

## **FORM ADV PART 2A**

### **MUZINICH & Co., INC.**

450 Park Avenue  
New York, NY 10022, USA  
Telephone: + 1 212 888 3413  
Fax: + 1 212 888 4368

[www.muzinich.com](http://www.muzinich.com)

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This brochure provides information about the qualifications and business practices of Muzinich & Co., Inc. (“Muzinich” or the “Firm”). If you have any questions about this brochure please contact us at (212) 888-3413 or [compliance@muzinich.com](mailto:compliance@muzinich.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 authorities. Muzinich may refer to itself as a “registered investment adviser.” Registration with the SEC or with any state securities authority does not imply a certain level of skill or training. Additional information about Muzinich is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## ITEM 2: MATERIAL CHANGES

This Item 2 discusses only material changes that have been made to this Form ADV Part 2A (“Brochure”) since the Firm’s most recent annual updating amendment. The following material changes were made since the Annual Update dated March 31, 2017:

Item No.	Description of Material Changes
4	Updated to reflect current ownership interest.
5	Added disclosure regarding certain employees’ sales-based compensation.
6	Updated to disclose certain potential compensation arrangements.
8	Updated to reflect offering of Business Development Company and additional Environmental, Social, and Governance (ESG) strategies and to remove the Special Opportunities strategy. Added risk disclosure regarding political uncertainty, information technology, ESG and allocations, and enhanced certain other risk disclosures.
10	Updated disclosure regarding companies wholly-owned by Muzinich; including disclosure related to a Memorandum of Understanding between Muzinich and its UK affiliate under which the UK affiliate is treated as a “participating affiliate” and personnel of the UK affiliate are treated as “affiliate associated persons”, consistent with relevant SEC Staff guidance.
12	Enhanced the disclosure on Muzinich’s handling of aggregation and allocation of trades.

## **IMPORTANT NOTE ABOUT THIS BROCHURE**

### **This Brochure is not:**

- **an offer or agreement to provide advisory services to any person**
- **an offer to sell interests (or a solicitation of an offer to purchase interests) in any portfolio**
- **a complete discussion of the features, risks or conflicts associated with any portfolio**

As required by the Investment Advisers Act of 1940, as amended (“Advisers Act”), the Firm provides this Brochure to current and prospective clients of the Firm. The Firm may also provide this Brochure to current or prospective investors in any private fund or other investment vehicle managed by the Firm, together with the fund’s confidential offering memorandum or prospectus, and other related documents (“Offering Documents”), prior to or in connection with such person’s consideration or execution of an investment with the Firm.

Although this publicly available Brochure describes investment advisory services and products of the Firm, persons who receive this Brochure (whether or not from the Firm) should be aware that it is designed solely to provide information about the Firm as necessary to respond to certain disclosure obligations under the Advisers Act. As such, the information in this Brochure may differ from information provided in relevant Offering Documents. More complete information about each Fund is included in relevant Offering Documents, certain of which may be provided to current and eligible prospective investors only by the Firm. To the extent that there is any conflict between discussions herein and similar or related discussions in any offering materials, the relevant Offering Documents shall govern and control.

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## **ITEM 4: ADVISORY BUSINESS**

### ***a) Background***

Muzinich & Co., Inc. (“Muzinich” or the “Firm”) is a global institutional asset manager specializing in corporate credit investment portfolios and other credit-based investment strategies. The Firm has been offering investment advisory services since 1988. George M. Muzinich is the Firm’s founder, Chairman and Chief Executive Officer and is the primary principal owner of the Firm.

### ***b) Advisory Services***

Muzinich provides investment advice and management to (i) publicly offered and/or privately placed investment funds (“Funds”) and (ii) separately managed accounts (“Separate Accounts” and, together with the Funds, “Clients”), either directly or as a subadvisor. The Firm primarily advises on investments in corporate credit.

The Firm seeks to deliver competitive, risk-adjusted returns over full market cycles. The Firm offers a variety of credit-based investment strategies. See Item 8 for a brief discussion of the Firm’s main strategies. The Firm pursues each Client’s investment objective by investing generally in high yield credit instruments, short duration credit instruments, leveraged loans, investment grade corporate debt instruments, other credit based instruments and/or income focused equities such as those issued by business development companies and real estate investment trusts (REITs). Muzinich also may, for certain Clients, use currency forwards and derivative instruments, exchange-traded funds or other funds or indices, primarily for hedging and efficient portfolio management purposes but, depending on the Client and the strategy, also to gain exposure to certain types of instruments or to seek to take advantage of dynamics in the market.

Within its corporate credit strategies, Muzinich seeks to deliver attractive returns within the context of preserving client capital. Muzinich aims to generate solid and durable returns while keeping volatility low under normal market circumstances.

Muzinich invests in companies based on its fundamental credit research incorporating both quantitative and qualitative valuation metrics.

The Firm conducts primary company research in order to understand industry dynamics, company strengths and weaknesses, and asset values. Muzinich places great importance on the quality of management. Muzinich analyzes bond and loan covenants.

Portfolio investment holdings reflect Muzinich’s opinion of the most attractive risk/return alternatives as identified by its credit research. Muzinich believes that this thorough investment process, coupled with its attention to portfolio diversification, enables it to control risk while maximizing return over full market cycles.

### ***c) Tailored Advice and Client-Imposed Restrictions***

Each investment strategy can, in most cases, be tailored to meet a Client’s specific investment objectives, risk guidelines, and legal constraints. For Funds, the Firm manages the Fund’s assets in accordance with the Fund’s offering documents, which contain more detailed information, including a description of the investment objective and strategy or strategies employed and related

restrictions.

Clients and investors in Funds must consider whether a particular Separate Account relationship or Fund is appropriate to their own circumstances based on all relevant factors including, but not limited to, the Client's or investor's own investment objectives, liquidity requirements, tax situation and risk tolerance. Prospective clients and investors are strongly encouraged to undertake appropriate due diligence, including but not limited to a review of relevant offering materials for Funds or the documents relating to the proposed investment program for the Separate Account and the additional details about Muzinich's investment strategies, methods of analysis and related risks in Item 8 of this Brochure, before making an investment decision.

***d) Wrap Fee Disclosure***

Not applicable.

***e) Assets Under Management***

As of December 31, 2017, the Firm had approximately \$32.867 billion in discretionary assets under management.

## **ITEM 5: FEES AND COMPENSATION**

### ***a) Compensation***

The Firm charges each Client an investment management fee based on the market value of the securities and cash in the portfolio on the appraisal date of the account. The annual management fee generally will be up to 1.0% of assets under management. The Firm may also charge performance-based fees (see Item 6). Fees are negotiable. Fees may differ based on account size, strategy, complexity and the overall services provided, among other factors.

### ***b) Billing***

For Funds, investment management fees are typically deducted from the Funds by third party administrators and paid to Muzinich. With respect to Separate Accounts, investment management fees may be paid quarterly or monthly, in advance or in arrears, as agreed with the Client. In general, investment management fees are based on a valuation of assets by the Client's custodian or administrator.

### ***c) Other Expenses***

Clients are responsible for and do incur other expenses separate and apart from the Firm's investment management fees. For Separate Accounts, these expenses typically include custody fees, administration fees, brokerage services and other transaction fees (where imposed), as well as any additional services such as audit, pricing, or tax preparation contracted for by the investor. See Item 12 for more information about the selection of broker-dealers.

For investors in Funds, expenses typically include, but may not be limited to, custody fees; brokerage services and other transaction fees (where imposed); administration and transfer agency service fees; preparation of audited and unaudited financial statements; professional fees such as fees for legal, regulatory, tax preparation, audit services, paying agency and anti-money laundering supervision services; regulatory filing fees; fees for drafting, consultation, design, electronic and print publication, and mailing and communication of fund materials including prospectuses and applications, investor statements, notifications and corporate actions, privacy statements, fact sheets, annual reports, portfolios, and other ancillary materials; expenses associated with pricing and marking the portfolio, as well as for specific accounting or other software for tracking or processing fund investments; the costs of hiring compliance officers and Directors for the Funds; and insurance and bonding.

Investors in both Separate Accounts and in Funds may additionally be subject to profit participation, incentive allocation, or other variable fee components based on performance. See Item 6 for more information relating to performance-based fees.

### ***d) Advance Billing***

With respect to the Funds, the management fee is payable in advance or in arrears as reflected in the Fund documents. With respect to Separate Accounts, investment management fees may be paid quarterly or monthly, in advance or in arrears, as agreed with the Client. For Separate Accounts or

Funds that are terminated prior to the end of the period, fees paid in advance will be refunded to the extent agreed to by the parties.

*e) Sales-based Compensation*

Certain employees' compensation may be dependent on the success of bringing assets to the Firm. This may create a conflict of interest to the extent that the employee may be incentivized to recommend investments in products that generate higher fees.



## **ITEM 6: PERFORMANCE BASED FEES AND SIDE BY SIDE MANAGEMENT**

The Firm charges fees to some Clients based on a share of positive returns of the Client's assets under management. This fee, which varies by strategy and Client, can be up to 20% of the Client's realized and unrealized investment returns over any agreed hurdle rate where applicable.

Performance-based compensation may create an incentive for the Firm to make investments that are riskier or more speculative than would be the case in the absence of the performance-based compensation. In addition, the performance on which performance-based compensation is calculated may include unrealized appreciation and depreciation of investments that may not ultimately be realized.

To the extent that Muzinich and its portfolio managers manage accounts that charge only investment management fees and accounts that also charge performance-based fees, the Firm and/or its portfolio managers will have a conflict of interest in that an account with a performance-based fee will offer the potential for higher profitability when compared to an account with only an investment management fee. Performance-based fee arrangements will also create an incentive to favor performance-based fee accounts over other accounts in the devotion of time, resources and allocation of investment opportunities. In this regard, some Funds from which Muzinich receives a performance fee may have access to certain research analysts employed by Muzinich and additional investment opportunities sourced by such research analysts or which otherwise are not available to other clients. This may impact relative performance of such Funds as compared to other Clients.

To manage these potential conflicts, Muzinich has adopted a number of policies and procedures. These policies and procedures include (i) the Muzinich Compliance Manual and Code of Ethics, which remind all employees of their duty to treat all clients fairly and consistently with relevant fiduciary duties; (ii) trade allocation and aggregation policies which seek to ensure that investment opportunities are allocated fairly and equitably among clients over time without consideration of relative fee structures; and (iii) allocation and performance monitoring processes designed to identify potentially unfair or unequal treatment of accounts. See also "Item 11(b) – Participation or Interests in Client Transactions" and "Item 12(e) – Aggregation and Allocation of Trades."

For most accounts Muzinich manages, Muzinich is paid management fees which are based on the value of the assets under management, or in the case of performance fees, on changes in the value of the assets under management. For most accounts Muzinich manages, account valuations are received from external custodians or administrators, independent of Muzinich, selected by the Client. For accounts wherein Muzinich values assets internally, there is a potential conflict in that Muzinich can benefit from fee calculations based on an increased asset base. Muzinich has a formal valuation policy and a Valuation Committee for supervising the valuation of such assets. Such assets are typically valued at the bid price, by Muzinich's risk and accounting professionals using third-party independent price feed(s). However, such assets may be valued at another level as agreed upon by the Client. In instances where an administrator or independent third party pricing vendor cannot determine a fair market value for a security, the Valuation Committee will determine it. The Valuation Committee may consider such factors as input from the investment team, "look-back" tests, industry comparables, current yields, payment status, probability of default, market liquidity and general economic factors.

## **ITEM 7: TYPES OF CLIENTS**

Muzinich provides discretionary investment management services primarily to:

- onshore and offshore Funds, including investment companies registered under the Investment Company Act of 1940, as amended (the “Investment Company Act”);
- institutions such as banks or thrift institutions, insurance companies, corporations or other forms of business entities, other asset managers, trusts, family offices, endowments, charitable institutions, pension funds and profit sharing plans and other institutions and high-net-worth individuals inside and outside the United States; and
- high net worth individuals.

In general, investors in private funds must be (1) (a) “accredited investors” under Regulation D under the Securities Act of 1933, as amended (the “Securities Act”), and (b) “qualified purchasers” under Section 2(a)(51)(A) of the Investment Company Act or “knowledgeable employees” under Rule 3c-5 of the Investment Company Act or (2) not “US Persons” as defined under Regulation S of the Securities Act.

Investors should review the Offering Memorandum for each relevant Fund for further information with respect to minimum requirements for investment.

The minimum dollar amount of assets ordinarily required for the establishment of a Separate Account is typically \$50,000,000. The Firm, in its sole discretion, may reduce investment minimums.

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

### *a) Methods of Analysis & Investment Strategies*

Muzinich utilizes proprietary fundamental research to identify investment opportunities to meet its investment criteria. The Firm evaluates securities based on the issuing company's overall credit risk such as cash flow coverage ratios, corporate asset values, an issue's seniority in the issuer's capital structure, the expected volatility of corporate cash flows and asset values, and an issue's particular credit covenants.

The Firm engages in in-depth credit analysis, believing that credit research, rather than credit engineering, is the long-term driver of attractive risk-adjusted returns.

Muzinich offers a number of strategies; however Muzinich frequently provides clients with specific solutions according to their customized guidelines. A summary of Muzinich's primary strategies is detailed below. The exact parameters of the strategy are defined in the relevant Fund documentation or Investment Management Agreements.

#### *High Yield Credit*

- **US High Yield**
  - Focuses on US dollar denominated credits issued by North American corporations typically with an average minimum rating of BB/B or higher. Portfolios are typically diversified over more than 100 issuers and 20 industries with duration of approximately 4 years.
- **European High Yield**
  - Focuses on Euro dominated credits issued by European corporations with a rating of BB/B, although the strategy may hold a limited amount of credits below this rating. Portfolios are typically diversified over more than 50 credits and 15 industries with duration of approximately 4 years.
- **Global High Yield**
  - Focuses on a combination of Euro, Dollar and Sterling denominated credits issued mostly by both North American and European corporations with a rating of BB/B. Muzinich may take limited emerging-market risk. The Global High Yield portfolios are typically diversified over more than 100 issuers and 20 industries with duration of approximately 4 years.

#### *Short Duration Credit*

- **Short Duration Corporate-Plus**
  - This strategy has an average investment grade rating but can incorporate some high yield securities. It seeks to offer investors an attractive spread over two year government securities with a duration of less than two years. The strategy stresses safety of principal in both nominal and inflation adjusted terms. US Short Duration Corporate Plus and European Short Duration Corporate Plus are available separately.
- **Short Duration High Yield**
  - This strategy seeks to benefit from attractive yields in corporate high yield while

helping investors largely protect themselves from the potential danger of rising long term interest rates. Average duration of the portfolio is typically a maximum of 2 years. The strategy tends to focus on US credits.

#### *Investment Grade-Plus Credit*

- **Corporate-Plus**
  - This strategy consists of a diversified portfolio of largely investment grade US and European corporate credits coupled with some allocation to select high yield corporate credits. The strategy combines an investment grade core, enhanced by an allocation to BB/B bonds, maintaining an average investment grade rating. US Investment Grade-Plus and European Investment-Grade Plus are also available separately.

#### *Emerging Markets*

- **Emerging Markets Short Duration**
  - This strategy seeks to achieve attractive, low volatility returns through a credit sensitive approach to short duration emerging market debt. The strategy is expected to primarily invest in debt instruments rated B/BB/BBB, denominated in US dollars or other hard currencies, of corporate borrowers doing business mainly in Emerging Markets (Asia, Africa, Latin America and certain parts of Europe). The strategy, to a lesser extent, may also invest in European and North American corporates with Emerging Market exposure. The maximum average duration is typically 2.5 years.
- **Asian Credit**
  - This strategy invests in debt issued by Asian corporates and sovereigns in dollars, primarily, or in euros. This strategy seeks to produce an attractive return while keeping volatility low, with an average investment grade rating (minimum BBB).

#### *Leveraged Loans*

- **Leveraged Loans**
  - This strategy consists of diversified portfolios of U.S., European and/or global leveraged loans extended to corporate issues rated BB/B, with or without the application of leverage. The strategy seeks to generate attractive, inflation-adjusted returns through a research-driven investment process, focusing primarily on leveraged loans and floating rate debt instruments.

#### *Alternative Credit / Absolute Return Strategies*

- **Long Short Credit**
  - This strategy seeks to generate consistent attractive returns on a risk-adjusted basis over a three to five year period. The strategy targets a dynamic portfolio of investments directly and indirectly (through derivatives), primarily in high yield bonds. These bonds are priced mainly in US Dollars and issued primarily by US and European companies. The long short credit strategy seeks to achieve a high single digit per annum average return over a full market cycle, with controlled volatility.

- **Global Tactical Credit**
  - This is an absolute return strategy that seeks to identify the best investment opportunities within the global corporate credit markets. This strategy invests in investment grade, high yield and senior bank loans across the US, Europe and Emerging Markets. Overall portfolio duration and spread volatility are managed with a macro derivative overlay when appropriate in the judgment of the portfolio management team. The strategy seeks to achieve returns of Libor plus 500 basis points over the course of a complete credit cycle, with an emphasis on managing volatility.

### *Private Debt*

- **European Private Debt**
  - Muzinich's European private debt initiative is structured to provide sustainable growth financing to select middle market companies in a variety of European jurisdictions. Muzinich works closely with banks and numerous other financial and non-financial intermediaries to access opportunities that fit rigorous investment standards. The goal is to provide attractive returns which are not subject to the short term price volatility one finds in the public markets. The strategy benefits from the expertise of a qualified and experienced investment team dedicated to private debt in offices located in London, Paris, Milan, Madrid, Frankfurt, Zurich and Manchester.
- **Business Development Company**
  - This strategy applies an approach to private debt underwriting to the analysis of US Business Development Companies ("BDCs"), and invests in the equities of these entities, which are formed expressly for lending to developing US businesses.

### *Sustainable Investments*

- **Corporate-Plus ESG**
  - This strategy integrates sustainability research into Muzinich's rigorous, traditional bottom up investment process in targeting delivery of superior risk-adjusted results. The strategy invests primarily in corporate bonds priced in European currencies and US Dollars issued by European and North American companies, which meet high Environmental, Social, and Governance (ESG) standards. The portfolio maintains an average investment grade rating, but can selectively invest in high yield bonds.
- **Investment Grade ESG**
  - This strategy integrates sustainability research into Muzinich's rigorous, traditional bottom up investment process in targeting delivery of superior risk-adjusted results. The strategy invests primarily in corporate bonds priced in European currencies and US Dollars issued by European and North American companies, which meet high ESG standards.
- **High Yield Credit ESG**
  - This strategy targets long-term, low-volatility returns from investments in high yield corporate credit by investing selectively in creditworthy companies additionally screened for their adherence to improving standards of environmental sustainability, social responsibility, and good governance.

- **ESG Overlay**
  - Custom ESG standards can be added to any strategy offered by Muzinich.

***b) Risks of Investment Strategies***

While Muzinich seeks to manage each client's account so that risks are appropriate to the return potential for the strategy employed, it is often not possible or desirable to fully mitigate risks. Any investment involves the risk of loss and there can be no guarantee that a particular level of return will be achieved. Investors and clients should also be aware that investment strategies are often limited to particular types of securities and may not be diversified. An account's investment strategies may present a high degree of risk that investors and clients should be prepared to bear. It is possible that some or all of an account's investments could be lost. Clients and investors should be prepared to bear the risk of such potential losses, including through diversification.

Each of Muzinich's principal investment strategies involve various material risks. The following is a summary of material risks associated with Muzinich investment strategies. Please note that certain risks outlined below may not apply to all Muzinich investment strategies or may not apply to a material degree to particular strategies. Investors in affiliated funds and non-affiliated funds should also look to the relevant fund's Offering Documents and other fund offering documentation for further information on the risks associated with a particular fund.

*Allocation Risk.* As set forth in more detail in "Item 12(e) – Aggregation and Allocation of Trades," Muzinich will typically allocate bond transactions to Client accounts in round lots of 25,000 subject to a 25,000 minimum. In the event of a partial fill, allocations to Client accounts are generally made pro rata based on the initial order, but may be modified on a basis that Muzinich deems to be appropriate, including, for example, in order to meet Muzinich's minimum lot size of 25,000, or to avoid odd lots or *de minimis* allocations. This may result in smaller funds being disadvantaged, including by not receiving any allocation, especially with regard to new issues, which can trade at a premium shortly after issuance. See "Item 12(e) – Aggregation and Allocation of Trades."

*Corporate Credit Investments Risk.* Certain strategies may invest in sub-investment grade corporate credit instruments, including, without limitation, credit instruments that are subject to resale pursuant to Rule 144A or other legal restrictions on resale; debt securities issued or guaranteed by private or public corporations; and various other types of instruments including exchange-traded funds. Corporate debt instruments pay fixed, variable or floating rates of interest. Some debt securities, such as zero coupon bonds, do not make regular interest payments but are issued at a discount to their principal or maturity value. The value of fixed-income securities in which a strategy may invest will change in response to fluctuations in interest rates. In addition, the value of certain fixed-income securities can fluctuate in response to perceptions of creditworthiness, political stability or soundness of economic policies. Fixed-income securities are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (i.e., credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (i.e., market risk).

*Currency Risk.* The value of a client's assets may be affected favorably or unfavorably by changes in currency rates. Currency exchange rates may fluctuate significantly over short periods of time. They generally are determined by the forces of supply and demand in the respective markets and the relative merits of investments in different countries, actual or perceived changes in interest rates and other

complex factors. Currency exchange rates can also be affected unpredictably by intervention by governments or central banks (or the failure to intervene) or by currency controls or political developments. While the Firm may seek to hedge this risk through the use of foreign currency forward contracts, these contracts may not be effective in managing currency risk effectively. Also, currency markets generally are not as regulated as securities markets.

*Debt Securities Risk.* The risks of investing in debt securities include, without limitation:

(i) credit risk -- the issuer may not repay the obligation created by the issuance of that debt security; (ii) maturity risk -- a debt security with a longer maturity may fluctuate in value more than one with a shorter maturity; (iii) market risk -- low demand for debt securities may have a negative impact on their price; (iv) interest rate risk -- when interest rates go up, the value of a debt security goes down, and when interest rates go down, the value of a debt security goes up; and (v) prepayment or call risk -- the issuer may redeem a security by repaying it early, which may reduce the strategy's income, if the proceeds are reinvested at lower interest rates.

*Derivatives Risk.* Certain strategies may use derivatives. The use of derivatives may increase the volatility of performance or affect the value of a strategy's assets and may involve a small investment of cash relative to the magnitude of risk assumed. The principal risk of forward commitments is that the security may be worth less when it is issued or received than the price the strategy agreed to pay when it made the commitment. The principal risks of swap agreements are that they may be difficult to value and may be susceptible to liquidity and credit risk. The principal risk of options transactions is that they may increase the volatility of or affect the value of the strategy's assets and may involve a small investment of cash relative to the magnitude of the risk assumed. Derivatives may also be subject to counterparty risk, that is, the risk that the other party in the transaction will not fulfill its contractual obligations.

*Emerging Markets Risk.* Certain strategies may invest in emerging markets, which may be more risky than more developed markets for a variety of reasons, including, but not limited to, increased political, social, and economic instability; heightened pricing volatility and reduced market liquidity; potentially small issue sizes; less transparent information standards; heightened currency exposure; reduced legal protections and enforceability; and less developed systems for transaction settlement and custody.

*Energy and Natural Resources Risk.* Certain strategies may invest in energy and natural resources based investments. The energy sector is cyclical and highly dependent on commodities prices. This sector may be subject to substantial government regulation and contractual fixed pricing, which may increase the cost of business and limit earnings. A significant portion of the revenues in this industry depends on a relatively small number of customers, including governmental entities and utilities. As a result, governmental budget constraints may have a material adverse effect on market values in this industry. Energy projects may also operate in countries with less developed regulatory regimes or a history of expropriation, nationalization or other adverse policies. Energy projects also face a significant risk of civil liability from accidents resulting in injury or loss of life or property, pollution or other environmental mishaps, equipment malfunctions or mishandling of materials and a risk of loss from terrorism and natural disasters, including explosions, hurricanes, tornadoes, tsunamis, floods and earthquakes. The risks associated with investments in the energy and natural resources sectors include adverse consequences resulting from the availability of reserve requirements, national and international events.

*ESG Risk.* For Client accounts that focus on meeting ESG standards, there is risk that, at some point(s) in the market cycle, the more highly performing companies in the broad market will be those that do not meet the account's ESG criteria.

*Equity Securities Risk.* Certain strategies may invest in, sell short, or hold equity securities. Equity securities fluctuate in value in response to many factors, including the activities and financial condition of individual companies, the business markets in which individual companies compete, industry market conditions and general economic environments.

*Foreign Investment Risk.* Investments in foreign securities are subject to risks that differ from investments in US securities. These risks may include: fluctuating currency values; less liquid trading markets; greater price volatility; political and economic instability; less publicly available information about issuers; changes in tax or currency laws; and changes in monetary policy. Foreign securities may be more difficult to sell than US securities. All of these risks may be greater in emerging market countries than in more developed countries.

*High Yield Security Risk.* Investments in high yield securities can involve a substantial risk of loss. These securities, which are rated below investment grade, are considered to be speculative with respect to the issuer's ability to pay interest and principal and they are susceptible to default or decline in market value due to adverse economic and business developments.

*Information Technology Risk.* Muzinich is reliant on its information technology infrastructure, processes and procedures, and seeks to ensure that it has competitive informational technology systems. Information technology changes rapidly, however, and Muzinich may not be able to stay ahead of such advances. Muzinich or a service provider could be a target of cybersecurity attacks. While steps have been taken to mitigate the risk of such attacks, no system is fully attack-proof, and a cybersecurity attack may have an adverse impact on Muzinich and its clients.

*Leverage Risk.* Certain transactions and the use of derivatives such as foreign currency forward contracts, swaps and futures may create leveraging risk. Leverage may cause the Client's account to be more volatile than if the Client's account had not been leveraged. This is because leverage tends to exaggerate the effect of any increase or decrease in the value of the Client's securities. Only certain Clients may incur leverage.

*Liquidity Risk.* Securities that are liquid at the time of purchase may subsequently become illiquid due to events relating to the issuer of the securities, market events, economic conditions or investor perceptions. Below investment grade bonds and leveraged loans may be less liquid than investment grade securities. The value of illiquid securities may reflect a discount from the market price of comparable securities for which a liquid market exists, and accordingly may have a negative effect on the value of a strategy's assets. To meet Client requests to withdraw assets, Muzinich may be forced to sell securities at an unfavorable time and/or under unfavorable conditions.

*Loan Risk.* Certain strategies may invest in leveraged loans. The sale and purchase of a senior loan are subject to the requirements of the underlying credit agreement governing the loan. These requirements may limit the eligible pool of potential loan holders by placing conditions or restrictions on sales and purchases of loans. In addition, the value of the collateral securing the loan may decline, causing a loan to be substantially unsecured. There may not be a readily available market for loan participation interests, which in some cases could result in the strategy disposing of such interests at



a substantial discount from face value or holding such interests until maturity. In addition, loans are subject to the credit risk of the underlying corporate borrower. Senior loans are not traded on an exchange and purchasers and sellers of these loans rely on market makers, usually the administrative agent for a particular senior loan, to trade these loans. These factors, in addition to overall market volatility, may negatively impact the liquidity of loans. To the extent that a secondary market does exist for certain loans, the market may be subject to volatility, irregular trading activity, wide bid/ask spreads, decreased liquidity and extended trade settlement periods.

*Default on Loan Risk.* Borrowers could be susceptible to economic recession or downturns or other circumstances which cause the borrower to be unable to meet covenant requirements or service their obligations for indefinite periods of time. In addition, the credit markets are subject to volatility and a changing regulatory environment that could limit the availability of credit being provided by lenders with the result that a borrower might not be able to refinance its debt at or prior to maturity. This could lead to a default on a loan and, consequently, termination or a write down or other reduction in the value of the loan, and the exercise of remedies. In such cases, Clients (and their investors) would likely suffer losses resulting from an inability to recover all or a portion of their investment in defaulted loans. Moreover, disruption in the credit or other financial markets leading to increased loan defaults and credit downgrades of borrowers could negatively affect the liquidity and pricing of loans in a Client's portfolio.

*Market Risk.* The corporate credit markets can experience sharp and sudden price swings due to a variety of factors, including, but not limited to, changes in securities regulations, swings in market psychology, volatility in the stock market, changing economic conditions, a highly publicized default, or changes in asset allocations by major institutional investors.

*Political Uncertainty Risk.* US markets, as well as non-US markets in which Clients may invest in the future or to which Clients or borrowers are exposed, may experience political uncertainty and/or change that subjects investments to heightened risks. These heightened risks may include: greater fluctuations in currency exchange rates; increased risk of default (by both government and private issuers); greater social, economic, and political instability (including the risk of war or terrorist activity); greater governmental involvement in the economy; less governmental supervision and regulation of the securities markets and market participants; controls or restrictions on foreign investment, capital controls and limitations on repatriation of invested capital and on the ability to exchange currencies; inability to purchase and sell investments or otherwise settle security or derivative transactions (*i.e.*, a market freeze); unavailability of currency hedging techniques; and slower clearance.

During times of political uncertainty the global securities, derivatives and currency markets often become more volatile. There also may be a lower level of monitoring and regulation of markets while a country is experiencing political uncertainty, and the activities of investors in such markets and enforcement of existing regulations may become more limited.

Markets experiencing political uncertainty may have substantial, and in some periods extremely high, rates of inflation for many years. Inflation and rapid fluctuations in inflation rates may have negative effects on such countries' economies and securities markets.

There can be no assurance that political changes will not cause a Client to suffer a loss of any or all of its investments or interest thereon.

*Short Selling Risk.* Certain strategies may sell securities short. If a security sold short increases in price, the strategy may have to cover its short position at a higher price than the short sale price, resulting in a loss. A strategy may have substantial short positions and must borrow those securities to make delivery to the buyer. The strategy may not be able to borrow a security that it needs to deliver or it may not be able to close out a short position at an acceptable price and may have to sell related long positions before it had intended to do so. Thus, the strategy may not be able to successfully implement short sales due to limited availability of desired securities or for other reasons. Unlike long positions, short positions create the potential for unlimited downside.

## **ITEM 9: DISCIPLINARY INFORMATION**

Not Applicable.

## ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

### *a) Registered Broker-Dealer or Registered Representative*

Muzinich has a 100% interest in and wholly owns Muzinich Capital LLC (“Muzinich Capital”), a FINRA registered broker-dealer authorized to engage in the business of private placement transactions and market mutual funds. Muzinich Capital may in the future act as a placement agent for private funds for which Muzinich acts as investment manager, but does not currently do so. Certain related persons of the Firm are registered representatives of Muzinich Capital. The Firm does not place any Client trades through Muzinich Capital.

### *b) Business Relationships with Certain Related Persons*

- Muzinich is the parent company of Muzinich & Co. Limited, a United Kingdom-based Investment Manager (the “Investment Manager”). The Investment Manager may act as a sub-investment manager for certain Client accounts, and the Firm may act as a sub-adviser for certain of the Investment Manager’s client accounts. In addition, the Investment Manager is a “participating affiliate” of Muzinich, pursuant to a Memorandum of Understanding between Muzinich and the Investment Manager (the “MOU”) consistent with relevant SEC Staff guidance and, under the MOU, certain personnel of the Investment Manager are associated persons of Muzinich, and may make and implement investment decisions for certain Clients. The Firm and the Investment Manager may also discuss investment related matters and such discussions may impact decisions made by the Firm and the Investment Manager for their respective clients. Muzinich supervises such associated persons with respect to advice provided to Muzinich’s US clients.
- The Investment Manager is authorized and regulated in the UK by the Financial Conduct Authority. The Investment Manager has four regulated branch offices in Paris, France; Frankfurt, Germany; Milan, Italy; and Madrid, Spain, and one extended place of business in Manchester, United Kingdom. It also has wholly owned subsidiaries in Switzerland and in Singapore. The Investment Manager and Muzinich may share other resources, including research.
- The Investment Manager wholly owns two Luxembourg entities both of which serve as general partner to one or more investment funds: Muzinich European Private Debt, S.à r.l. and Muzinich Pan-European Private Debt General Partner, S.à r.l.
- Muzinich is the parent company of Muzinich & Co. (Ireland) Limited (the “Ireland Management Company”), a fund management company that is domiciled in Ireland and is regulated by the Central Bank of Ireland. The Firm serves as investment manager or sub-investment manager for Funds for which the Ireland Management Company is the manager.
- Muzinich is the investment adviser or investment sub-adviser to mutual funds registered under the Investment Company Act.
- Related persons of Muzinich may have a substantial interest in some of the Funds for which Muzinich is investment manager. Conflicts may arise as to the allocation of investment

opportunities among these Funds and its other Clients.

- Muzinich owns a 90% interest in Crosswater Realty Advisors LLC (“Crosswater”), which offers independent strategy and manager evaluation, asset workout and commingled fund/partnership restructuring assistance to institutional owners of underperforming real estate investments. Muzinich and Crosswater operate independently of each other and have no business relationship other than Muzinich’s ownership interest.

Muzinich has policies and procedures in place reasonably designed to assure that Clients are treated fairly and equitably over time and that no Client account receives preferential treatment in the allocation of investment opportunities. See “Item 6 - Performance-Based Fees and Side-by-Side Management,” above, and “Item 12 – Brokerage Practices; Aggregation and Allocation of Trades,” below.

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

### ***a) Code of Ethics***

The Firm has adopted a Code of Ethics (the “Code”) which is designed to set forth the general fiduciary principles governing employees, require compliance with the federal securities laws, and assist employees in detecting and managing conflicts of interest. It also describes policies on personal trading by Firm employees. The Code is further supported by a number of policies addressing specific potential conflicts and other matters, such as the Firm’s policies concerning Insider Trading and Gifts and Corporate Entertainment.

Muzinich permits its employees to engage in personal securities transactions. These transactions raise potential conflicts of interest, including when they involve securities owned or considered for purchase or sale by or on behalf of a Client account. Potential conflicts of interest may arise in connection with, for example, an employee’s knowledge and timing of transactions, investment opportunities, broker selection, portfolio holdings and investments. Muzinich manages these potential conflicts by requiring that any transaction be made in compliance with its Code.

The Code imposes specific requirements concerning employees’ personal security investments, including but not limited to:

- Quarterly, employees must report personal securities transactions in Covered Securities, which excludes certain securities such as US government securities and open-end mutual funds (other than mutual funds managed by the Firm);
- Employees must report all holdings annually;
- Employees may not trade for their personal accounts while in possession of material, non-public information;
- Employees may not trade for their personal accounts in securities which are either restricted or in which their investment may result in a conflict of interest; and
- Employees must receive prior approval from the Chief Compliance Officer or his or her delegate prior to purchasing a security in an initial public offering or a private offering.
- With certain exceptions for circumstances where the Firm believes the possibility of a conflict is remote, employees must receive prior approval from the Chief Compliance Officer or his or her delegate prior to engaging in a transaction in a Covered Security.

All Clients and prospective Clients may obtain a copy of the Firm’s Code of Ethics by writing or calling the Firm as follows:

Muzinich & Co., Inc.  
Attn: Chief Compliance Officer  
450 Park Avenue  
New York, NY 10022  
(212) 888-3413

***b) Participation or Interests in Client Transactions; Investment in Securities Recommended to Clients***

Muzinich, its employees and its affiliates may invest in issuers that they also recommend to Clients. However, Muzinich, its employees and affiliates may not trade for their personal accounts in securities which are either restricted or in which their investment may result in a conflict of interest. They also may give advice and take action with respect to Client accounts they manage, or for their own accounts, that may differ from action taken, or the time or nature of the action taken, by the Firm or its affiliates on behalf of other Client accounts. Muzinich is not obligated to recommend, buy or sell, or to refrain from recommending, buying or selling any security that Muzinich or its affiliates or their respective employees may buy or sell for their own accounts or for the accounts of any other Client.

Additionally, in certain circumstances, such as when it makes investments in certain leveraged loans on behalf of certain Client accounts, the Firm may come into possession of material non-public information about an issuer. In these instances, Muzinich typically adds the issuer (if it has public securities) to its restricted list and would be prohibited from purchasing or selling public securities of such issuer for a Client while the issuer remains on the Firm's restricted list. In these circumstances, Muzinich has no responsibility or liability to the Client for not disclosing the information to the Client (or the fact that Muzinich possesses such information), or not using such information for the Client's benefit, as a result of following its policies and procedures or applicable law.

Muzinich may take positions in securities for the accounts of certain Clients that it concludes are inappropriate for other of its Clients. For instance, Muzinich may take short positions in the securities of certain issuers for the account of a Client at the same time that other Client accounts hold or acquire the securities and/or syndicated loans of such issuers. Moreover, Muzinich is not precluded from investing in securities of a company held in some of its Client accounts in which other of its Clients have senior or subordinated rights relative to the other, or vice versa. As a result of the foregoing, Muzinich may have conflicts of interests in allocating investments among Client accounts. Muzinich seeks to manage these conflicts by allocating transactions among accounts in a manner that Muzinich determines fair and equitable under the circumstances and in accordance with its policies and procedures regarding trade allocations. See "Item 6 – Performance Based Fees and Side by Side Management" and "Item 12 – Brokerage Practices; Aggregation and Allocation of Trades" for further information.

Although the majority of trades made for Clients are executed through the open market, when Muzinich believes, on a limited case-by-case basis, it is in the best interest of all Clients involved, it may engage in "cross trading" – a transaction where one or more Clients purchases securities from one or more other Clients. In such circumstances, and where consistent with Muzinich's duty to seek best execution, the Firm may select an unaffiliated third party broker-dealer to facilitate the cross trade, but Muzinich will receive no transaction-based compensation from the transaction. Where a Fund registered under the Investment Company Act is involved, the transaction will be executed in accordance with the provisions of Rule 17a-7 under that Act. In other cases, the transaction will be executed in a manner, and at a price, that Muzinich believes to be fair for all involved Clients. The Firm has adopted procedures to seek the fair treatment of Clients in cross trades, including procedures that prohibit Funds in which Muzinich or its employees hold more than a 25% interest, from participating in cross trades.

Muzinich, its affiliates, its employees, and employees of its affiliates may own shares or units of Funds for which Muzinich or its affiliates act as investment manager or in some other capacity. Therefore a potential conflict of interest exists when allocating trades, correcting errors, engaging in cross transactions or otherwise making investment decisions on behalf of these Funds. These potential conflicts are greater when purchasing securities that are limited in supply or selling securities that have limited liquidity. However, these Funds are considered Clients and are treated in the same fashion as other Clients of the Firm and are subject to Muzinich's policies and procedures, including those described in this Item 11 and in Item 12 below.

***c) Other Conflicts of Interest – Material Non-Public Information/Insider Trading***

From time to time, the Firm or its personnel may obtain material non-public information about an issuer of securities. The Firm has implemented policies and procedures that are reasonably designed to prevent the misuse by the Firm and its personnel of material non-public information about the Firm's securities recommendations and clients' securities holdings and transactions (the "Insider Trading Policy"). The Insider Trading Policy is designed to comply with the requirements of the Advisers Act and other federal securities laws. The Insider Trading Policy requires that all Muzinich employees abide by the following guidelines:

- Except as expressly advised by Muzinich's compliance department, an employee may not buy or sell (or recommend, advise or solicit the purchase or sale), for any account (personal or client), a security (or derivative) of any company about which the employee possesses material non-public information.
- All employees are required to safeguard the confidentiality of any non-public information that may be in their possession and to ensure that such information is not used improperly or in a manner inconsistent with the specific purpose for which it was created or obtained and to avoid situations that might create an appearance of such misuse.
- An employee must notify the Muzinich compliance department immediately if he or she believes that he or she has obtained any material non-public information about any company. Employees should not disclose such information to any other person without obtaining permission from the Muzinich compliance department.
- If there is any doubt as to whether information an employee possesses is material or non-public, the affected employee should conduct him/herself as though it were and contact the Muzinich compliance department for further guidance.

Where Muzinich is in possession of material non-public information about an issuer, it may be unable to purchase or sell securities of that issuer, even if it would be otherwise advisable to do so. This may prevent clients from capitalizing on investment opportunities or mitigating losses.

Muzinich's policies allow for the purchase and sale of certain loan interests while in possession of material non-public information, where Muzinich is on the "private side" of the transaction.



## **ITEM 12: BROKERAGE PRACTICES**

### ***a) Selection of Broker-Dealers***

In placing orders for purchase and sale of securities and selecting broker-dealers to effect transactions, Muzinich seeks prompt execution of orders at the most favorable prices reasonably obtainable under the circumstances and in doing so will consider a number of factors, including, without limitation, the overall direct net economic result to the client, the financial strength, reputation and stability of the broker-dealer, the efficiency with which the transaction is effected, the ability to effect the transaction where a large block is involved, the settlement capabilities of the broker-dealer and the willingness of the broker-dealer to stand ready to execute possibly difficult transactions in the future. After giving account to all of these considerations, the Firm may cause an account to pay commissions or spreads which may not be the lowest available but which ordinarily will not be higher than the generally prevailing competitive range.

### ***b) Soft-Dollar Arrangements***

Muzinich may receive proprietary, over the transom, research from broker-dealers through which it executes transactions. However, as a matter of policy, Muzinich does not have in place any “soft dollar” arrangements, and Muzinich will not pay higher commission or mark-up prices or direct trades to a particular broker-dealer in order to receive specific research or other services. Nevertheless, the desire to receive research may influence Muzinich’s brokerage decisions and the receipt of over-the-transom research from brokers benefits Muzinich in that it is not required to purchase or develop such research itself.

### ***c) Brokerage for Client Referrals***

Muzinich does not consider, in selecting or recommending a broker dealer, whether the Firm or a related person receives client referrals from that broker-dealer. However, Muzinich may engage brokers who invest, or who have affiliates who invest, in Muzinich funds or which are Muzinich clients.

### ***d) Directed Brokerage***

Typically, the Firm does not accept clients who require it to execute transactions through a specific broker-dealer. Clients may however provide an approved list of broker-dealers for their account. The Firm will use such broker-dealers subject to its determination that the use of those broker-dealers is consistent with its duty to seek best execution of Client transactions. However, to the extent that the Firm places an aggregated order through a broker-dealer that is not on a Client’s approved list but which the Firm believes will provide best execution for the order, the Client would not participate in that order and the Firm would have to place the order for the Client through one of the Client’s approved broker-dealers. As a result, the Client might pay a higher price or receive a lower price for the same security than those Clients who participated in the aggregated order. Thus, restricting the broker-dealers that the Firm may use to effect transactions may adversely impact performance.

### ***e) Aggregation and Allocation of Trades***

Muzinich is committed to transacting in assets in a manner that is consistent with the investment objectives of each Client, and to allocating investment opportunities (including purchase and sale

opportunities) among its Clients in a fair and equitable manner over time. If Muzinich is presented with an investment opportunity that falls within the investment objectives of more than one Client, Muzinich will allocate the opportunity among one or more of such Clients in a manner that Muzinich deems to be fair and equitable over time, taking into consideration such factors as: (i) investment guidelines and restrictions; (ii) investment horizons; (iii) current portfolio holdings and weightings; (iv) cash availability; (v) risk levels; (vi) liquidity requirements; (vii) investment restrictions and/or ability to invest additional funds; (viii) tax considerations; (ix) legal and/or regulatory considerations; and (x) other criteria Muzinich deems relevant (the nature and extent of the differences will vary from Client to Client). Muzinich will typically allocate bond transactions to Client accounts in round lots of 25,000 subject to a 25,000 minimum. When orders to purchase or sell the same assets on identical terms are placed on behalf of more than one Client account managed by Muzinich or its affiliates on a single day through the same broker/dealer, they are typically averaged as to price and allocated as to amount in accordance with the original order placed for each Client account. Such orders are combined when possible to facilitate best execution by reducing overall transaction costs; however, Muzinich may choose not to aggregate where it believes appropriate. In cases where only part of an order is filled, assets are generally allocated to accounts on a pro-rata basis to the original order placed for each Client account on any given day. Reasons for allocating asset transactions on a basis different from pro rata include criteria that Muzinich deems significant, including, without limitation: (i) to avoid odd-lot sizes, (ii) to meet minimum trade lot sizes, (iii) the need for, or availability of, cash to complete the transaction; (iv) whether the transaction would result in a meaningful position for the client's account; and (v) the availability of an alternative investment in the same asset or industry.

#### *New Issues and Other Limited Opportunities*

Muzinich may invest Client assets in new issues. New issues frequently are in great demand and available only in limited quantities. Moreover, new issues can trade at a premium shortly after issuance. Because these factors subject new issues to potential abuse, Muzinich seeks to ensure that new issues are allocated in a fair and equitable manner over time. Each portfolio manager determines whether to participate in a new issue for some or all of his or her Client accounts taking into consideration the factors outlined above.

Many Muzinich investment strategies are relative-value oriented and long-term in nature. When considering whether to invest in a new issue, the portfolio manager may take into account additional factors, including but not limited to, weighing the investment proposition against the potential for gain from the existing holdings in the strategy and the other costs associated with the transactions, including transaction implementation costs related to selling positions to pay for the new issue. Many Muzinich strategies do not invest in new issues on a regular basis, while certain strategies, particularly certain of Muzinich's alternative investment strategies, do. New issues may trade at a premium over the new issue price shortly after their issuance. Consequently, those strategies that regularly invest in new issues (including strategies used to manage Muzinich's alternative investment funds) may be able to quickly sell new issues and may therefore significantly benefit from such investments, should they be profitable, while those strategies that do not regularly invest in new issues will not.

Because orders for new issues are often only partially filled, accounts participating in the original order may receive only a portion of the amount requested or may not receive any allocation at all. In these cases, Muzinich follows the aggregation and allocation policies described above. See also "Item 8(b) – Risks of Investment Strategies."

### *Loans*

In certain circumstances, loan transactions may be allocated in a manner different than that described above. In particular, if portfolio managers seek to purchase for Client accounts a particular loan that is being issued to replace or refinance an existing loan and some Client accounts already own the existing loan, the accounts that own the existing loan may receive priority with respect to the new loans, up to the amount of their current holdings. This means that other Client accounts may not have the opportunity to purchase the loan in question if the accounts that already hold loans of that issuer absorb the available supply.

In the case of a partial fill, Muzinich may consider additional factors when allocating loan transactions to Client accounts, including but not limited to: (i) transfer fees paid on a Client basis; and (ii) whether the transaction would result in a meaningful position for the client's account.

## **ITEM 13: REVIEW OF ACCOUNTS**

### ***a) Client Account Reviews***

Muzinich portfolio managers review Client portfolios on a periodic basis in light of Client objectives and guidelines and in response to market events and the Firm's general policies and strategies. In addition, the portfolio managers meet regularly to consider economic, market and general investment matters not related to specific Client accounts. No single Client account is the sole responsibility of any one portfolio manager. Members of the Firm's Portfolio Risk Analytics Committee review portfolios at least monthly to monitor performance consistency among Clients with similar objectives.

In addition, the Firm has tools at its disposal to assess and monitor overall compliance of Client accounts with their stated investment objectives. For example, Muzinich has compliance systems that have automated controls to help review investment transactions to confirm they are made in accordance with Client investment mandates. Muzinich has also developed reports from its portfolio accounting system to assist in performing next day reviews.

### ***b) Client Reports***

Holders of Separate Accounts and investors in Funds typically receive written monthly or quarterly reports. These reports provide information on account size or account balances, monthly performance, market commentary, portfolio composition, values and other information designed to provide an assessment of the relevant portfolios. Investors in private funds additionally receive annual audited financials and quarterly unaudited financials.

Investors in registered investment companies or their foreign equivalents receive reporting and documentation as required of publicly marketed funds in the jurisdictions in which they operate.

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

The Firm may compensate third parties for client referrals. Before making payments for any client referral, the Firm requires each such third party to enter into a written referral agreement. Third party referrers are required to disclose to potential clients the relationship between the referrer and Muzinich. Potential clients are required to acknowledge they have been informed of the referral arrangement, including the type and amount of compensation, prior to Muzinich accepting the client's account.

Referral fees are generally a percentage of the annual management fees, incentive allocation, or a combination thereof, earned by the Firm on referred accounts, but may also include a retainer payment. The referral fees do not result in additional expenses to the referred client.

Muzinich currently has one third-party referral arrangements and may enter into others in the future. Under the terms of the current arrangements, which have been entered into consistent with the requirements of Rule 206(4)-3 under the Advisers Act, Muzinich pays the third-party solicitors an amount equal to a percentage of fees actually received from clients referred by the solicitors, net of any charges payable on such fees. Muzinich may also receive referrals from its affiliates.

## **ITEM 15: CUSTODY**

With respect to public funds (defined in this Item 15 as Undertakings for Collective Investment in Transferable Securities (UCITS) and funds registered under the Investment Company Act of 1940) and separately managed account clients (“PF and SMA clients”), Muzinich does not have custody of securities or other assets. PF clients receive account statements directly from their administrator. Separately managed account clients select their own custodians, such as banks or broker-dealers, to maintain their funds or securities and Muzinich does not have authority to obtain possession of such funds or securities. PF and SMA clients receive account statements directly from their custodians. PF and SMA clients should carefully review those statements. In addition, PF and SMA clients receive account statements from the Firm. The PF and SMA clients are encouraged to compare the Firm’s accounts statements to those received from the PF and SMA clients’ custodian. There may be differences in market values between the Firm’s account statements and the custodian’s account statement for various reasons. For example, the Firm and the PF and SMA clients’ custodian may use different pricing sources to value securities held in the portfolio. Other differences may result from different dates being used to value securities (such as on a trade date versus settlement date basis) or may be due to the custodian’s policies for handling certain assets or changes in the values of certain assets. To the extent PF and SMA clients identify such a discrepancy, the PF and SMA clients may call the Firm for an explanation.

## **ITEM 16: INVESTMENT DISCRETION**

Subject to each Client's established guidelines, limitations or restrictions, Muzinich generally has the authority to determine for each Client account: (a) which securities are to be bought or sold; (b) the total amount of securities to be bought or sold; (c) through which broker-dealers those securities are to be bought or sold; and (d) the commission rates or spreads to be paid for each transaction. Authority is typically granted in an investment management agreement signed by the client and the Firm. For Separate Account clients, limitations and restrictions are included in the investment management agreement. For Fund clients, limitations and restrictions are typically included in the Fund's offering documents.

## ITEM 17: VOTING CLIENT SECURITIES

### *a) Firm Proxy Voting Authority*

From time to time companies in which the Firm invests may submit certain matters to a vote of its security holders. The right to vote is usually exercised through a document called a proxy where the security holder enters its vote.

The Firm has adopted Proxy Voting Policies and Procedures pursuant to Rule 206(4)-6 of the Advisers Act designed to confirm that proxies are voted prudently and solely in the best interest of its Clients. In the event that a conflict of interest exists between management's recommendation and the Firm or its Clients, the Firm will vote in the manner which in its judgment and sole discretion is in the best interest of its Clients.

As the investments held by, and actions taken with respect to, different clients will depend on the particular interests of those Clients (which may not be aligned, particularly where Clients hold different, or overlapping but not identical, investments in an issuer), decisions made by Muzinich for one Client may differ in some cases from those made for other clients. Actions taken for one Client in that Client's interest could adversely impact other clients.

In cases where an issuer in which multiple Clients hold interests acquired at different points in time or in different positions within the issuer's capital structure experiences financial distress, there is a potential for conflicts of interest (including, for example, conflicts over proposed waivers and amendments to debt covenants). When called upon to take action with respect to an investment (e.g., to sell, to vote, or to exercise a right or remedy) a Client's overall holdings, and related rights, may be such that it is in the client's best interest to take action (or refrain from taking action) in a manner that would be contrary to the interest of a person holding only the particular class of interest on which the right is conferred. In these circumstances, clients that have invested in some, but not all, of the relevant classes of interests of the issuer held may be disadvantaged.

When considering whether to pursue a particular course of action, including asserting available claims or remedies, factors that may be considered include the costs of pursuing the course of action (or alternative courses of action) and the likelihood of a favorable outcome. As a result, not every potential claim or course of action will be pursued and it will not always be the case that conflicts will be able to be resolved in the best interest of any particular client nor can there be any assurance that actual or potential conflicts of interest can be resolved such that the ultimate terms of an investment (or an amendment to such terms) will be as favorable as they would be in the absence of such conflicts.

Clients may request a copy of Muzinich's Proxy Voting Policy and a record of its proxy votes with respect to the Client's securities by writing or calling the Firm as follows:

Muzinich & Co., Inc.  
Attn: Chief Compliance Officer  
450 Park Avenue  
New York, NY 10022  
(212) 888-3413



***b) Client Proxy Voting Authority***

Clients who do not grant Muzinich discretion to vote proxies on their behalf are responsible for voting their own proxies and, if they desire to do so, must arrange to receive proxy materials from the relevant custodians or transfer agents.

## **ITEM 18: FINANCIAL INFORMATION**

This item requires disclosure of any financial condition that is reasonably likely to impair Muzinich's ability to meet contractual commitments to Clients. Currently, there is no financial condition that is reasonably likely to impair the Firm's ability to meet contractual commitments to Clients.