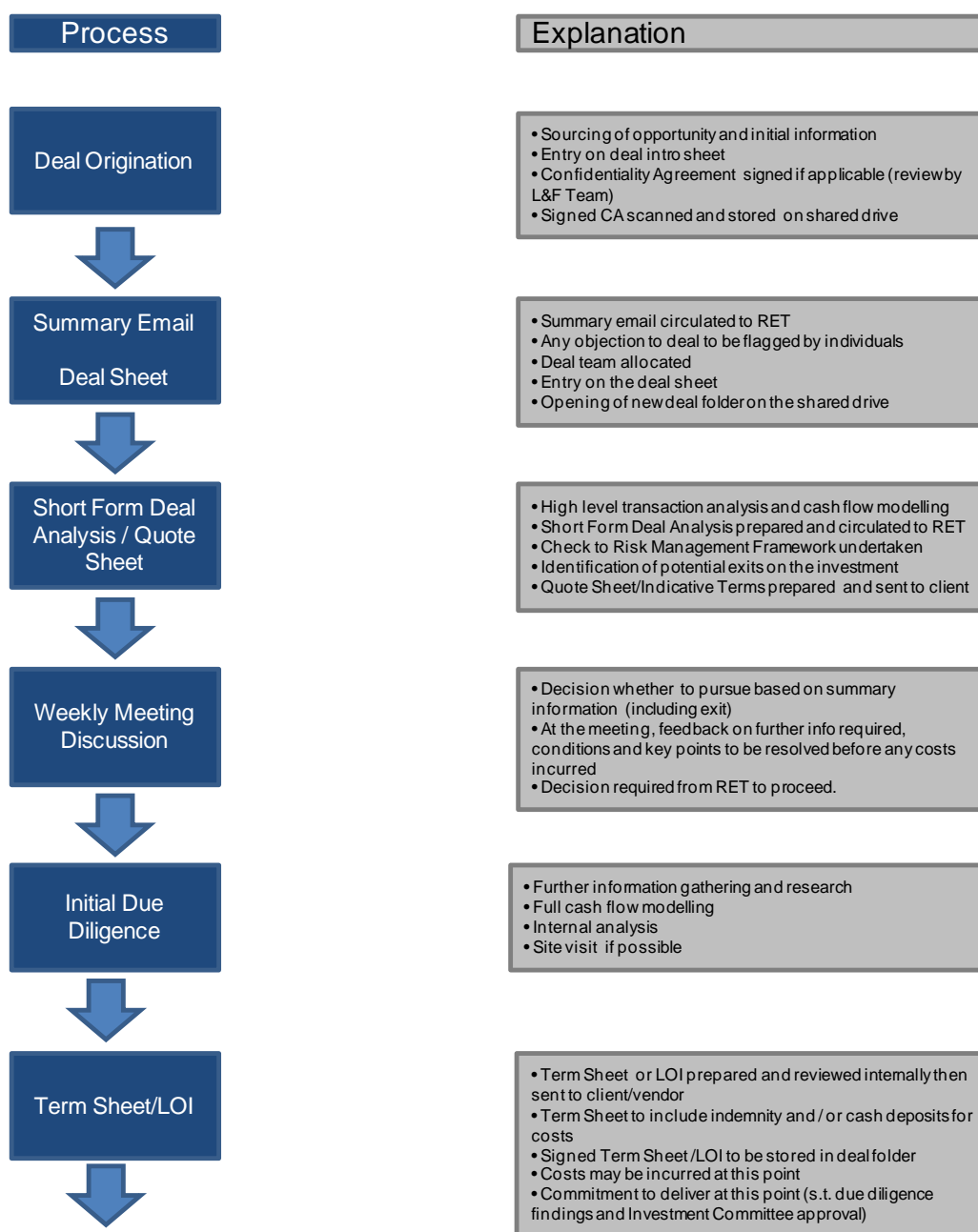
If a proposed deal is supported by the team, it then needs to be presented to the investment committee for approval. This requires the deal manager to prepare a investment paper which typically includes more detailed transaction analysis as well as the preparation of a more detailed cash flow model.

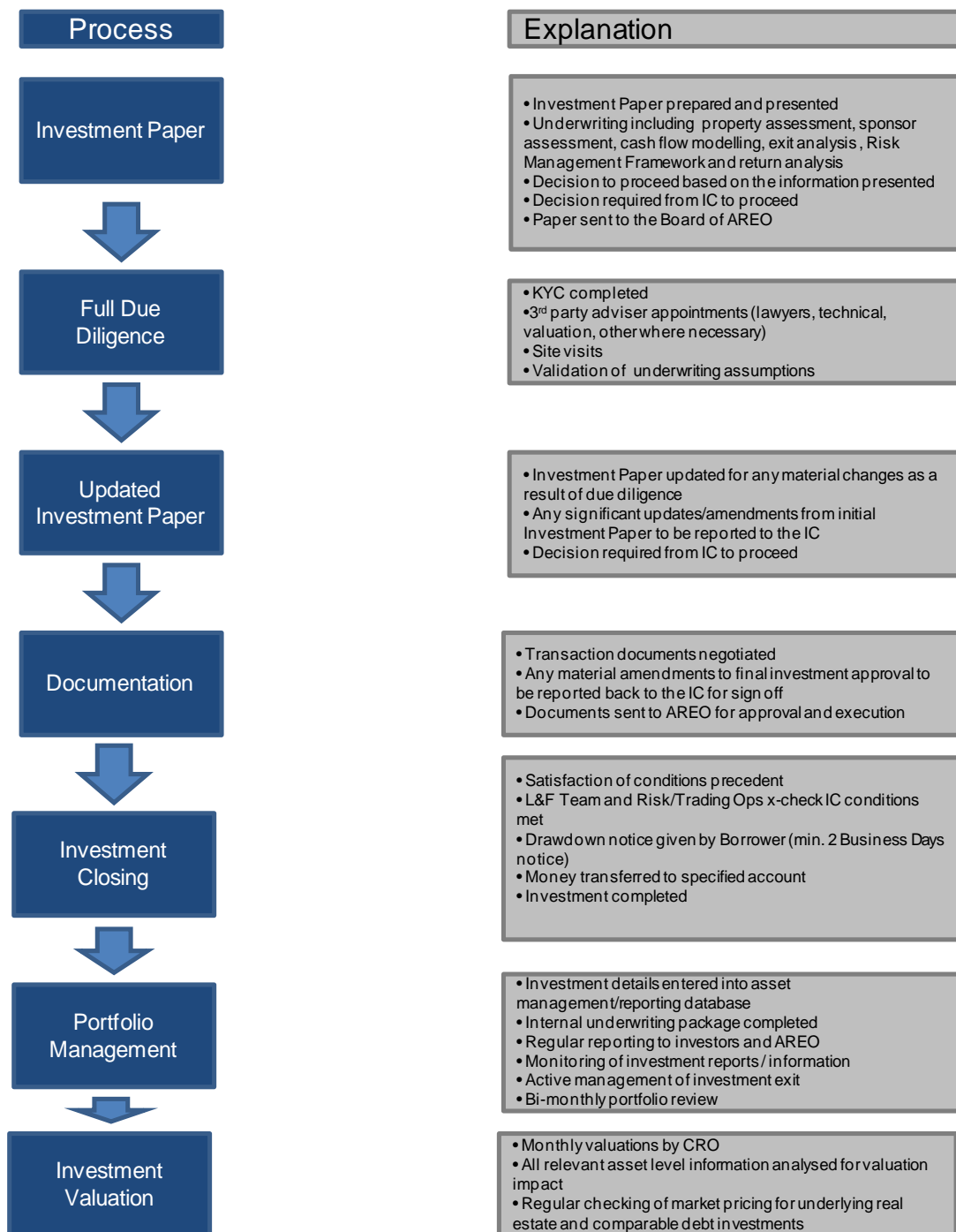
Assuming the proposed deal is approved by the investment committee, it will allocate capital opportunistically depending on opportunities considered potentially the most attractive in the

market. The investment committee has ultimate authority for risk management and the Real Estate Trading Subsidiary. Pursuant to the committee's approval on an investment, any significant changes have to be disclosed to the committee prior to deal close.

Following receipt of committee approval, thorough due-diligence with third party industry professionals is then carried out on, *inter alia*, the property and the relevant sub-market. Lawyers are also then instructed by the deal team to document the trade.

The investment process for the real estate debt strategy is set out in the diagram below.





Direct Lending Strategy- Investment Process

A similar Due Diligence process as outlined in the Real Estate flowchart above (left hand boxes only).

Build an understanding of the totality of credit risk in the target SME business through a granular approach focussing on:

- Management,
- operations,
- customers/suppliers,
- peers,
- industry,
- event risks,
- other business risks,
- financial performance and forecasts,
- leverage,
- exit strategy
-

Identify strengths and weaknesses

1. The SME Direct Lending team assess likely impact of external factors such as legislation, M&A, LBOs
2. Set current macro themes : all relevant macro economic indicators
3. Perform peer group analysis and develop/build on sector view
4. Identify potential positive and negative investment considerations

As of the date of this document, the Chenavari Multi-Strategy Credit Fund has 7 segregated trading subsidiaries pursuing the following strategies:

- ⇒ **Corporate Credit Spread Neutral Strategy.** This strategy is a long short corporate credit strategy, with the particularity to be quite neutral to overall credit spreads sensitivity of the portfolio.
- ⇒ **Corporate Credit Directional Strategy.** This strategy is a long short corporate credit strategy, which can have a strong directional bias in terms of credit spread sensitivities of the overall portfolio
- ⇒ **Direct Lending Strategy,** Pursuing SME & Real Estate lending opportunities that can generate attractive risk rewards for investors through a balanced portfolio. The opportunity in European leveraged finance for SMEs has emerged following the financial dislocation and the banks retrenchment from regulatory capital intensive activities.
- ⇒ **Credit Multi-Strategy 2,** Pursuing opportunities across credit markets, these multi-strategy share classes, with a one year lock-up, allow Chenavari Investment Managers to dynamically grasp opportunities within the different areas of the credit markets, depending on opportunity set.
- ⇒ **Specialty Finance Strategy,** Pursuing opportunistic investments in the credit markets, in a range of credit instruments including (but not limited to) primary and secondary deals of asset-backed securities, credit-linked notes and by providing financing to companies involved in specialty finance and asset-backed financing of loan portfolios.

- ⇒ **European Mezzanine ABS Strategy**, This strategy is to generate attractive risk adjusted returns by capitalising on opportunities in Asset Backed Securities in Europe.
- ⇒ **European Mezzanine ABS Strategy**, This strategy is to generate attractive risk adjusted returns by capitalising on opportunities in Asset Backed Securities in Europe.
- ⇒ **European Real Estate Debt Strategy**, This strategy is to generate attractive risk adjusted returns by capitalising on opportunities in real estate debt investments in Europe.
- ⇒ **Structured Finance Regulatory Capital Strategy**. This strategy is a predominantly long strategy on primary and secondary asset-backed securities, where the investment rationale is to benefit from the current regulatory capital situation affecting banks and financial institutions.
- ⇒ **Dynamic Credit Cycle Strategy**. This strategy is to pursue a short-biased credit portfolio strategy seeking to benefit from a turn in the credit cycle. Its aim is to short risk and long risk positions.

Risk Framework

Chenavari has a strict risk framework policy. The Risk Management team monitors portfolio limits on a daily basis. Should a limit be breached, portfolio managers have to address them promptly.

As indicated above, both the Chief Risk Conducting Officer and a Co-CIO have the authority to bring the portfolio to the pre-specified risk limits at any time. The risk framework covers the following aspects:

Corporate credit strategies:

Main limits of this strategy include the following:

The main risk measures can be categorized as follows: (1) capital consumption, (2) liquidity, (3) leverage, (4) global: spread sensitivity and stress, (5) sectorial ("concentration"): spread sensitivity and stress, (6) idiosyncratic ("concentration"): single name spread sensitivity and Jump-To-Default, (7) correlation, (8) implied volatility, (9) recovery, (10) counterparty exposure, (11) IR and FX limits.

Capital consumption/collateral management:

Capital consumption of all positions should be less than 75% of the NAV. This is to guarantee we hold enough free cash to satisfy collateral calls even under adverse conditions. Note that our calculation of capital consumption embeds liquidity: illiquid positions consume more than liquid ones; hence the Capital Consumption limit acts simultaneously as a liquidity limit.

Liquidity constraints:

Liquidity is measured using 2 main indicators: bid offer trading spreads and an independent liquidity rating provided by Markit, call "Markit depth". We apply a list of constraints to the risk that we can take on less liquid credits.

Leverage:

1. Leverage Long (i.e. sum of gross notional exposure of long risk positions) should be less than 3 times NAV
2. Leverage Short (i.e. sum of the premiums paid on short risk positions) should be less than 70% of NAV

Global Credit Spread sensitivity and stress limits:

We consider a range of stress scenarios of global spreads and spread curves so to control our exposure to global moves.

- Absolute value [$\pm 10\%$ on all credit spreads] < 2% of NAV.
- Absolute value [all credit spreads $\times 200\%$ or $\times 50\%$] < 10% of NAV

Single name spread sensitivity and Jump-to-default (“JTD”):

- Absolute value [$\pm 10\%$ on any single spread] < 0.25% of NAV.
- Maximum idiosyncratic “Jump-to-default” effect < 10% of NAV, except for specific circumstances where it has been lower (wide spreads for e.g.) or can be slightly higher (20% for a short list of banks and governments; or short term 6-month jump-to-default on liquid high quality names where 12.5% is the absolute limit). The full details of our Jump to Default idiosyncratic limits are available upon request in our Risk Framework document).

Counterparty risk limits:

- Consistently with the JTD limit, maximum aggregated capital exposure to default of one single counterparty (including prime broker) should be less than 20% of NAV.

Our risk management methodology consists in closely monitoring the distance in real time to the actual limits of the fund. It also involves a pro-active assessment of the multiple risk factors likely to affect our portfolio, as well as a clear view of the unlikely fat-tail events that would negatively affect our positions.

ABS Strategy

Full detailed risk limits framework is available on request.

We monitor:

- Portfolio concentration by issuer, country, type, rating, issue date
- Fundamental valuation in base case and various stressed market conditions
- Liquidity in current and stressed market conditions
- Correlation with liquid market observables such as equity, credit and volatility indices

Main limits of this strategy include the following:

- A single jurisdiction cannot represent more than 40% of the Net Asset Value.
- A single issuer cannot represent more than 30% of the Net Asset Value.
- Non-Euro denominated bonds cannot represent more than 20% of the Net Asset Value.
- Collateral debt obligations cannot represent more than 20% of the Net Asset Value.
- Unrated bonds cannot represent more than 20% of the Net Asset Value.
- PIIGS Country limits

Our risk management methodology consists in closely monitoring the distance in real time to the actual limits of the fund. It also involves a pro-active assessment of the multiple risk factors likely to affect our portfolio, as well as a clear view of the unlikely fat-tail events that would negatively affect our positions.

Real Estate Debt strategy

Our risk management methodology involves a pro-active assessment of the multiple risk factors likely to affect our portfolio as detailed above.

Once an investment has been made, the investment team will input full details of the transaction into its investment database to track:

- Coupon payments received against accrued
- Accrual of rolled up coupon against asset value
- Loan metrics (ICR, DSCR, LTV) levels against covenant
- Asset performance against business plan
- Asset net operating income performance against underwriting
- Tenant exposure and performance

Investments will be subject to ongoing surveillance and monitoring to manage risk which will include the following:

- Review and analysis of periodic reports received from the borrower, banks or servicers
- Regular meetings with the borrower, banks or servicers (as appropriate)
- Regular site visits for selected underlying assets
- Monitoring of selected tenant covenants
- Review of investment performance against business plan

At a portfolio level, the following metrics will be monitored for compliance with risk limits:

Unhedged non-EUR Exposure: 20%

Single Investment (Max): 20%

UK/German Investments (Min): 50%

Legal Maturity > 24 months (Max): 40%

Investments backed by majority non-Office, Retail, Residential or Industrial real estate (Max): 30%

Exposure to single tenant (Max): 20%

Exposure to single Sponsor (Max): 30%

Exposure to development property (Max): 40%

Preferred Equity (Max): 25%

Regulatory Capital strategy

Full detailed risk limits framework is available on request.

The following investment restrictions and guidelines have been adopted by the Chenavari Credit Trading D Limited:

(a) no more than 40 per cent. of the value of Chenavari Credit Trading D Limited's assets may be lent to or invested in the securities of any one issuer/counterparty (including that issuer/counterparty's subsidiaries and affiliates); and

(b) no more than 50 per cent of the aggregate underlying credit exposure of the Chenavari Credit Trading D Limited's assets should provide exposure to the creditworthiness or solvency of any entity or entities domiciled in any one country. This exposure is cut down to 15 per cent. with regard to any entity or entities domiciled in Portugal, Italy, Ireland, Greece or Spain.

Our risk management methodology consists in closely monitoring the distance in real time to the actual limits of the fund. It also involves a pro-active assessment of the multiple risk factors likely to affect our portfolio, as well as a clear view of the unlikely fat-tail events that would negatively affect our positions.

Direct Lending Strategy

The primary risk measures and limits would be no more than 7.5% of the Fund in any single investment ie underlying investee SME company; the Managers will also review industry exposure and ensure there is an appropriate mix of industry exposure with no over-reliance ie no more than 20% in one industry sector, for example financial services. When the Managers are assessing individual SME company risk they will ensure there is no over-reliance on any single customer or supplier. In terms of geography, the PIIGs countries are capped at 20% and there is a maximum exposure to Asia of 25%.

For all strategies, a risk limit report is produced on daily basis where the set of limits is assessed. The main limits are detailed in the offering memorandum of each Fund (or applicable sub-fund of such Fund) and full details of Chenavari's risk limit framework is available upon request

The breaches identified in the daily risk limit report must be fixed within 24 hours. Should the breaches not be remedied by the Portfolio Management team, both the Managing Partner and the Chief Risk Officer have the authority to bring the portfolio to the pre-specified risk limits at any time and are therefore ultimately responsible of the remedial of the breaches.

The size of a position are strongly dependant on strategy expected volatility and friction cost (liquidity cost). We measure the liquidity risk by carefully monitoring trading volumes, bid offers for the specific positions in the portfolio.

Liquidity is measured and revised as often as required by market considerations.

Liquidity risk and parameters are closely assessed during Investment Committee meetings at the strategy inception, and then updated during the holding period of the strategy.

Liquidity cost is included in our daily risk report, and updated by the Risk Team should market conditions change.

Adding a new position within an existing strategy can be done by the portfolio manager, provided the Investment Committee validated the overall size. Adding a new position within a new strategy requires an approval from the Investment Committee.

Dynamic Credit Cycle Strategy

Full detailed risk limits framework is available on request.

The strategy will pursue an idiosyncratic exposure focusing on a selected number of single name shorts, combination of investment grade, high yield and financial issuer. It will also pursue long volatility strategies including credit index options and listed equity index options. The Strategy will pursue long-risk positions primarily through long investment grade index products such as CDS and tranches exposure.

During the Constrained Period, the investment objective of Chenavari Dynamic Credit Cycle Fund Limited will be to achieve capital appreciation if credit spreads widen by pursuing a strategy in accordance with a minimum upside/downside ratio. Long positions will be capped at 1x NAV.

During the Unconstrained Period, the investment objective of Chenavari Dynamic Credit Cycle Fund Limited will be to achieve capital appreciation over the medium-term by pursuing a strategy of investing in assets that are net long on credit. Total leverage (gross notional long leverage and maximum loss of short leverage) will be capped at 3x NAV.

The dynamic credit cycle strategy holds the right to arrange leverage of the portfolio to enhance return to investors, as further detailed and subject to the restrictions, available upon request.

Risk of Loss

An investment in an investment vehicle managed by Chenavari regularly involves a high degree of risk, including the risk that the entire amount invested may be lost. No guarantee or representation is made that the investment program will be successful or that each investment vehicles' returns will exhibit low correlation with an investor's traditional securities portfolio. The description below provides a brief overview of the main different investment risks:

General Investment and Trading Risks

All investments present the risk of loss of capital. Such investments are subject to investment-specific price fluctuations as well as to macro-economic, market and industry-specific conditions including, but not limited to, national and international economic conditions, domestic and international financial policies and performance, conditions affecting particular investments such as the financial viability of national and international politics and governmental events and changes in income tax laws. The Investment adviser believes that its investment policies moderate this risk through a careful selection of securities and other financial instruments and strategies. No guarantee can be made that the trading of any such investment vehicle will be successful. The investment policies may refer to investment techniques which can, in certain circumstances, maximize any losses.

Credit Derivatives Risk

The investment vehicle may enter into one or more credit default swaps ("CDS") as part of its primary strategy. The use of credit derivatives is a highly specialized activity which involves strategies and risks different from those associated with ordinary portfolio security transactions. The Investment vehicle's risk of loss in a credit derivative transaction varies. For example, if the Investment vehicle purchases protection under a CDS, and if no default occurs with respect to the security, the Investment vehicle's loss is limited to the premium it paid for the CDS. In contrast, if there is a default by the seller of protection under a CDS, the Investment vehicle's loss will include

both the premium that it paid for the CDS and the loss of payment under the swap. Any CDS will also be subject to counterparty risk.

Fixed Income Securities

The Investment vehicle may invest:

- in bonds or other fixed income securities, which may be unrated by a credit-rating agency or below investment grade and which are subject to greater risk of loss of principal and interest than higher-rated debt securities.
- in debt securities which rank junior to other outstanding securities and obligations of the issuer, all or a significant portion of which may be secured on substantially all of that issuer's assets.
- in debt securities which are not protected by financial covenants or limitations on additional indebtedness.

Each Investment vehicle will therefore be subject to credit, liquidity and interest rate risks.

Higher yielding debt securities are generally unsecured and may be subordinated to certain other outstanding securities and obligations of the issuer, which may be secured on substantially all of the issuer's assets. The lower rating of debt obligations in the higher yielding sector reflects a greater probability that adverse changes in the financial condition of the issuer or in general economic conditions or both may impair the ability of the issuer to make payments of principal and interest. Non-investment grade debt securities may not be protected by financial covenants or limitations on additional indebtedness. In addition evaluating credit risk for debt securities involves uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult. It is likely that a major economic recession could disrupt severely the market for such securities and may have an adverse impact on the value of such securities. In addition, it is likely that any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default for such securities.

Market Risk

The market price of an investment owned by an Investment vehicle may go up or down, sometimes unpredictably. The value of an investment may decline due to general market conditions, such as real or perceived adverse economic conditions or general adverse investment sentiment. Investments may also decline in value due to factors which affect a particular market sector.

Counterparty risk

Some of the markets in which the Investment vehicle may trade are "over-the-counter" or "interdealer" markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of "exchange-based" markets. This exposes each investment vehicle to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not *bona fide*) or because of a credit or liquidity problem, thus causing the investment vehicle to suffer a loss.

Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the investment vehicle has concentrated its transactions with a single or small group of counterparties.

Subject to the investment restrictions contained herein, the investment vehicles are not restricted from dealing with any particular counterparty or from concentrating any or all of their transactions with one counterparty. Moreover, no investment vehicle has an internal credit function dedicated to the evaluation of the creditworthiness of its counterparties.

The ability of each investment vehicle to transact business with any one or number of counterparties, the lack of any meaningful and independent evaluation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by such investment vehicle

Availability of Investment Strategies

The success of the Funds' investment activities will depend on the Investment Advisers' ability to identify investment opportunities as well as assess the import of news and events that may affect the financial markets and make investment decisions. Identification and exploitation of the investment strategies to be pursued by each investment vehicle involves a high degree of uncertainty. No assurance can be given that the Investment Adviser will be able to locate suitable investment opportunities in which to deploy all of an Investment vehicle's assets or to exploit discrepancies in the securities and derivatives markets or that it will decide to make such investments. Investors should also be aware that the nature of the Fund's investment and the appointment of its service providers create its own restrictions. In addition, the Funds' trading strategies may create situations where entities in which it is invested or the service providers it appoints may be considered to have conflicts of interest with any of such Funds.

Potential Illiquidity of the Fund's Investments.

The lack of an established, liquid secondary market for many of the Funds' investments and transfer restrictions typical to such Investments may have an adverse effect on the market value of such investments and on each Fund's ability to dispose of them. Any Fund may not be able to sell these investments when it desires to do so or to realize what it perceives to be their fair value in event of a sale. In addition, the sale of such assets often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of investments which are eligible for trading on an exchange or for which there is an active over-the-counter market.

Furthermore, if a Fund enters into credit derivative transactions it will need to obtain the consent of the counterparty to terminate or assign the transaction. If any investments have not matured or been redeemed prior to the liquidation of the relevant Fund, the Fund will be required to liquidate such Investments and may incur significant loss due to their illiquidity. The size of each Fund's positions may magnify the effect of a decrease in market liquidity for such instruments. An investment in any Fund is suitable only for certain sophisticated investors who do not require immediate liquidity for their investments.

Synthetic Securities

Funds may invest in credit derivative transactions referencing corporate credit portfolios (such as bespoke tranches or index tranches). Investments in such types of assets through the purchase of synthetic securities present risks in addition to those resulting from direct purchases of such securities, and will expose the Funds to the credit risk of the counterparty as well as that of the reference obligor. The terms of the credit derivative transactions typically require payment to be made by any Fund to the counterparty if certain events occur, and those events are not limited to an event of default under the reference obligation. Any Fund typically will be required to post collateral with the counterparty to secure the Fund's obligation under the credit derivative transaction, and the Fund's obligation to the counterparty will be senior in priority to any distributions on shares of the Fund.

ITEM 9: DISCIPLINARY INFORMATION

Chenavari has nothing to disclose.

ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Broker-Dealer Registration

This is not applicable to Chenavari.

Futures, Commodity Pool Operator, Commodity Trading Advisor Related Person Arrangements

This is not applicable to Chenavari.

Arrangements With Other Investment Advisers

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

Code of Ethics

Chenavari has a compliance manual containing policies and procedures in conformance with the requirements of Rule Section 206(4)-7 of the Investment Advisers Act 1940. This manual contains Chenavari's Code of Ethics (the "Code of Ethics"). The Code of Ethics contains specific undertakings by Chenavari employees to conduct themselves with integrity and exercise proper skill, care and diligence in the course of their employment with the Firm. In addition, the Code of Ethics provides guidelines for employees in the conduct of their duties for Chenavari, including, without limitation, with respect to:

- A) Standard of Conduct
- B) Confidential Information
- C) Material Inside Information
- D) Fiduciary Duty and Conflicts of Interest
- E) Frontrunning
- F) Unfair Treatment of Certain Clients Vis-a-Vis Others
- G) Dealing with Clients as Agent and Principal: Section 206(3)
- H) Personal Trading; Timely Reporting of Trades
- I) Employee's Responsibility to Know the Rules and Comply

J) Designation and Responsibilities of Chief Compliance Officer

A copy of such Code of Ethics will be provided to any client or prospective client upon request.

Participation or Interest in Client Transactions and Personal Trading

Chenavari uses conflicts management systems and personal account dealing approval procedures to monitor and control conflicts that may arise when it or its related persons have an interest in a transaction or security in which a client has a material interest or is considering an investment. The conflicts of interest policy ensures that Chenavari Credit Partners and related persons will take all reasonable steps to manage these conflicts and where arrangements are insufficient to deal with a conflict, the nature and sources of the conflict shall be disclosed to the client and a waiver will be requested before any commitment or undertaking is made to the client. In the event that the conflict is not manageable and there may be risks of damage to the client, Chenavari will decline to act for the client with regards to the proposed transaction. The active disclosure of actual or potential conflicts forms a central part of the policy in the appropriate circumstances. It is our responsibility to disclose actual or potential conflict of interest only where we are not reasonably confident that procedures and measures for managing the conflict or potential conflict will prevent the risk of damage to client interests. If disclosure is required, it will be done in a form that will be clear and easy to understand.

For recommendation to clients where Chenavari or the related person has a material interest. The conflicts of interest policy ensures that this conflict is managed effectively by the Compliance Team.

The Personal Account Dealing Policy strictly prohibits front-running on client transactions and requires that at all times Chenavari acts in the best interest of its clients. Before any personal trades are placed all employees (including supervised persons) must complete the personal account dealing form in advance and await approval from Compliance before executing the transaction.

ITEM 12: BROKERAGE PRACTICES

Selecting Brokerage Firms

Chenavari has a best execution policy which takes into account the following factors when selecting brokerage firms;

- price;
- costs;
- speed of execution;
- likelihood of execution and settlement;
- size of order;
- nature of the order(e.g. whether a market or limit order or a negotiated transaction);
- any impact your order, when and if published, may have on the market price; and
- any consideration relevant to the execution of your order.

Research and Other Soft Dollar Benefits

Chenavari may at times receive research from brokers which is made generally available to such brokers' clients, however Chenavari does not presently have any soft dollar arrangements with any broker that executes transactions for Chenavari clients.

Brokerage for Client Referrals

Chenavari does not consider referrals when selecting brokers to execute client transactions.

Directed Brokerage

Chenavari does not have any directed brokerage arrangements.

Aggregation of Client Accounts

Order aggregation, also known as bunching, batching, or trade aggregation, refers to the practice of combining orders for execution. Such situation may occur when Chenavari must select a Fund's and possibly a managed account's orders that will be aggregated and allocate the execution prices among those orders, a given party (either the fund or the managed account) may be at risk that the other party is being, or will be, favoured over that party. The existing regulatory frameworks for bunching address potential conflicts of interest, but they do not, and cannot, anticipate every situation that may present conflicts or influence execution decisions. As a result, Chenavari must look beyond the regulatory framework and remain attentive to market and other factors that influence execution decisions within the firm.

Chenavari may, at our discretion:

- aggregate orders for a client's account with orders for other clients' accounts and allocate the investments or proceeds acquired among the participating accounts in a manner that we believe is fair and equitable.
- If the entire combined order is not executed at the same price, we may average the prices paid or received and charge the client's account with the average net price. Clients should be aware that aggregation of orders may work to their disadvantage in relation to a particular order. However, aggregation will only be undertaken if it is unlikely to work to the disadvantage of the client.

When order aggregation does occur, orders will be allocated in a fair way, i.e. at a weighted average price. Allocation on partial fills will also be made on a weighted average basis.

ITEM 13: REVIEW OF ACCOUNTS

Periodic Reviews

Chenavari conducts a daily NAV reconciliation of client accounts and a monthly review in connection with generating client reports (as noted below).

Review Triggers

Additional reviews may be triggered by factors such as contributions to or withdrawals from the account as well as market, economic or geo-political events. Daily limit risk reports are conducted by our Portfolio managers. Thus, senior investment personnel are provided with regular reports with regards to the performance and portfolio attributes of the accounts. In addition, ongoing monitoring is conducted and aims at ensuring that portfolios are managed in line with client guidelines and restrictions.

Regular Reports

Chenavari provides its investors with detailed monthly reports, including official NAV (standard), risk parameters and credit sensitivities, including disclosure of largest long and short risk concentrations. In addition, upon request, investors can also be added to the weekly report distribution list where NAV estimates and full portfolio reports will be provided.

Chenavari will also inform clients of any material changes regarding their account (such as, without being limited to, key advisory personnel changes, changes in the investment strategy or risk management process and changes of service providers); such notice will be provided in the regular monthly report or by a special intra-month communication, as determined by Chenavari.

ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

Client Referrals

Chenavari has entered into introduction agreements with several third parties to introduce us to qualified potential investors in different markets and geographies. The business introducer's commission is structured as a portion of the fees payable by the applicable referred investor(s), subject in each case to such investor being approved by Chenavari, in its discretion, and meeting appropriate regulatory criteria for investing in the applicable Fund.

If the investor decides to invest within the 12 month period following referral to Chenavari, the introducer receives from Chenavari the full fee set forth in its agreement with Chenavari, historically in the range of 15% to 20% of the fees paid by such investor to the applicable Fund. To the extent a referred investor makes an investment in a Fund in the period from 13 -24 months following the referral, the introducer's fee is reduced by 50%. Fees for investments that occur later than 24 months after referral are awarded at the discretion of Chenavari and take into consideration the business relationship and potential future business; to the extent awarded such fees will generally be in the amount of 25% of the full fee specified in the agreement between the introducer and Chenavari. The business introducer commissions are paid as long as the referred investors remain invested in the funds.

If there is a subsequent investment by a referred investor within 12 months of such investor's initial investment in a Fund, the same fees are paid as with respect to the initial investment.

Other Compensation

Chenavari has no other referral or similar compensation arrangements to disclose.

ITEM 15: CUSTODY

Chenavari does not take or maintain physical custody of any client cash or securities. All client assets are maintained by a qualified custodian. Clients receiving statements directly from such custodians should carefully review those statements and should carefully compare such statements to any reports sent by Chenavari.

Chenavari and/or its affiliates may be deemed to have custody of the funds and securities of the Private Funds by virtue of their status as an investment manager, manager or general partner of the Private Funds.

To ensure compliance with Rule 206(4)-2 under the Advisers Act, the Funds are subject to an annual audit in accordance with the applicable accounting standards, (including US GAAP, Luxembourg GAAP and IFRS) by an independent public accountant registered with and subject to regular inspection by the Public Company Accounting Oversight Board (PCAOB). The relevant audited financial statements are distributed to each investor via the Administrator within 120 days of the Funds' fiscal year end.

ITEM 16: INVESTMENT DISCRETION

Chenavari exercises discretionary authority over all client accounts that it manages. Each strategy employed by the Funds and other client mandates employs a defined risk framework, as discussed in Item 8 of this brochure. In addition, with respect to any separate account mandate, such authority is generally subject to the oversight of the client.

ITEM 17: VOTING CLIENT SECURITIES

Chenavari's overarching principle is that proxy votes should be cast in a way designed to ensure that proxies are voted in the best interests of clients.

Voting decisions are made on a case by case basis by an assessment of the matter at hand and after taking into consideration the likely effect on the performance on the portfolio or fund.

Chenavari recognizes the strong link between good corporate governance and investment value.

There may be circumstances where Chenavari believe it is in the best interests of clients to vote in a manner which may differ to the general consensus of the market or industry convention at the time.

Corporate Governance is concerned with the way in which companies are directed and controlled.

We believe that effective Corporate Governance is advanced through the application of corporate governance principles outlined in Rule 206(4)-6 of the Investment Advisers Act of 1940.

ITEM 18: FINANCIAL INFORMATION

This item is not applicable to Chenavari.

ITEM 19: REQUIREMENTS FOR STATE-REGISTERED ADVISERS

This item is not applicable to Chenavari.
