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**Redding Ridge Asset Management LLC**

**FORM ADV PART 2A**

**March 30, 2018**

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**This brochure provides information about the qualifications and business practices of Redding Ridge Asset Management LLC (“Redding Ridge Asset Management”). If you have any questions about the contents of this brochure (“Brochure”), please contact us at (212) 515-3200. 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. Additional information about Redding Ridge Asset Management also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

Redding Ridge Asset Management is registered as an investment adviser with the SEC pursuant to the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Recipients of this Brochure should be aware that registration with the SEC does not in any way constitute an endorsement by the SEC of an investment adviser’s skill or expertise. Further, registration does not imply or guarantee that a registered adviser has achieved a certain level of skill, competency, sophistication, expertise or training in providing advisory services to its clients.

## **ITEM 2**

### **Material Changes**

Redding Ridge Asset Management is required to identify and provide a summary of any material changes that were made to this Brochure since its last annual update dated March 31, 2017. Accordingly, please note the following:

Redding Ridge Asset Management has fully launched its operations and acts as the manager to three U.S. collateralized loan obligation pools (“CLOs”) and any warehouse facilities required to structure the loan portfolios of the CLOs. As of December 31, 2017, Redding Ridge Asset Management has approximately \$1.3 billion in assets under management, all of which are managed on a discretionary basis.

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## **ITEM 4**

### **Advisory Business**

Redding Ridge Asset Management LLC (“Redding Ridge Asset Management”) is a Delaware series limited liability company that commenced operations beginning in August 2016. Its principal place of business is at 126 East 56<sup>th</sup> Street, Suite 2210, New York, New York 10022-3613. Redding Ridge Asset Management is wholly owned by Redding Ridge Holdings LP, a Cayman Islands exempted limited partnership. Interests in Redding Ridge Holdings LP are held by: Apollo Principal Holdings VII, L.P., a Delaware limited partnership and indirect subsidiary of Apollo Global Management, LLC (“AGM”), a Delaware limited liability company; Apollo ND Services LLC, a Delaware limited liability company and indirect subsidiary of AGM, certain private investment funds managed by subsidiaries of AGM (“Apollo Funds”); and certain third-party investors. Redding Ridge Asset Management primarily advises, and holds certain CLOs and warehouse vehicles (“CLO Warehouses”).

The CLOs are organized in the Cayman Islands, United States or the European Union as exempted companies that rely on Section 3(c)(7) of the Investment Company Act of 1940 (the “1940 Act”), or other applicable exceptions or exemptions under the 1940 Act, as the basis for their exemption from the registration requirements of the 1940 Act.

The CLOs for which Redding Ridge Asset Management perform investment advisory services invest primarily in senior secured bank loans. Redding Ridge Asset Management’s objective in managing the investment portfolio of each CLO is to achieve preservation of principal and above average returns via income and capital appreciation.

#### **Investment Advisory Relationship with the CLOs**

The advisory relationship between each CLO and Redding Ridge Asset Management is governed by the respective investment management agreement between the CLO and Redding Ridge Asset Management (“Management Agreement”) and the terms of other relevant CLO governing documents. The Management Agreements are generally negotiated between related parties and, as such, their terms, including the fees payable to Redding Ridge Asset Management, may not be as favorable to the CLO as if they had been negotiated with an unaffiliated, unrelated third party.

Redding Ridge Asset Management, either directly or indirectly through a special purpose vehicle, engages in total return swaps. In connection with certain investments, Redding Ridge Asset Management employs hedging techniques designed to reduce the risks of adverse movements in interest rates, securities prices and currency exchange rates, including, but not limited to, the use of interest rate swaps, credit derivative swaps, forward contracts, commodities or commodities futures, put and call options, floors, collars and other similar arrangements.

Without prior consultation with existing CLOs, Redding Ridge Asset Management may provide investment management services to additional private pooled investment vehicles, including other CLOs that are offered to investors on a private placement basis. In connection with providing investment management services, Redding Ridge Asset Management is appointed as investment adviser with discretionary trading authorization for the CLOs.

Except in limited circumstances, Redding Ridge Asset Management has full discretionary authority with respect to the investment decisions of the CLOs; however, advice is provided in accordance with the investment objectives and guidelines set forth in each CLO's governing documents and investment guidelines.

***The information provided above about the investment advisory services provided by Redding Ridge Asset Management is qualified in its entirety by reference to the relevant CLO governing documents and offering materials. The offering documents for each CLO should be read carefully prior to investment. No offer to sell interests in the CLOs is made by the descriptions in this Brochure, and CLOs are available only to investors that are properly qualified.***

As of December 31, 2017, Redding Ridge Asset Management has \$1,333,128,266 under management.

## **ITEM 5**

### **Fees and Compensation**

#### **Management Fees**

Redding Ridge Asset Management receives management fees in connection with the investment management services it provides to each of the CLOs and may also receive performance fees, carried interest or other incentive compensation related to the performance of each CLO and CLO Warehouse. Such management fees, carried interest, performance fees or other compensation generally are negotiable and established at the beginning of the advisory relationship with each CLO or CLO Warehouse. Specific details of payment terms and compensation, including its method of calculation, are set out in the offering materials, indentures, disclosure documents, Management Agreements and the constituent documents of each CLO or CLO Warehouse. Such compensation may be negotiated with strategic partnerships, managed accounts and certain other investors in certain limited circumstances.

Management fees may be subject to waiver or rebate. Such management fees are generally structured with a portion of such fee payable as a senior management fee and a portion payable as a subordinated management fee. Management fees are typically payable quarterly in arrears, deducted from each CLO's account and dependent in part on certain cash distribution constraints set forth in the constituent documents for each CLO.

Collateral management fees for CLO clients are payable only to the extent that funds are available in accordance with the priority of payments described in the CLOs' indentures.

#### **Performance Fees**

Redding Ridge Asset Management may also receive an incentive fee as set forth in the CLOs' indentures. Incentive fees are also only payable to the extent that funds are available for such purpose and certain performance hurdles are met on each payment date in accordance with the priority of payments described in the CLOs' indentures.

In lieu of incentive fees, Redding Ridge Asset Management may receive a profits interest in the form of notes issued by a CLO that entitle Redding Ridge Asset Management to receive a stream of income above a specified internal rate of return by the subordinated debt holders of the CLO (“Preferred Notes”).

All performance-based compensation payable to Redding Ridge Asset Management will be consistent with the requirements of Section 205 of the Advisers Act and Rule 205-3 thereunder. Performance-based compensation payable to Redding Ridge Asset Management is typically payable quarterly or more frequently in arrears, deducted from each CLO’s account and dependent in part on certain cash distribution constraints set forth in the constituent documents for each CLO.

### **CLO Warehouse Fees**

Redding Ridge Asset Management may also receive management fees payable under CLO Warehouse documents as negotiated by Redding Ridge Asset Management on a deal-by-deal basis and/or structuring fees or “warehouse success fees” (collectively, “CLO Warehouse Fees”). CLO Warehouse Fees may include fees similar to management fees and incentive fees, described above, as well as certain fees negotiated in connection with a CLO payoff of such warehouse facility, in each case as described in the transaction documents for a warehouse facility.

### **Expenses Charged to CLOs**

In accordance with the terms of Redding Ridge Asset Management’s Management Agreement with the CLOs and applicable indentures, the CLOs generally reimburse Redding Ridge Asset Management for certain out-of-pocket expenses related to the services provided by Redding Ridge Asset Management and third parties to the CLOs.

*Organizational Expenses.* Each CLO typically pays or otherwise bears all fees, costs, expenses, and other liabilities incurred in connection with the formation and organization of such CLO and/or investment manager, including commissions, costs, and all out-of-pocket legal, accounting, filing, capital raising, printing, electronic database, travel (which may include expenses for the use of private aircraft, first class or business class travel), accommodation, meal and other similar fees, costs and expenses (collectively, the “Organizational Expenses”). Not all CLOs have the same fees, costs and expenses, however.

*Operating Expenses.* In addition, each CLO, subject to its governing documents, typically pays or otherwise bears all of the direct and indirect fees, costs, expenses and other liabilities or obligations resulting from or arising in connection with its operations (collectively, the “Operating Expenses”). The Operating Expenses of a particular CLO are set forth in its governing documents and may include, without limitation, the following fees, costs and expenses related to or arising from:

- (i). the discovery, investigation, development, acquisition or consummation, ownership, maintenance, monitoring, hedging or disposition of portfolio investments, which includes:
  - brokerage commissions
  - clearing and settlement charges
  - private placement fees

- syndication fees
  - solicitation fees
  - arranger fees
  - sales commissions
  - pricing and valuation fees (including appraisal fees)
  - research fees
  - underwriting commissions and discounts
  - interest and commitment fees
  - transaction fees
  - breakup fees
  - investment banking fees
  - advisory fees
  - bank charges
  - other investment costs and expenses related to closing, execution and transaction costs
  - custodial, trustee, transfer agent, recordkeeping and other administrative fees
  - origination fees
  - commitment fees
  - collateral management fees, facility fees, float fees or similar fees;
- (ii). services rendered to, or in connection with financing provided to, issuers of securities (such as arranger, brokerage, placement, syndication, solicitation, or underwriting, agency, origination, sourcing, structuring, collateral management or other fees, discounts, spreads, commissions and concessions) paid to (1) any service provider affiliated with AGM, certain CLOs and/or their portfolio investments who provide services to CLOs and/or their portfolio investments, as well as third parties (each, an “Affiliated Service Provider”) or another person with respect to services rendered by such Affiliated Service Provider or (2) by any issuer of any securities that constitute a portfolio investment in respect of which a CLO does not have control;
- (iii). any investments and/or securities that are managed by the manager of such CLO or any of their respective affiliates (including an investment in another CLO) that are acquired by such CLO (including management fees, operating expenses, incentive allocation and/or carried interest) earned by any such person or that are otherwise borne by such investments and/or securities;
- (iv). any credit facility, guarantee, letter of credit or similar credit support or one or more other similar financing transactions involving any investment;
- (v). the evaluation of potential portfolio investments regardless of whether any such investment is ultimately consummated, (including any broken-deal expenses and reverse break-up fees);
- (vi). attending conferences in connection with the evaluation of future portfolio investments or business sector opportunities (including the evaluation of potential portfolio investments, irrespective of whether any such investment is ultimately consummated);
- (vii). risk management assessments and analysis of such CLO’s assets;

- (viii). any other expenses of investments that are not consummated, which may include certain advisory, transaction, closing, consulting and other similar fees paid to the manager of such CLO or such manager's affiliates and other persons;
- (ix). any travel-related expenses related to or arising from the discovery, investigation, development, acquisition or consummation, ownership, maintenance, monitoring, hedging, or disposition of investments, including potential investments (which may include travel expenses for the use of private aircraft, first class or business class travel);
- (x). taxes and other governmental charges incurred or payable by such CLO;
- (xi). the services of actuaries, accountants, advisers, auditors, administrators, brokers (including prime brokers), counsel, custodians, valuation experts and other service providers that provide services to, or with respect to, such CLO, and legal expenses incurred in connection with claims or disputes related to one or more actual, unconsummated or proposed investments;
- (xii). the services of professionals (including any industry executives, advisers, consultants, operating executives, subject matter experts or other persons acting in a similar capacity) who provide services to such CLO or its investments or to issuers of securities;
- (xiii). obtaining research and other information for the benefit of such CLO, including information service subscriptions, as well as expenses incurred to operate and maintain market information systems and information technology systems used to obtain such research and other information (such as phone and internet charges);
- (xiv). developing, implementing or maintaining computer software and technological systems for the benefit of such CLO, its investors or its investments (including potential portfolio investments);
- (xv). maintaining such CLO and any of its subsidiary entities, including fees, costs and expenses incurred in the organization and restructuring of such subsidiary entities;
- (xvi). insurance allocated to such CLO (including Redding Ridge Asset Management's group insurance policy, general partner's, directors' and officers' liability or other similar insurance policies, errors and omissions insurance, financial institution bond insurance and any other insurance for coverage of liabilities to any person that are incurred in connection with activities of such CLO), litigation expenses, (including expenses incurred in connection with the investigation, prosecution, defense, judgment or settlement of litigation) and other extraordinary expenses (including fees, costs and expenses that are classified as extraordinary expenses under U.S. generally accepted accounting principles ("GAAP"));
- (xvii). preparation of all reports to such CLO's investors or advisory board (including all fees, costs and expenses incurred to audit such reports, provide access to a database or other internet forum and for any other operational, legal, secretarial or postage expenses relating thereto or arising in connection with the distribution of the same), and any other financial, tax, accounting or fund administration reporting functions (including expenses associated with the preparation of financial statements, tax returns, and Internal Revenue Service Schedules



“K-1” or any successors thereto and the tax matters partner’s representation of such CLO or its investors);

- (xviii). the holding of any meetings of the CLO, including the CLO’s investors, the CLO’s advisory board, the CLO’s board of directors or conflicts review agent (including expenses for airfare, accommodations, meals, events, entertainment and other similar fees, costs and expenses in connection with any such meetings);
- (xix). such CLO’s indemnification obligations (including any fees, costs and expenses incurred in connection with indemnifying covered persons consistent with such CLO’s governing documents, and advancing fees, costs and expenses incurred by any such covered persons in defense or settlement of any claim that may be subject to a right of indemnification under such CLO’s governing documents);
- (xx). compliance with any applicable law, rule or regulation or directive, including the Risk Retention Rules (as defined in Item 8), European Union Alternative Investment Fund Manager Directive (“AIFMD”) or any other regulatory requirement (including regulatory filings, “blue sky” filings and related out-of-pocket or other expenses of such CLO, its board of directors or similar person and/or investment advisor, including any compliance or filings related to any such law, regulation or directive) and expenses related to or in connection with any governmental inquiry, investigation, or proceeding involving such CLO (including the amount of any judgments, settlements or fines paid in connection therewith), which includes legal fees, costs and expenses;
- (xxi). a sale, assignment, pledge or transfer of an investor’s interest in such CLO or an investor’s withdrawal or admission or acquisition of interests as permitted under such CLO’s governing documents (but only to the extent not paid by the investor and/or the purchaser, assignee, pledgee or transferee, as applicable);
- (xxii). any amendments, modifications, revisions or restatements to the governing documents of such CLO and/or investment advisor;
- (xxiii). such CLO’s borrowings and indebtedness (including the fees, costs and expenses incurred in obtaining lines of credit, loan commitments and letters of credit for the account of such CLO), securing the same by mortgage, pledge or other lien on any assets of the CLO or otherwise encumbering assets in connection with or in furtherance of the acquisition of all or a portion of or the financing of an investment;
- (xxiv). administering and operating such CLO, preparing and maintaining the books and records of such CLO, including internal costs that the manager of such CLO may incur to produce such CLO’s official books and records, external costs in cases where the manager hires a third-party administrator to maintain such CLO’s official books and records and any costs of the manager to oversee and manage such third-party administrator and any special purpose vehicles, including fees and expenses incurred in the organization of special purpose vehicles;
- (xxv). the dissolution, winding up and termination of such CLO;
- (xxvi). such CLO’s subsidiary entities; and

- (xxvii). such CLO's investors that are feeder funds or conduit vehicles that are (A) formed for the purpose of investing in the CLO, and (B) not affiliates of Redding Ridge Asset Management.

The foregoing categories of fees, costs, expenses and other liabilities shall be Organizational Expenses and Operating Expenses, respectively, regardless of whether the person or entity providing or performing the service or output giving rise to such fees, costs, expenses or other liabilities is associated with the CLO (such as the general partner (or similar person) of such CLO, its investment advisor or any of their respective affiliates) or is a third party. Any person associated with the CLO is entitled to reimbursement from such CLO or its portfolio investment for any Operating Expenses or Organizational Expenses paid and/or incurred by them on behalf of such CLO. Redding Ridge Asset Management has discretion to seek reimbursement for Organizational Expenses and Operating Expenses and may choose not to seek reimbursement from certain CLOs. In addition, if any service provider provides services to a CLO on the premises of Redding Ridge Asset Management or affiliates, such CLO may also be responsible for any overhead, rent or other fees, costs, and expenses charged by Redding Ridge Asset Management or its affiliates in connection with the on-site arrangement.

All fees, costs and expenses incurred by Redding Ridge Asset Management employees for travel, accommodations, meals, events, entertainment and other similar fees, costs and expenses are subject to Redding Ridge Asset Management's Travel & Expense Reimbursement Policies and Procedures.

Redding Ridge Asset Management, its affiliates or AGM and its affiliates from time to time enter into arrangements with service providers that provide for fee discounts for services rendered to Redding Ridge Asset Management and its affiliates. For example, certain law firms retained by Redding Ridge Asset Management or one or more of its affiliates or AGM or its affiliates discount their legal fees for non-investment transaction legal services, such as legal advice in connection with firm operational, compliance and related matters. To the extent such law firms also provide legal services to Redding Ridge Asset Management CLO clients with respect to such matters, such CLOs also enjoy the benefit of such fee discount arrangements. Legal services rendered for investment transactions, however, are typically charged to Redding Ridge Asset Management, its affiliates, AGM and CLOs without a discount or at a premium. Legal fees for transactions that are not consummated are also typically charged at a discount.

*Allocation of Expenses.* Redding Ridge Asset Management and its affiliates from time to time incur fees, costs and expenses on behalf of more than one CLO or multiple CLOs. To the extent such fees, costs and expenses are incurred for the account or benefit of more than one CLO, each CLO typically bears an allocable portion of any such fees, costs, and expenses in proportion to the size of its investment in the activity or entity to which the expense relates (subject to the terms of each CLO's applicable governing documents) or in such other manner as Redding Ridge Asset Management considers fair and equitable under the circumstances. Redding Ridge Asset Management endeavors to allocate such fees, costs and expenses on a fair and equitable basis over time.

*Services from the AGM Group.* A variety of entities that are affiliated with AGM (together with its affiliates and the subsidiaries, accounts or funds managed by AGM or such subsidiaries or affiliates, the "AGM Group") provide services to Redding Ridge Asset Management and Redding Ridge Holdings LP. Such services may include: (i) identifying potential investment opportunities within the specific investment and business strategies of the CLOs and CLO Warehouses in which Redding Ridge Asset Management manages; (ii) providing research, assessments and other information on

potential investment opportunities; (iii) passing along information that was provided from third parties with respect to potential investment opportunities; (iv) providing middle, back-office and other administrative services including, but not limited to, supporting legal, tax, compliance and risk functions; and (v) providing advice and expertise related to the initial organization and structure of Redding Ridge Asset Management and its affiliates and permission for Redding Ridge Asset Management to use the AGM Group's contacts at various institutions to effectively identify investors. Redding Ridge Asset Management, Redding Ridge Holdings LP and the CLOs and CLO Warehouses in which they invest bear fees, costs or expenses in connection with these services. In consideration for providing such services, certain members of the AGM Group are entitled to service fees pursuant to service agreements with Redding Ridge Asset Management and incentive allocations pursuant to the Redding Ridge Holdings LP limited partnership agreement and are entitled to be reimbursed for certain costs and expenses pursuant to such service agreements and such limited partnership agreement.

### **Special Fees and Management Fee Offsets**

One hundred percent of all consulting or management consulting fees, investment banking fees, advisory fees, breakup fees, directors' fees, closing fees, transaction fees related to its or their negotiation of the acquisition and financing of portfolio investments, and similar fees (including interest, commitment fees or other fees received in connection with a bridge financing), whether in cash or in kind, including options, warrants and other non-cash consideration, in connection with certain CLOs' respective actual or contemplated investments (collectively, "Special Fees") paid to Redding Ridge Asset Management, its affiliates, AGM or its affiliates (including, but not limited to, Apollo Capital Management, L.P.) with respect to any actual or potential investment by the CLOs or CLO Warehouses is retained and not reduced or used to offset the amount of any fees otherwise payable to such entities in accordance with the terms of the relevant agreement providing for such fees.

CLOs and CLO Warehouses are not required to pay fees, costs or expenses in advance. In addition, no employee of Redding Ridge Asset Management or its affiliates receives compensation in connection with the sale of interests in CLOs or CLO Warehouses.

### **ITEM 6 Performance-Based Fees and Side-By-Side Management**

As discussed in Item 5 above, Redding Ridge Asset Management may receive performance fees, carried interest or other incentive compensation from the CLOs for which it provides investment advisory services. In addition, as discussed in greater detail in "Risk Retention Rules" in Item 8, Redding Ridge Asset Management retains an economic interest in the CLOs and the CLO Warehouses that it manages.

Performance-based fees and other economic interests, including the holding of risk retention interests, may create an incentive for Redding Ridge Asset Management to favor, or to take increased investment risk with respect to, CLOs for which it receives performance based fees or has other economic interests than for CLOs, if any, where it receives only asset based fees or no fees. Similarly, Redding Ridge Asset Management may have an incentive to favor, or to take increased investment risk with respect to, CLOs from which it receives higher performance-based compensation, or has a greater economic interest, over CLOs where lower performance based compensation is received, or

Redding Ridge Asset Management otherwise has a lesser economic interest. Redding Ridge Asset Management has in place policies and procedures to address these conflicts, including policies and procedures designed to ensure allocation of trades and securities to client accounts on a fair and equitable basis, taking into account the client's investment objectives and strategies as well as other relevant factors including applicable law. These policies and procedures and others that are designed to mitigate conflicts of interest are further described in more detail in Item 11.

### **Allocation of Investment Opportunities**

Redding Ridge Asset Management is committed to allocating investment opportunities among the CLOs and other clients it manages in a manner that, over time, is fair and equitable. Redding Ridge Asset Management has established policies and procedures to guide the determination of such allocations. Those policies and procedures seek to mitigate the potential that Redding Ridge Asset Management will allocate investment opportunities to CLOs in a self-interested manner.

Generally, an investment opportunity is allocated to a CLO if the opportunity is deemed suitable as determined by the portfolio manager and the Credit Investment Committee, as defined in Item 11. If an investment opportunity is deemed suitable for two or more CLOs, and it is not possible to fully satisfy the investment interest of all relevant CLOs, the investment opportunity is allocated pro rata based on the size of each CLO's original investment interest determined generally based on each CLO's available capital or net asset value. However, many other factors may influence order allocation decisions, including existing investment portfolio, size, liquidity and duration of the investment opportunity, the seniority of loan and other capital structure criteria, tax reasons, regulatory reasons, and other criteria as are reasonably related to a reasonable allocation of a particular investment opportunity to one or more CLOs. Such considerations may also result in allocations of certain investments among CLOs on other than a *pari passu* basis.

There can be no assurance, however, that the application of the foregoing allocation policies will result in the allocation of a specific investment opportunity to a CLO or that a CLO will participate in all investment opportunities falling within its investment objective.

## **ITEM 7**

### **Types of Clients**

Redding Ridge Asset Management was formed with the intent of providing investment advisory services to CLOs and CLO Warehouses. Investment in the CLOs and CLO Warehouses is generally only available to (i) qualified institutional buyers or institutional investors that are "accredited investors" as defined in the Securities Act of 1933 (the "Securities Act") and "qualified purchasers" as defined in the 1940 Act or (ii) non-"U.S. persons". The CLOs and CLO Warehouses may have a specified minimum investment amount set forth in their governing documents. Redding Ridge Asset Management targets a broad range of institutional investors, which may include related entities of Redding Ridge Asset Management or AGM, meeting the criteria set forth above, will invest in CLOs or CLO Warehouses managed by Redding Ridge Asset Management.

## **ITEM 8**

### **Methods of Analysis, Investment Strategies and Risk of Loss**

The following is a summary of the investment strategies and methods of analysis employed by

Redding Ridge Asset Management. This summary should not in any way limit Redding Ridge Asset Management's investment activities. Redding Ridge Asset Management may offer advisory services, provide advice with respect to investment strategies and make investments, including those that may not be described in this Brochure, that Redding Ridge Asset Management considers appropriate, subject to each CLO's or CLO Warehouse's investment objectives and guidelines. Specific descriptions of such strategies and methods are included in each CLO's or CLO Warehouse's governing documents. There can be no assurance that the investment objectives of any CLO or CLO Warehouse will be achieved.

### **Methods of Analysis and Investment Strategy**

Redding Ridge Asset Management's investment strategy focuses primarily on leveraged credit, including senior secured bank loans.

Redding Ridge Asset Management performs research (and has significant research performed by third party service providers, including the AGM Group) into each prospective investment and disposition. Such research generally includes, among other things, a review of the company's financial statements, comparisons with similar public and private companies, and analyzing relevant industry data (such as information on customers and suppliers). In conducting such research, Redding Ridge Asset Management or its service providers providing research services may consult the following sources of information: financial newspapers and magazines, inspections of corporate activities, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the SEC, company press releases, and any other material Redding Ridge Asset Management deems relevant. For individual loans Redding Ridge Asset Management may research credit history and for loan portfolios, Redding Ridge Asset Management may research, among other things, payment and loss history, contractual terms, and interest income. Redding Ridge Asset Management may engage the services of experts and consultants to supplement their research, including engaging expert networks.

Participation in CLOs is only suitable for investors who have knowledge and expertise in financial and business matters and are capable of evaluating the merits and risks of an investment in a CLO. The investments in CLOs are highly speculative and may involve the risk of total loss of an investor's investment.

Investors should be aware that mandates may limit CLOs to certain types of investments, which may not be diversified. The CLOs are generally not intended to provide a complete investment program and Redding Ridge Asset Management expects that the assets it manages do not represent all of the investor's assets. Investors are responsible for appropriately diversifying their assets to guard against the risk of loss.

### **Material Risks Relating to Methods of Investment Analysis**

Redding Ridge Asset Management seeks to conduct reasonable and appropriate due diligence based on the facts and circumstances applicable to each investment. The objective of the due diligence process is to identify attractive investment opportunities based on the facts and circumstances surrounding an investment and to identify possible risks associated with that investment. When conducting due diligence and making an assessment regarding an investment, Redding Ridge Asset Management relies primarily on publicly available information and resources. The due diligence

process may at times be subjective (such as with respect to newly organized companies for which only limited information is available). Accordingly, Redding Ridge Asset Management cannot be certain that its due diligence investigations with respect to any investment opportunity will reveal or highlight all relevant facts (including fraud) that may be necessary or helpful in evaluating such investment opportunity. Also, Redding Ridge Asset Management cannot be certain that its due diligence investigations will result in investments being successful or that the actual financial performance of an investment will not fall short of the financial projections used when evaluating that investment.

Redding Ridge Asset Management also considers the risks of its investment analysis methods to include the unpredictability of general economic, financial and issuer-specific conditions.

### **Material Risks Relating to Investment Strategies**

Investing in securities involves risk of loss that an investor should be prepared to bear. The securities that Redding Ridge Asset Management invests in are subject to credit, liquidity, interest rate and exchange rate risks, general economic conditions, operational risks, structural risks, the condition of financial markets, political events, developments or trends in any particular industry, changes in prevailing interest rates and periods of adverse performance, among others.

Interests in the CLOs managed by Redding Ridge Asset Management are offered to investors pursuant to disclosure documents that contain detailed information about the risks of investing in the CLOs, including the risks relating to the securities issued to investors by the CLOs and those relating to the underlying assets held by the CLOs. With respect to each CLO managed by Redding Ridge Asset Management, the summary of investment risks in this Brochure is qualified in its entirety by the disclosure document for the particular CLO. Investors should carefully review the offering documents for each CLO before investing in the CLO or making an investment decision to buy, sell or hold the securities issued by the CLO.

### **Risk of Loss**

The following risk factors are those generally applicable to the CLOs. The CLOs principally invest in debt instruments, including senior secured debt, first lien and second lien debt, subordinated debt, mortgage securities, real estate, payment in kind loans, high-yield debt, senior debt, commercial loans, synthetic securities, trade and credit derivatives, structured securities and bank loans and the material risks involved in investing in these types of securities are discussed below. However, additional risk factors, including risk factors that are specific to a particular CLO's investment strategy, are described in each CLO's governing documents.

**No Assurance of Investment Returns.** Redding Ridge Asset Management cannot give clients assurance that investments will generate returns or that returns will be commensurate with the risks of investing in the type of companies and transactions that fall within such client's individual investment objectives.

**Substantial Fees and Expenses.** CLOs typically pay management fees, offering and organizational expenses and operating expenses as set forth in their governing documents, whether or not they make any profits. While it is difficult to predict the future expenses of clients, such expenses may be substantial. Please see Item 5 for additional information on fees and expenses.

**Business and Market Risks.** Investments may involve a high degree of business and financial risk, which could result in substantial loss to a CLO. In particular, these risks could arise from changes in the financial condition or prospects of the entity in which the investment is made, changes in national or international economic and market conditions, and changes in laws, regulations, fiscal policies, or political conditions of countries in which investments are made, including the risks of war and the effects of terrorist attacks on security operations. The possibility of partial or total loss of capital will exist.

**CLO Risks Generally.** There are numerous risks associated with an investment in a CLO, including that interests in a CLO have limited liquidity and there are restrictions on their transfer; the CLO may have limited assets to make payment on the securities; certain securities issued by the CLO are subject to greater risk of nonpayment than more senior tranches; and the holders of securities may have limited rights to proceed against defaulting borrowers. Holders of interests in a CLO are also exposed to the risks of the underlying assets in which the CLO invests, which will consist primarily of senior secured bank loans, with a potential secondary focus on other types of leveraged credit, such as high yield debt securities. These risks are described in more detail below. Investors should carefully review a CLO's offering documents.

**Credit Risk.** All of the debt securities and loans (together, the "debt obligations") in which the CLOs will invest are exposed to credit risk, which is the possibility that the issuer of a debt security will default on its obligation to pay interest and/or principal which could cause a CLO to lose money. Corporate debt obligations rated lower than BBB- are considered to have significant credit risk. A significant portion of the assets of the CLOs managed by Redding Ridge Asset Management will have ratings at or below this level. Debt obligations with lower credit ratings generally pay a higher level of income to debt holders, but carry a greater risk of default.

**Interest Rate Risk.** Fixed rate debt obligations fluctuate in value as interest rates change. The general rule is that if the interest rate rises, the market price of fixed income securities will usually decrease. The reverse is also true - if interest rates fall, the market prices of fixed income securities will generally increase. A debt security with a longer maturity (or a fund holding fixed income securities with a longer average maturity) will typically be more sensitive to changes in interest rates and it will fluctuate more in price than a shorter term maturity. Floating rate instruments, such as the majority of the senior secured bank loans in which the CLOs will invest, see increases in the total payment obligations of the borrowers thereunder during periods of rising interest rates, which could lead to an increase in default rates on such investments.

**Lack of Liquidity of Investments.** CLOs' portfolio investments will consist primarily of debt investments, including, but not limited to, senior secured loans, unsecured loans, second lien loans, debtor-in-possession financings, delayed drawdown loans and revolving bank loans. Loans are not generally traded on organized exchange markets are typically traded by banks and other institutional investors engaged in loan syndications. The liquidity of portfolio investments will therefore depend on the liquidity of this market. Trading in loans is subject to delays as transfers may require extensive and customized documentation, the payment of significant fees and the consent of the agent bank or underlying obligor. In addition, certain investments may be subject to legal or contractual restrictions or requirements that limit the CLO's ability to transfer them or sell them for cash. The resulting illiquidity of these investments may make it difficult for a CLO to sell such investments if the need arises. If a CLO needs to sell all or a portion of its portfolio over a short period of time, it may realize significantly less value than the value at which it had previously recorded those investments. There

can be no assurance that CLOs will be able to generate returns for their investors or that the returns will be commensurate with the risks of investing in the types of instruments described herein. As noted above, there is a possibility of partial or total loss of capital as a result of such constraints.

**Risks of Investing in Senior Secured Bank Loans.** The substantial majority of the investments Redding Ridge Asset Management manages for the CLOs will be senior secured bank loans. Such loans are typically negotiated by one or more commercial banks or other financial institutions and syndicated among a group of commercial banks and financial institutions and other investors. The loans will typically be to borrowers which have below investment grade ratings and will generally be highly leveraged companies.

Senior secured bank loans typically pay interest based upon floating rates. During periods of rising interest rates, the total payment obligations of the borrowers, issuers or obligors of floating rate debt will increase, perhaps significantly. This in turn could lead to an increase in default rates on such investments.

The investment risks of senior secured bank loans include limited liquidity and secondary market support, the limited supply of some new issue bank loans, the possibility that earnings of the loan obligor may be insufficient to meet its debt service, the declining creditworthiness and potential for insolvency of the obligor of bank loans during periods of economic downturn, spread compression over the reference interest rate available for reinvestment during any period in which prepayments are received, and if subordinated, subordination to the prior claims of other loans or senior lenders. An economic downturn could severely disrupt the market for bank loans and adversely affect the value of outstanding bank loans and the ability of the obligors to repay principal and pay interest.

Senior secured bank loans may become non-performing for a variety of reasons and as a result may require substantial workout negotiations or restructuring that may include a substantial reduction in the interest rate, a substantial reduction of the principal or a substantial extension of the amortization or maturity date of the loan. Any such event will likely cause a significant decrease in the interest collections on the loan and/or a significant decrease in the principal collections on the loans. Although some senior loans in which a portfolio will invest will be secured by specific collateral, there can be no assurance that liquidation of such collateral would satisfy the borrower's obligation in the event of non-payment of scheduled interest or principal or that such collateral could be readily liquidated. In the event of bankruptcy of a borrower, the portfolio could experience delays or limitations in its ability to realize the benefits of any collateral securing a senior loan. If a default occurs with respect to a senior secured bank loan, and the holder of the loan sells or otherwise disposes of the loan, the proceeds of the sale or disposition will likely be less than the unpaid principal and interest thereon. Historical information regarding default and recovery rates of senior secured bank loans is limited. Actual default and recovery rates could vary significantly from historical observations. Historical information on the market value volatility of senior secured bank loans is limited, and such loans could be subject to market volatility not apparent from historical volatility studies. Such volatility could be significant at times.

A CLO managed by Redding Ridge Asset Management will purchase an assignment of, or a participation in, a senior secured bank loan issued under a loan facility to which more than one lender is a party. These loan facilities are most often administered by agent lenders on behalf of the lenders pursuant to a loan agreement. In addition, because of the unique and customized nature of a loan and the private syndication of a loan, certain syndicated loans may not be purchased or sold as easily as



publicly traded securities, and the trading volume in the syndicated loan market has been small relative to the market for high-yield bonds. Trading in loans is subject to delays due to their unique and customized nature, and transfers may require extensive documentation, the payment of significant fees and the consent of an agent bank or the underlying obligor. In addition, the investor may incur additional expenses to the extent it is required to seek recovery upon a default or to participate in the restructuring of a loan. In the event a CLO acquires a participation in a senior secured bank loan, as opposed to an assignment of such loan, the CLO will have a relationship only with the participating institution and not the underlying borrower, which will limit the CLOs ability to directly enforce its rights with respect to such loan.

The senior secured bank loans in which the CLOs will invest are generally pre-payable in whole or in part at any time at the option of the obligor thereof at par plus accrued unpaid interest thereon. Prepayments may be caused by a variety of factors which are often difficult to predict. Consequently, there exists a risk that loans purchased by a CLO at a price greater than par may experience a capital loss as a result of such a prepayment.

Some bank loans acquired by the CLOs may be subordinated loans, which are typically subject to intercreditor arrangements, which may prohibit or restrict the ability of the investor to exercise rights against the obligor with respect to their second liens, to challenge any exercise of remedies against the collateral by the first lien lenders with respect to their first liens, to challenge the enforceability or priority of the first liens on the collateral, and to exercise certain other secured creditor rights, both before and during a default or bankruptcy of the obligor. During a bankruptcy of the obligor, the holder of a junior loan may have to give advance consent to any use of cash collateral approved by the first lien creditors, sales of collateral approved by the first lien lenders and the bankruptcy court, and debtor-in-possession financings.

In recent years, a number of judicial decisions in the U.S. have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories. Generally, lender liability is founded upon the premise that an institutional lender has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the obligor or has assumed a degree of control over the obligor that creates a fiduciary duty owed to the obligor or its other creditors or shareholders. Because of the nature of bank loans, a CLO acquiring a senior secured bank loan could be subject to allegations of lender liability made against it as part of a group of lenders and may be liable for pro rata liabilities of the agent or lead lender.

**Investments in Subordinated Debt.** Certain CLO investments consist of loans or securities, or interests in pools of securities, that are subordinated or may be subordinated in right of payment and ranked junior to other securities issued by, or loans made to, obligors. If an obligor experiences financial difficulty, holders of its more senior securities will be entitled to payments in priority to CLOs. Some of CLOs' asset-backed investments also may have structural features that divert payments of interest and/or principal to more senior classes of loans or securities backed by the same assets when loss rates or delinquency exceeds certain levels. This may interrupt the income CLOs receive from such investments, which may lead to CLOs having less income to distribute to their investors. If the obligors are highly leveraged or CLOs invest in securities that are unrated or rated below investment grade, such investments are subject to additional risks, including an increased risk of default during periods of economic downturn, the possibility that the obligor may not be able to meet its debt payments, and limited secondary market support, among other risks.

**Portfolio Investment Ratings.** Investments in the debt of companies include commercial loans, high-yield corporate or other debt obligations of both U.S. and non-U.S. obligors rated below investment grade and other investment instruments as described in Item 4 of this Brochure, which have greater credit and liquidity risk than more highly-rated obligations.

Downgrades and negative rating actions may occur with respect to the investments and, in such case, there is no requirement to sell any such investment. Investments with lower ratings will have greater credit, insolvency and liquidity risk than more highly-rated obligations and, therefore, a greater risk of loss. In addition to credit and liquidity risk, lower-rated obligations have greater volatility than more highly-rated obligations. Future periods of uncertainty in the United States economy may increase volatility and default rates.

**Loans to Private Companies.** Loans to private companies involve a number of particular risks, including risks related to the fact that:

- these companies may have limited financial resources and limited access to additional financing, which may increase the risk of their defaulting on their obligations, leaving creditors, such as CLOs, dependent on any guarantees or collateral they may have obtained;
- these companies may have shorter operating histories, narrower product lines, and smaller market shares than larger businesses, which render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns;
- there may not be as much information publicly available about these companies as would be available for public companies and such information may not be of the same quality; and
- these companies are more likely to depend on the management talents and efforts of a small group of persons; as a result, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on these companies' ability to meet their obligations.

**General Market Risks.** Recent legal and regulatory changes, and additional legal and regulatory changes that could occur during a CLO's applicable term, may adversely impact CLOs. The regulation of the US and non-US securities and futures markets and investment funds has undergone substantial change in recent years and such change may continue. The effect of such new regulations on CLOs, while impossible to predict, could be substantial and adverse and may, directly or indirectly, subject CLOs to increased capital requirements, fees and expenses, as well as limits on the types of investors they may solicit. The full effect of recent and future legislation cannot yet be known.

Laws and regulations, particularly those involving taxation, investment and trade, applicable to the activities of a CLO can change quickly and unpredictably, and may at any time be amended, modified, repealed or replaced in a manner adverse to the CLO's interests. It is impossible to predict what, if any, changes in regulation applicable to CLOs or Redding Ridge Asset Management, the markets in which they trade and invest or the counterparties with which they do business may be instituted in the future. CLOs and/or Redding Ridge Asset Management may be or may become subject to unduly burdensome and restrictive regulation.

In recent years, due to events in the financial markets, the financial services industry generally, and the activities of private funds and their managers in particular, have been subject to intense and increasing regulatory scrutiny in the United States and in other jurisdictions. Such scrutiny and accompanying regulatory changes may increase the exposure of CLOs to potential liabilities and to legal, compliance and other related costs and may have an adverse effect on private funds generally, and in particular, on the ability of CLOs to achieve their investment objectives. The private fund industry may continue to be adversely affected by the recent developments in the financial markets in the US and abroad going forward, and any future legal, regulatory, or governmental action and developments in such financial markets and the broader global economy could have an adverse effect on the business of CLOs, operations and performance.

The entire market or particular instruments traded on a market may decline even if earnings or other factors improve inasmuch as the prices of such instruments are subject to numerous economic, political, psychological and other factors that have little or no correlation to the performance of a particular company. A CLO may elect to hedge against market movements or the credit or other risks of any particular portfolio investment, whether by means of a derivative or other financial product or instrument. To the extent that CLOs engage in certain hedging transactions, there can be no assurances that such hedging will insulate such CLO from risks, and hedging techniques, whether via a derivative or other product or instrument, may give rise to certain costs and additional risks, including a risk of the total loss of any amounts invested in hedging instruments.

**Regulation, Enforcement and Litigation.** CLOs are subject to regulation by laws at local and national levels and in multiple jurisdictions, including foreign countries. Specific and general regulations addressing capital markets, including tax laws and regulations, whether in the United States or abroad, could increase the cost of acquiring, holding, or divesting portfolio investments, the profitability of investments, and the costs of operating the CLOs. Additional regulation could also increase the risk of third-party litigation.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”), among other things, granted regulatory authorities such as the Commodity Futures Trading Commission (the “CFTC”), the SEC and the Consumer Financial Protection Bureau (the “CFPB”) broad rulemaking and enforcement authority to implement and oversee various provisions of the Dodd-Frank Act, including comprehensive regulation of the over-the-counter derivatives and consumer finance markets. These expanded powers have resulted in rules that could adversely affect CLOs or investments made by CLOs.

CLOs may be subject to state and federal regulation, borrower disclosure requirements, limits on fees and interest rates on some loans, state lender licensing requirements, and other regulatory requirements in the conduct of its business as an originator, lender, acquirer, or servicer of consumer and commercial loans. In circumstances in which a state license is required, the applicant may experience delays in obtaining licenses due to the application requirements and processes involved. CLOs may also be subject to consumer disclosures and substantive requirements on consumer loan terms and other federal regulatory requirements applicable to consumer lending that are administered by the CFPB. These state and federal regulatory programs are designed to protect borrowers, not to protect investors in the CLO. Compliance with these regulatory requirements imposes staffing, legal, compliance and other costs and administrative burdens.

State and federal regulators and other governmental entities have authority to bring administrative enforcement actions or litigation to enforce compliance with applicable lending or consumer protection laws, with remedies that can include fines and monetary penalties, restitution to borrowers, injunctions to conform to law, or limitation or revocation of licenses and other remedies and penalties. In addition, lenders and servicers may be subject to litigation brought by or on behalf of borrowers for violations related to unfair or deceptive or, in the case of consumer borrowers, abusive practices. Failure to conform to applicable regulatory and legal requirements could be costly and could result in state or federal legal action seeking penalties or consumer redress or in a state or the CFPB prohibiting CLOs from operating certain businesses within their jurisdictions.

CLOs may also indirectly be affected by regulation of banks and other financial services firms with which the CLOs do business, obtain financing or other services, or seek to sell interests in loan securitizations. The regulatory regimes applicable to financial services firms with which CLOs do business may increase borrowing costs or limit the terms or availability of credit, affect the terms or pricing of loan securitizations, affect the collectability of loans, or have other indirect effects.

Title VII of the Dodd-Frank Act provided for a sweeping overhaul of the regulation of privately negotiated derivatives. The CFTC has been granted broad regulatory authority over “swaps,” which term has been defined in the Dodd-Frank Act and related CFTC rules to include derivatives. Title VII may affect CLOs’ ability to enter into derivative transactions, may increase the costs in entering into such transactions, and/or may result in CLOs entering into such transactions on less favorable terms than prior to effectiveness of the Dodd-Frank Act. For example, CLOs may be required to clear certain interest rate hedging transactions by submitting them to a derivatives clearing organization. In addition, to the extent CLOs are required to clear any such transactions, they will be required to, among other things, post margin in connection with such transactions. The occurrence of any of the foregoing events may have an adverse effect on CLOs business and its financial returns.

Section 619 of the Dodd-Frank Act, more commonly known as the Volcker Rule, has been implemented by final interagency rules adopted in December 2013. Among other things, the Volcker Rule imposes new requirements on asset-backed securities and pooled investments in loans and other assets that U.S. banks and their affiliates are permitted to own. Although the conformance period for certain pre-2014 investments in private funds by banks has been extended to July 2017, the Volcker Rule may cause banks and their affiliates to divest existing holdings and limit new investments in non-conforming securities and thereby limit the marketability of asset-backed and pooled investments that do not meet the new requirements established by the Volcker Rule. This may result in reduced prices or illiquidity of portfolio assets.

These new and expanded regulations and regulatory powers may reduce returns to investors in consumer and commercial loan portfolios as a result of, among other things, additional compliance and administrative expenses, failure to obtain full repayment on portfolio loans, administrative enforcement actions and fines by state or federal regulators and civil litigation against holders of loans, and a reduction in the availability of appropriate loans for investment. Similarly, violations of law or regulation by the originators or servicers of consumer and commercial loans held directly or indirectly by investors could result in the originators or servicers being subject to administrative fines or penalties, borrower restitution obligations, or other consequences that could negatively impact investors in such loans.

In addition, certain CLOs invest in distressed investments and, as a result, there is a possibility that Redding Ridge Asset Management will participate in restructuring activities. It is possible that certain CLOs will become involved in litigation respecting creditor disputes and similar issues among classes of claimants. Litigation entails expense and the possibility of counterclaims against such CLOs including their general partners and Redding Ridge Asset Management, and ultimately, judgments may be rendered against a CLO for which such CLO does not carry insurance.

**Risk Retention Rules.** In accordance with risk retention requirements promulgated under Section 941 of the Dodd Frank Act (the “U.S. Risk Retention Rules”) and Articles 404-410 of the EU Capital Regulation Requirements (as the same may be amended and including any similar or successor statutes or regulations) (“EU Capital Regulation Requirements” and together with the U.S. Risk Retention Rules, the “Risk Retention Rules”), Redding Ridge Asset Management will retain interests in the CLOs and CLO Warehouses that it manages. Such interests may consist of securities issued by the CLO that are required to be held by Redding Ridge Asset Management, as asset manager or sponsor, in order for the corresponding CLO to comply with the risk retention requirements described above. These securities may be held through (i) a “vertical slice” equal to a 5% pro-rata percentage of the face value of each tranche of the CLO or (ii) a “horizontal slice” equal to 5% of the fair value of all of the securities issued in the CLO via the first loss or “equity” tranche. Additionally, Redding Ridge Asset Management may hold CLO securities in addition to the requisite risk retention amount. There has been no explicit guidance regarding whether entities may be structured for this purpose and therefore the regulatory environment in which any such structure intends to operate is highly uncertain. Redding Ridge Asset Management does not expect significant additional guidance in the near term as to what will be required to comply with the Risk Retention Rules. There can be no assurance that applicable governmental authorities will agree that any of the transactions, structures or arrangements entered into by Redding Ridge Asset Management and its affiliates, and the manner in which they expect to hold retention interests, will satisfy the Risk Retention Rules. If such transactions, structures or arrangements are found to subject Redding Ridge Asset Management and its affiliates to unacceptable regulatory risk, the ability of Redding Ridge Asset Management and its affiliates to make investments in such transactions, structures or arrangements may be limited or otherwise curtailed. Redding Ridge Asset Management and its affiliates could become subject to regulatory action to the extent any transactions, structures or arrangements are determined not to comply with the Risk Retention Rules, which could materially and adversely affect Redding Ridge Asset Management and its affiliates. The Risk Retention Rules are subject to changes, clarifications and interpretations by governmental authorities that may have an adverse effect on Redding Ridge Asset Management and its affiliates.

There can be no assurance that in the future any applicable governmental authority will not take further legislative, regulatory or judicial action with respect to the Risk Retention Rules, and the effect of any such action cannot be known or predicted. There are also a number of future uncertainties surrounding Risk Retention Rules for collateral managers of CLO transactions, including with respect to the results of litigation currently in process brought by the Loan Syndications and Trading Association (the “LSTA”), a major industry trade association, challenging, among other things, the regulators’ application of the U.S. Risk Retention Rules to collateral managers of open market CLOs. On February 9, 2018, the U.S. Court of Appeals for the D.C. Circuit held that the U.S. Risk Retention Rules do not apply to collateral managers of open market CLOs (the “DC Circuit Ruling”). While the DC Circuit Ruling will not become effective until the period for filing an appeal has expired and could be overturned on appeal, if an appeal is not pursued or granted, or if the ruling is upheld upon appeal or if the U.S. Risk Retention Rules are otherwise

vacated or modified as a result of further litigation or action by the applicable governmental authorities, the U.S. Risk Retention Rules would not apply to certain of the open market CLOs entered into by Redding Ridge Asset Management. However, to the extent any such open market CLOs are structured to comply with the EU Capital Retention Requirements (which are not affected by the DC Circuit Ruling), Redding Ridge Asset Management would still be required to hold the “vertical slice” or “horizontal slice,” as applicable, required by the EU Capital Retention Requirements, and might also in certain circumstances, as a consequence of the “origination” activities required to satisfy the EU Capital Retention Requirements, be required to comply with the U.S. Risk Retention Rules.

Furthermore, the impact of the Risk Retention Rules on the securitization market is also unclear and such rules may negatively impact the value of CLOs, CLO Warehouses and their underlying assets.

**Monetary Policy and Governmental Intervention.** As part of the response to the global financial crisis in 2007-2008, the U.S. Federal Reserve (the “Federal Reserve”) and global central banks, including the European Central Bank, have taken actions to stabilize markets and seek to encourage economic growth. It cannot be predicted with certainty when, or how, these policies will change, but actions by the Federal Reserve and other central bankers may have a significant effect on interest rates and on the U.S. and world economies generally, which in turn may affect the performance of the investments of CLOs. Further financial crises may result in additional governmental intervention in the markets. In addition, the consequences of the extensive changes to the regulation of various markets and market participants contemplated by the legislation and increased regulation arising out of the financial crisis are difficult to predict or measure with certainty.

**Political Uncertainty.** Markets in which clients are invested or to which clients are exposed may experience political uncertainty (e.g., Brexit), that subjects investments to heightened risks, even when made in established markets. These risks 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 natural disaster); increased risk of nationalization, greater governmental involvement in the economy; less governmental supervision and regulation of the securities markets and participants in those markets; controls on foreign investment, capital controls and limitations on repatriation of invested capital and on the clients’ 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; slower clearance; and difficulties in obtaining and/or enforcing legal judgments.

During times of political uncertainty the securities, derivatives and currency markets may become 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 be extremely 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 adverse political changes will not cause a CLO to suffer a loss of any or all of its investments or, in the case of fixed income securities, interest thereon.

**Alternative Investment Fund Managers Directive.** AIFMD provides a framework for the European Union (“EU”) and the additional states which together with the EU comprise the European Economic Area (“EEA”) to regulate managers of alternative investment funds that are not Undertakings for the Collective Investment of Transferable Securities, but which are marketed or managed in the EU. Since July 2013 the AIFMD has restricted the extent to which CLOs can be marketed to potential investors in the EEA. The AIFMD imposes significant new regulatory requirements on investment managers operating within the EEA, including with respect to conduct of business, regulatory capital, valuations, disclosures and marketing. Interests in alternative investment funds organized outside that are marketed within the EEA are now subject to significant ongoing obligations. Such funds may be marketed in each EEA jurisdiction only in compliance with the requirements of that jurisdiction to register the fund for marketing, undertake periodic investor and regulatory reporting including, among other items, the risk and portfolio profile of each CLO which is marketed in that regulator’s jurisdiction. Further requirements and restrictions may apply where CLOs invest in EU companies, including limits on certain investment and realization strategies, such as dividend recapitalizations and reorganizations. Such rules could potentially impose material additional costs on the operation of Redding Ridge Asset Management’s business or investments in the EEA and could limit Redding Ridge Asset Management’s operating flexibility within the relevant jurisdictions. In some countries, additional obligations are imposed as a condition of registration. For example, in Germany and Denmark, marketing of a non-EEA fund now also requires the appointment of one or more depositaries (with cost implications for the fund). Depending on the activities of each CLO, additional restrictions on investment activities may also apply if they are marketed to EEA investors. Accessing EEA investors may be more difficult as a result and CLO costs may increase to reflect the additional requirements.

**FCPA Considerations.** Redding Ridge Asset Management is committed to complying with the U.S. Foreign Corrupt Practices Act (“FCPA”) and other anti-corruption laws, anti-bribery laws and regulations, as well as anti-boycott regulations, to which it is subject. As a result, CLOs may be adversely affected because of their unwillingness to participate in transactions that violate such laws or regulations. Such laws and regulations may make it difficult in certain circumstances for CLOs to act successfully on investment opportunities and for portfolio investments to obtain or retain business.

In recent years, the U.S. Department of Justice and the SEC have devoted greater resources to enforcement of the FCPA. In addition, the United Kingdom has significantly expanded the reach of its anti-bribery laws. While Redding Ridge Asset Management has developed and implemented policies and procedures designed to ensure strict compliance by Redding Ridge Asset Management and their personnel with the FCPA, such policies and procedures may not be effective in all instances to prevent violations. Any determination that Redding Ridge Asset Management has violated the FCPA or other applicable anticorruption laws or anti-bribery laws could subject it to, among other things, civil and criminal penalties, material fines, profit disgorgement, injunctions on future conduct, securities litigation and a general loss of investor confidence, any one of which could adversely affect Redding Ridge Asset Management’s business prospects and/or financial position, as well as a CLO’s ability to achieve its investment objective and/or conduct its operations.

**Pay-to-Play Laws, Regulations and Policies.** A number of U.S. states and municipal pension plans have adopted so-called “pay-to-play” laws, regulations or policies which prohibit, restrict or require disclosure of payments to (and/or certain contacts with) state officials by individuals and entities seeking to do business with state entities, including those seeking investments by public retirement

funds. The SEC has adopted rules that, among other things, prohibit an investment adviser from providing advisory services for compensation to a government client for two years after the adviser or certain of its executives, employees or agents makes a contribution to certain elected officials or candidates. If Redding Ridge Asset Management, any of its employees, affiliates or any service provider acting on their behalf fails to comply with such laws, regulations or policies, such non-compliance could have an adverse effect on CLOs.

**Possibility of Fraud and Other Misconduct of Employees and Service Providers.** Misconduct by employees of Redding Ridge Asset Management, service providers to CLOs and/or their respective affiliates could cause significant losses to such CLOs. Misconduct may include entering into transactions without authorization, the failure to comply with operational and risk procedures, including due diligence procedures, misrepresentations as to investments being considered by such CLOs, the improper use or disclosure of confidential or material non-public information, which could result in litigation, regulatory enforcement or serious financial harm, including limiting the business prospects or future marketing activities of such CLOs, and non-compliance with applicable laws or regulations and the concealing of any of the foregoing. Such activities may result in reputational damage, litigation, business disruption and/or financial losses to such CLOs. Redding Ridge Asset Management has controls and procedures through which they seek to minimize the risk of such misconduct occurring. However, no assurances can be given that Redding Ridge Asset Management will be able to identify or prevent such misconduct.

**Changes in Investment Focus.** CLOs may not be restricted in terms of the percentage of their capital that can be invested in a particular industry, geographical region or type of investment. While a CLO's governing documents contain a description of the types of investments that other CLOs have historically made and/or information about Redding Ridge Asset Management's expectations with respect to such CLO, many factors may contribute to changes in emphasis in the construction of such CLO's portfolio, including changes in market or economic conditions or regulation as they affect various industries and changes in the political or social situations in particular countries. There can be no assurance that the investment portfolio of any CLO will resemble the portfolio of any prior CLO.

**Possible Lack of Diversification.** Each CLO may concentrate its portfolio investments by investing all of its assets in only a few issuers, industries or countries. By investing in a limited number of portfolio investments, the aggregate returns realized by a CLO may be substantially affected by the unfavorable performance of a small number of such portfolio investments.

**Leverage.** CLOs borrow and utilize various forms of leverage, and expect to operate with a significant leverage ratio. Although leverage presents opportunities for increasing a CLO's total return, it has the effect of potentially increasing losses as well. If income and appreciation on investments made with borrowed funds are less than the cost of the leverage, the total return of the leveraging CLO will decrease. Accordingly, any event which adversely affects the value of a portfolio investment would be magnified to the extent a CLO is leveraged. The cumulative effect of the use of leverage by CLOs in a market that moves adversely to such CLOs' investments or in the event portfolio investments experience credit quality deterioration could result in a substantial loss to CLOs that could be substantially greater than if such CLOs were not leveraged. In addition, contractual demands by lenders to a CLO to reduce its leverage may force such CLO to sell investments on an emergency basis at prices less than those obtainable in a more orderly liquidation. To the extent that a creditor has a claim on a CLO, such claim would be senior to the rights of an



investor in the CLO. As a result, if a CLO's losses were to exceed the amount of capital invested, an investor could lose its entire investment.

**Financing Arrangements.** To the extent that a CLO enters into financing arrangements in the future, such arrangements may contain provisions that expose it to particular risk of loss. For example, any cross-default provisions could magnify the effect of an individual default. If a cross-default provision were exercised, this could result in a substantial loss for a CLO. Also, CLOs may enter into financing arrangements that contain financial covenants that could require them to maintain certain financial ratios. If a CLO were to breach the financial covenants contained in any such financing arrangement, it might be required to repay such debt immediately, in whole or in part, together with any attendant costs, and the CLO might be forced to sell some of its assets to fund such costs. Certain CLOs may also be required to reduce or suspend distributions. Such financial covenants would also limit the ability of Redding Ridge Asset Management to adopt the financial structure (*e.g.*, by reducing levels of borrowing) that it would have adopted in the absence of such covenants.

**Hedging Policies/Risks.** In connection with certain investments, CLOs employ hedging techniques designed to reduce the risks of adverse movements in interest rates, securities prices, and currency exchange rates. While such transactions may reduce certain risks, hedging transactions themselves entail other risks. Thus, while CLOs may benefit from the use of these hedging mechanisms, unanticipated changes in interest rates, securities prices or currency exchange rates may result in a poorer overall performance for CLOs that enter into hedging transactions.

**Uncertainty of Financial Projections.** As part of its due diligence of a potential investment, Redding Ridge Asset Management may make certain financial projections with respect to securities in or loans to a company. Projected operating results normally will be based primarily on management judgments. In all cases, projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed. There can be no assurance that the projected results will be obtained, and actual results may vary significantly from the projections. General economic conditions, which are not predictable, can have a material adverse impact on the reliability of such projections and the performance of any investment in such company.

**Participation Interests.** Certain CLOs purchase participation interests in debt instruments that do not entitle the holder thereof to direct rights against the obligor. Participations held by a CLO in a selling institution's portion of a debt instrument typically result in a contractual relationship only with such selling institution, not with the obligor. CLOs generally have the right to receive payments of principal, interest and any fees to which they are entitled only from the selling institution selling the participation and only upon receipt by such selling institution of such payments from the obligor. In connection with purchasing participations, a CLO generally will have no rights to enforce compliance by the obligor with the terms of the related loan agreement, and no rights of set-off against the obligor, and such CLO may not benefit directly from the collateral supporting the debt instrument in which it has purchased the participation. As a result, CLOs will assume the credit risk of both the obligor and the selling institution selling the participation. In the event of the insolvency of such selling institution, CLOs may be treated as general creditors of such selling institution and may not benefit from any set-off between such selling institution and the obligor. When CLOs hold a participation in a debt instrument, they may not have the right to vote to waive enforcement of any restrictive covenant breached by an obligor. In addition, if a CLO does not vote as requested by the selling institution, it may be subject to repurchase of the participation at par. Selling institutions

voting in connection with a potential waiver of a restrictive covenant may have interests different from those of the CLO, and such selling institutions may not consider the interests of the CLO in connection with their votes.

**Synthetic Securities.** Certain CLOs invest in synthetic securities such as swaps (including total return swaps), synthetic swaps, over-the-counter transactions and other derivative instruments. Investments through the purchase of synthetic securities present risks in addition to those resulting from direct purchases of the underlying securities or assets. With respect to synthetic securities, CLOs usually will have a contractual relationship only with the counterparty of such synthetic security and not the underlying obligor. CLOs generally will have neither the right to enforce directly compliance by the underlying obligor, nor any voting or other consensual rights of ownership with respect to the underlying obligation. CLOs will not benefit directly from any collateral supporting the underlying obligation and will not have the benefit of the remedies that would normally be available to a holder of such underlying obligation. In addition, in the event of the insolvency of the counterparty, CLOs will be treated as general creditors of such counterparty and will not have any claim of title with respect to the underlying obligation. Consequently, CLOs will be subject to the credit risk of the counterparty as well as that of the underlying obligor. As a result, concentrations of synthetic securities entered into with any one counterparty will subject CLOs to an additional degree of risk with respect to defaults by such counterparty as well as by the underlying obligor.

**Use of Expert Networks.** In connection with the analysis of certain investment opportunities, Redding Ridge Asset Management or its service providers, including AGM and its affiliates, engages expert networks. Redding Ridge Asset Management or such service providers have implemented procedures to address the risk that use of expert networks could result in investment professionals receiving material nonpublic information. However, if such controls should fail and an investment professional were to obtain material nonpublic information, then Redding Ridge Asset Management may be restricted in acquiring or disposing of investments on behalf of CLOs, which could impact the returns generated for CLOs.

**Cybersecurity Risk.** The increasing reliance on internet-based programs and applications to conduct transactions and store data creates growing operational and security risks. Targeted cyber attacks, or accidental events, can lead to a breach in computer and data systems security and subsequent unauthorized access to sensitive transactional and personal information. Data taken in breaches may be used by criminals in identity theft, obtaining loans or payments under false identities, and other crimes that could affect the value of assets in which CLOs invest. Cybersecurity breaches at Redding Ridge Asset Management or its vendors and service providers, including AGM and its affiliates, may also lead to theft, data corruption, or overall disruption in operational systems. These threats may also indirectly affect CLOs through cyber incidents with third party service providers or counterparties. These risks can disrupt the ability to engage in transactional business, cause direct financial loss and reputational damage, or lead to violations of applicable laws related to data and privacy protection and consumer protection. Cybersecurity risks also result in ongoing prevention and compliance costs.

## **ITEM 9**

### **Disciplinary Information**

Not Applicable.

## **ITEM 10**

### **Other Financial Industry Activities and Affiliations**

Redding Ridge Asset Management (UK) LLP (the “Management Subsidiary”), a limited liability partnership organized in the United Kingdom, is a subsidiary of Redding Ridge Asset Management. The Management Subsidiary is regulated pursuant to the Markets in Financial Instruments Directive II (“MiFID II”) and acts as investment manager and/or collateral manager to certain CLOs that are primarily collateralized by loans to EU obligors. Redding Ridge Asset Management is wholly owned by Redding Ridge Holdings LP, which is an affiliate of Apollo Capital Management, L.P., a wholly owned indirect subsidiary of AGM. The Management Subsidiary has also registered with the SEC as an investment adviser.

Redding Ridge Asset Management and the Management Subsidiary maintain various important relationships with members of the AGM Group, including sharing certain employees. As discussed above in Item 5, members of the AGM Group may provide various services to Redding Ridge Asset Management. Additionally, Redding Ridge Asset Management, its affiliates (including Redding Ridge Holdings LP), and Redding Ridge Asset Management client CLOs and CLO Warehouses may rely on Apollo Global Securities, LLC (“AGS”) for private placement services. AGS, a broker-dealer affiliated with AGM, is currently registered to perform the following services: (i) conduct private placements; (ii) underwriting; and (iii) provide transaction advisory services. Currently, Redding Ridge Asset Management, its affiliates and its clients are not expected to pay fees to AGS for private placement services. These services or future fees will not reduce the fees paid to any other affiliate of AGM (including Apollo ND Services, LLC and Apollo Capital Management, L.P.) in connection with affiliates of Redding Ridge Holdings LP, Redding Ridge Asset Management and/or the CLOs and CLO Warehouses in which they invest.

AGM, and other members of the AGM Group, and their respective partners, directors, officers, employees and agents provide investment management services to, and have voting control over, investment funds and may, in the future, carry on investment activities for other clients, including other investment funds, CLOs, CLO Warehouses, client accounts and proprietary accounts in which Redding Ridge Asset Management will have no interest and whose respective investment programs may or may not be substantially similar. Further, conflicts of interest may arise from the fact that certain of the employees of Redding Ridge Asset Management (including members of the Management Company Investment Committees, as defined in Item 11) are shared employees who are also employed with entities included in the AGM Group and involved in the management of advisory clients of the AGM Group. Participation in specific investment opportunities may be appropriate at times for both Redding Ridge Asset Management’s clients and AGM Group clients. The investment program of AGM Group clients allows investments in CLOs and other instruments in which Redding Ridge Asset Management’s clients may invest. In light of the various relationships between Redding Ridge Asset Management and the AGM Group, there may be an incentive for Redding Ridge Asset Management to pursue investment opportunities in a way that is favorable to the AGM Group. Redding Ridge Asset Management has implemented allocation policies and procedures that are intended, among other things, to mitigate this potential conflict. Members of the AGM Group may invest in transactions as principal with respect to loans and securities or other investments that may be purchased, sold or held by Redding Ridge Asset Management. Any such affiliate transactions will be undertaken in accordance with applicable provisions of the Advisers Act. In connection with their ongoing management of currently existing CLOs, members of the

AGM Group may invest in CLOs and CLO Warehouses or loans in which Redding Ridge Asset Management also maintains an investment. Members of the AGM Group do not, however, currently anticipate sponsoring any new CLOs.

Redding Ridge Asset Management, pursuant to an agreement with Apollo Credit Management (CLO), LLC (“Apollo Credit”), an affiliate of AGM, has performed and is expected to continue to perform limited services for Apollo Credit relating to the optimization (including, but not limited to, re-financings and “amends and extends”) of existing CLOs that are managed by Apollo Credit. In addition, in some cases, Redding Ridge Asset Management has acquired and assumed management of Apollo Credit CLOs through assignment of the CLO’s collateral management agreement and may do so again in the future.

Redding Ridge Asset Management and members of the AGM Group have implemented policies and procedures, including physical and information barriers, between their respective businesses in order to mitigate the potential conflicts of interest that may arise in connection with their relationships.

## **ITEM 11**

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

#### **Code of Ethics**

Redding Ridge Asset Management has adopted a Code of Ethics (the “Code”) designed to ensure compliance with Rule 204A-1 under the Advisers Act. The Code applies to all partners, principals, directors, officers, employees and supervised persons of Redding Ridge Asset Management (each a “Covered Person”). Redding Ridge Asset Management strives to adhere to the highest industry standards of conduct based on principles of professionalism, integrity, honesty and trust. Accordingly, the Code incorporates the following general principles that all Covered Persons are expected to uphold:

- (i). Covered Persons must at all times place the interests of clients first;
- (ii). all personal securities transactions must be conducted in a manner consistent with the Code and any actual or potential conflicts of interest or any abuse of a Covered Person’s position of trust and responsibility must be avoided;
- (iii). Covered Persons must not take inappropriate advantage of their positions;
- (iv). information concerning the identity of securities and financial circumstances of the CLOs, including investors in CLOs, must be kept confidential; and
- (v). independence in the investment decision-making process must be maintained at all times.

Finally, Covered Persons are required to comply with applicable federal securities laws at all times.

#### **Personal Trading Restrictions**

The Code requires that Covered Persons’ personal investment activities comply with all applicable laws and regulations. In addition, Covered Persons are required to obtain prior approval for all securities transactions (including, but not limited to, investments in private placements and limited

offerings) other than those involving: government and municipal securities; exchange-traded funds and closed-end funds; mutual funds (*i.e.*, open-ended investment companies); variable annuities; commodities; and transactions in fully-managed accounts where Covered Persons or other Relevant Persons (as defined below) significantly contribute. Covered Persons are prohibited from purchasing securities in initial public offerings.

The Code provides that approval generally will not be granted for securities of companies on Redding Ridge Asset Management's restricted list. Further, approval generally will not be granted for short sales and proposed securities transactions in securities of companies with a market capitalization for the outstanding equity on the date of trade of more than \$100 million and less than \$10 billion. This "market-capitalization band" may be changed from time to time.

### **Personal Securities Holdings and Transaction Reports**

Subject to limited exceptions, each Covered Person must periodically submit to the Chief Compliance Officer or designee a report of the holdings and transactions in the accounts in which the following persons have a direct or indirect beneficial ownership interest or over which the following persons exercise any investment control, influence or discretion: (i) the Covered Person; (ii) any member of the Covered Person's immediate family and to whose support the Covered Person significantly contributes, which may include the Covered Person's spouse, children, stepchildren, grandchildren, parents, grandparents, stepparents, siblings, persons with whom a Covered Person has an adoptive or in-law relationship; or (iii) any other person to whose support a Covered Person significantly contributes (each individual identified in clauses (i) and (iii), a "Relevant Person").

The holdings reports must contain, at a minimum: (i) the title and type of security, and, as applicable, the exchange ticker symbol or CUSIP number, number of shares and principal amount of each reportable security in which the Relevant Persons have any direct or indirect beneficial ownership; (ii) the name of any broker, dealer or bank with which the Relevant Persons maintain an account in which any securities are held for the Relevant Person's direct or indirect benefit; (iii) if securities are held other than with a broker, dealer or bank, the location of the securities; and (iv) the date that the Covered Person submits the report to the Chief Compliance Officer or designee.

The transactions reports must contain, at a minimum: (i) the date of the transaction, the title and, as applicable, the exchange ticker symbol or CUSIP number, the interest rate and maturity date, the number of shares and the principal amount of each reportable security involved; (ii) the nature of the transaction (*i.e.*, purchase, sale or any other type of acquisition or disposition); (iii) the price of the security at which the transaction was effected; (iv) the name of the broker, dealer, bank or other financial institution with or through which the transaction was effected; (v) if not effected through a broker, dealer or bank, the location of the securities and a description of how the transaction was effected; and (vi) the date that the Covered Person submits the report to the Chief Compliance Officer or designee.

Submission to the Chief Compliance Officer or designee of a duplicate copy of the most recent periodic financial institution statements of the Relevant Persons, will be sufficient to fulfill the holdings and transactions report requirement if such financial institution statements include all required information for all securities. The Chief Compliance Officer or designee shall ensure that duplicate account information for all accounts of Relevant Persons is sent directly to the Chief Compliance Officer, designee or electronically through our Personal Trading Control Center, PTCC.

The Code requires each Covered Person to prepare or certify, on at least an annual basis, reports of securities holdings and transactions.

### **Material, Non-Public Information**

The Code includes policies and procedures concerning “inside information” (the “Insider Trading Policies”) that are designed to prevent the misuse of material, non-public information. Covered Persons are required to certify to their compliance with the Code, including the Insider Trading Policies, on a periodic basis. The Insider Trading Policies prohibit Redding Ridge Asset Management and Covered Persons from trading for CLOs or themselves, or recommending trading, in securities of a company while in possession of material, non-public information (“Inside Information”) about the company, and from disclosing such information to any person not entitled to receive it.

By reason of its activities, Redding Ridge Asset Management may have access to Inside Information and, as a result, be restricted from effecting transactions in certain investments that might otherwise have been initiated. For example, there may be certain cases where Redding Ridge Asset Management or its personnel receive Inside Information due to its various activities, which could result in either limited liquidity or in Redding Ridge Asset Management or its personnel being prohibited from using such information for the benefit of the CLOs. By way of another example, Redding Ridge Asset Management’s (or AGM Group’s) investment professionals must obtain approval from the Chief Compliance Officer or designee prior to engaging any expert network and must send affirmations indicating that they did not receive material nonpublic information and that the expert did not breach any duty of confidentiality. Redding Ridge Asset Management seeks to minimize those cases whenever possible, consistent with applicable law and the Insider Trading Policies, but there can be no assurance that such efforts will be successful and that such restrictions will not occur.

### **Other Provisions of the Code**

Covered Persons are subject to additional standards of conduct relating to the use of funds and property, conflicts of interest and opportunities belonging to clients, managing investments of related parties, and general standards of conduct including the conduct expected when dealing with clients and the investors in clients. In addition, Covered Persons are subject to Redding Ridge Asset Management’s anti-money laundering procedures. Covered Persons are required to certify periodically that they have complied with the terms of the Code. Violations of the Code are subject to the imposition of sanctions, up to and including termination.

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

### **Principal and Cross Transactions**

Redding Ridge Asset Management may, as part of its operations, acquire certain senior secured loan or other assets directly and subsequently transfer such loans or other assets into the accounts of the CLOs and/or CLO Warehouses it manages. In accordance with the anti-fraud provisions of the Advisers Act and Redding Ridge Asset Management’s internal compliance policies and procedures, Redding Ridge Asset Management provides appropriate disclosure of such transactions and obtains the prior informed consent of the CLO or other client and the prior written authorization of Redding Ridge Asset Management’s Chief Compliance Officer before effecting such transactions when

required. In addition, such transactions are only permitted to be effected to the extent the loan asset purported to be transferred to a CLO managed by Redding Ridge Asset Management remains an “eligible loan” that is not in default and is permitted by the indenture or governing documents of the CLO or CLO Warehouse to be acquired and held by such CLO or CLO Warehouse.

Redding Ridge Asset Management may cause one CLO it manages and/or invests in to purchase or sell a security or other instrument from or to another CLO it manages and/or invests in. In addition, Redding Ridge Asset Management may from time to time cause CLOs it manages to purchase or sell securities from CLOs managed by the AGM Group or other asset managers providing mid- and back- office services to Redding Ridge Asset Management, which asset managers may employ investment professionals who also act in such capacity for Redding Ridge Asset Management. These trades, though infrequent, are sometimes done to maintain compliance with CLO indentures, which have various collateral tests and concentration requirements. Redding Ridge Asset Management, its vendors and service providers (including members of the AGM Group) effect these transactions in accordance with trading and valuation procedures established by Redding Ridge Asset Management. Redding Ridge Asset Management will initiate such transactions between CLOs only when it believes that such a transaction would be advantageous to each CLO involved.

To the extent that any cross transaction or affiliate transaction described above may be viewed as a principal transaction due to Redding Ridge Asset Management’s or its affiliates’ ownership interest in a particular CLO, Redding Ridge Asset Management will comply with the requirements of Section 206(3) of the Advisers Act and its internal policies and procedures. Specifically, Redding Ridge Asset Management’s investment professionals must provide notice to, and obtain the approval of, the Chief Compliance Office or designee and a member of the legal department, prior to executing a principal trade or cross trade. When reviewing a proposed principal trade, cross trade, or affiliate trade, the Chief Compliance Officer or designee shall confirm, among other things: (i) that such trade is allowed by the applicable CLO’s investment guidelines, (ii) that Redding Ridge Asset Management’s valuation procedures were followed when pricing the transaction, including obtaining a third-party valuation when appropriate, and (iii) in the case of principal trades, that notice of the specific trade was provided to the CLO and written consent from the CLO was obtained. Redding Ridge Asset Management may choose not to execute such transactions.

### **Financial Interest of Redding Ridge Asset Management and its Affiliates in CLOs**

Redding Ridge Asset Management and its affiliates may invest in CLOs. Redding Ridge Asset Management generally intends to hold an interest in the securities of each of the CLOs it manages sufficient to satisfy the United States and European risk retention requirements promulgated under the Risk Retention Rules. Redding Ridge Asset Management’s purchase of such securities in the CLOs it manages may give Redding Ridge Asset Management majority control positions of the equity securities of these CLOs. Any such control position or investment in these equity securities may give Redding Ridge Asset Management an incentive to take actions that may vary from the interests of the holders of the CLO debt securities. Particularly, Redding Ridge Asset Management and its affiliates may have voting rights, including control rights, with respect to matters as to which the holders of securities are entitled to vote, including, without limitation, any vote to direct a redemption or refinancing and any vote to accelerate or not to accelerate the payment of certain CLO securities. In addition, Redding Ridge Asset Management, any of its affiliates and any CLO managed or advised by Redding Ridge Asset Management or its affiliates may at any time acquire CLO securities in any other CLO, and Redding Ridge Asset Management may own a higher percentage

of CLO securities in one CLO versus another CLO. Redding Ridge Asset Management and any such person acquiring such securities will act in their own interests with respect to such securities and such interests may conflict with or be adverse to the interests of other holders of securities in such CLOs. Redding Ridge Asset Management will not take into account its ownership interest in any CLO when making allocation decision for any particular investment.

### **Relationship Between Redding Ridge Asset Management and AGM**

Redding Ridge Asset Management has contracted for the provision of mid- and back-office services associated with its asset management business, including trading, loan settlement, portfolio analysis and reporting, research, credit review and monitoring, asset valuation, and risk and compliance management. These services will be provided to Redding Ridge Asset Management by Apollo Capital Management, L.P., a Delaware limited partnership and indirect subsidiary of AGM (“ACM”), under agreements between ACM and Redding Ridge Asset Management.

Certain investment professionals and other employees or officers of Redding Ridge Asset Management are also investment professionals or employees of other entities, including AGM and its affiliates. Redding Ridge Asset Management’s Board of Directors (the “Board”) has appointed and delegated authority to two separate investment committees (“Management Company Investment Committees”) to make certain investment decisions. One Management Company Investment Committee makes decisions with respect to the underwriting and selection of assets purchased or sold for the CLOs and CLO Warehouses (the “Credit Investment Committee”). The Credit Investment Committee is comprised of two members. The other Management Company Investment Committee is responsible for making recommendations to the Board with respect to the terms and structure of CLOs and CLO Warehouses in which Redding Ridge Asset Management acts as collateral manager, including with respect to the key terms and structure of any U.S. retention interests, warehouse, refinancing, re-pricing or redemption thereof (the “Structured Credit Investment Committee”). The Structured Credit Investment Committee is comprised of three members. At least two members of each Management Company Investment Committee are non-shared employees. Generally, all decisions of a Management Company Investment Committee must be unanimously approved by its members or, in the event of the absence of any member, by all members present (which must include at least one non-shared employee). Such individuals serve at the discretion and subject to the control and direction of the Board. Board members are elected by Redding Ridge Asset Management’s pass-through members, which consist of the underlying investors of Redding Ridge Holdings LP. A majority of the five-member Board consists of individuals who are not affiliated with Redding Ridge Asset Management or the AGM Group (including ACM).

Certain investment professionals and other shared employees or officers of Redding Ridge Asset Management are also investment professionals or employees of other investment advisers. Such individuals are separately engaged and compensated by Redding Ridge Asset Management, and serve at the discretion and subject to the control and direction of Redding Ridge Asset Management’s Board.

The relationships between Redding Ridge Asset Management and ACM may create conflicts of interest for their clients, including conflicts arising from the allocation of investment opportunities identified by investment professionals of both Redding Ridge Asset Management and ACM which may be appropriate for clients of both advisers, as both Redding Ridge Asset Management and ACM currently act as collateral managers for CLOs. Redding Ridge Asset Management and ACM



addresses such potential conflicts of interest by submitting each investment opportunity which has been independently approved by the investment committee of each adviser for its clients to a joint allocation committee consisting of individuals who are officers or employees of both entities. Such opportunities are then allocated among the clients of Redding Ridge Asset Management and ACM in a manner designed to achieve a fair and equitable allocation of investment opportunities among participating accounts without regard to which of Redding Ridge Asset Management or ACM serves as the account's collateral manager. In general, such allocation determinations follow the procedures and criteria described above under "Allocation of Investment Opportunities".

## **ITEM 12**

### **Brokerage Practices**

#### **Best Execution and Soft Dollars**

Redding Ridge Asset Management seeks best execution for client trades. Best execution generally refers to the execution of portfolio transactions in such a manner that total cost or proceeds in each transaction is the most favorable under the circumstances. The SEC defines best execution as "best qualitative execution," not merely the lowest possible execution cost.

In evaluating the quality of execution and selecting broker-dealers to execute client transactions, Redding Ridge Asset Management considers various factors, such as execution capability, transaction charges such as spreads, financial responsibility, confidentiality and responsiveness.

Redding Ridge Asset Management (including for this purpose the service providers that provide mid- and back-office services to Redding Ridge Asset Management) communicates with the various broker-dealers in the market place and maintains a database on all of the assets it manages. Prior to every trade, Redding Ridge Asset Management, or the service providers, reviews this information and recent quotes in the market to identify the broker-dealer that it believes will provide the best overall price and certainty and quality of execution.

In addition to the general factors considered as listed above, there are several additional factors and circumstances that Redding Ridge Asset Management considers when selecting a broker-dealer in the leveraged loan market, including

- *Relevant Market Place.* The senior secured bank loan market, and to a lesser extent the high-yield bond market, is not traded on an exchange where current asset prices are readily available. Further, the senior secured loan market is a private market in which the level of information known by dealers and various investors ranges significantly. Redding Ridge Asset Management strives to maintain solid relationships and information flow with not just the "top-tier" dealers, but many of the active dealers in the market.
- *Liquidity.* Certain investments are highly illiquid, whereby very few dealers are able to make a market in the security or instrument. Further, a dealer might be one-sided (only has an offer or a bid) for a particular position.
- *Assignment Fees.* In some cases, the transfer of a senior secured bank loan may entail the payment an assignment fee to the administrative agent. Depending on the size of the trade and the number of funds the asset will be allocated to/from, these fees can be

significant. Trading with the administrative agent with respect to a particular transaction may eliminate these fees.

- *Trade Limitations.* Several factors may preclude the pro rata allocation of a trade of a senior secured bank loan among several funds, including minimum hold levels.
- *Agent Bank Considerations.* In addition to the possibility of eliminating assignment fees, there are other potential benefits (or disadvantages) to trading with (or away from) the administrative agent. All trades are disclosed to the trading desk of the administrative agent and allocations of primary transactions are generally favored to those accounts which provide high and consistent trading volume with the administrative agent. Further, the administrative agent typically is the most knowledgeable dealer regarding the trading of an asset, understands who the buyers and sellers are and can provide additional information when a certain asset is trading;
- *Idea Generation.* Redding Ridge Asset Management values the insight and research of its dealers. To the extent a dealer provides information or insight into a credit, Redding Ridge Asset Management may prefer to execute the trade with that dealer, provided the price is within its understanding of market levels; and
- *Complexity of the Asset or Transaction.* Transactions in senior secured bank loan assets, in particular, can be very complex, requiring an understanding of trading levels and features of numerous tranches and structural differences among the financial instruments of a particular issuer. It is important to transact with dealers that understand these factors.

Redding Ridge Asset Management and its service providers do not currently (although they may in the future) make use of commission sharing arrangements where brokerage business is promised in exchange for proprietary or third party services (“soft dollar” arrangements). Service providers, however, may receive research, brokerage products and other services in ordinary course of trading on behalf of Redding Ridge Asset Management’s CLO clients. These bundled services are made available on an unsolicited basis, without regard to the rates of commissions charged or paid by clients or the volume of business directed to such broker-dealers. To the extent that client brokerage commissions (or markups or markdowns) are used to obtain research, brokerage products or other services, the service providers would receive a benefit because it may, in that case, not need to produce or pay for the research, brokerage products or other services received. Service providers may have an incentive to select or recommend a broker-dealer based on its interest in receiving research or brokerage products or other services, rather than on its clients’ interest in receiving the most favorable execution.

Pursuant to MiFID II, research provided by broker-dealers is generally required to be charged separately from other execution services. As a result, the Management Subsidiary, a MiFID II regulated firm, may no longer accept the provision of research for free or as part of bundled services. The Management Subsidiary has decided to bear the expense of research from its own account.

In connection with the outsourcing of services performed by such service providers, Redding Ridge Asset Management has adopted policies and procedures to ensure it is receiving best execution on client trades.

## **Trade Aggregation**

If Redding Ridge Asset Management determines that the purchase or sale of the same security is in the best interest of more than one client, Redding Ridge Asset Management may, but is not obligated to, aggregate orders in order to reduce transaction costs to the extent permitted by applicable law. In addition, ACM, as service provider, may affect trades jointly for ACM clients and for Redding Ridge Asset Management clients. Such joint trades shall be allocated between such entities and their clients as described above in Item 11, “Relationship Between Redding Ridge Asset Management and AGM.” Under certain circumstances, Redding Ridge Asset Management believes that aggregation of orders for multiple clients (including aggregated trades where clients of ACM are also participants) is consistent with its duty to seek best execution for its clients. For example, aggregation of orders can facilitate more efficient and less costly execution by enabling a broker to “work” a large order throughout the day, rather than dealing with multiple small orders, and avoids competition in the marketplace among what otherwise would be smaller, separate orders for Redding Ridge Asset Management clients (or ACM and Redding Ridge Asset Management clients individually). In any case in which Redding Ridge Asset Management believes that aggregation would lead to results not in the best interest of its clients (e.g., higher transaction costs taking into account all appropriate factors), it will not affect the transaction on an aggregated basis.

When an aggregated order is filled through multiple trades at different prices from the same time period within a trade day, each participating client will receive the average price with transaction costs allocated *pro rata* based on the size of each client’s participation in the order (or allocation in the event of a partial fill) as determined by Redding Ridge Asset Management. In the event of a partial fill, allocations generally will be made *pro rata* based on the initial order, but may be modified on a basis that Redding Ridge Asset Management deems to be appropriate, including, for example, in order to avoid odd lots or *de minimis* allocations. This may result in allocations of certain investments on other than a *pro rata* basis.

## **ITEM 13**

### **Review of Accounts**

The accounts of each CLO managed by Redding Ridge Asset Management are reviewed on an ongoing basis by Redding Ridge Asset Management’s Chief Investment Officer and Management Company Investment Committee and not less frequently than quarterly by its Board. Reviews will assess overall portfolio strategies, performance and compliance with the CLO indentures. Primary responsibility for the execution of these roles resides with the Chief Investment Officer.

The trustee of each CLO provides investors with monthly and quarterly reports as described in the indenture for each CLO. Redding Ridge Asset Management may also furnish reports to the trustees of the CLOs for which it provides investment advisory services.

**ITEM 14**  
**Client Referrals and Other Compensation**

In the ordinary course of business, Redding Ridge Asset Management or a related person may send corporate gifts or pay for meals and entertainment such as attending cultural or sporting events for individuals of firms that do business with Redding Ridge Asset Management or its affiliates. Redding Ridge Asset Management employees also may be the recipients of corporate gifts, meals and entertainment. The giving and receipt of gifts and other benefits are subject to limitations under the Code of Ethics.

Redding Ridge Asset Management may pay fees to consultants for their advice and services, industry information or data, or conference attendance.

**ITEM 15**  
**Custody**

Redding Ridge Asset Management does not maintain custody of CLO assets. Rather, such assets are held by the trustee or collateral administrator of each CLO. As noted in Item 13, the trustee provides investors in the CLO with periodic reports on the composition and performance of the CLO. In the event that Redding Ridge Asset Management may be deemed to have custody of client assets as the result of acting as the general partner, manager, administrator or sub-administrator of a private fund established to facilitate the investments of investors in a CLO or otherwise, Redding Ridge Asset Management will engage independent public accountants to audit the financial statements of the private fund and distribute those audited financial statements to the limited partners or members of the private fund within 120 days of the private fund's fiscal year end and upon liquidation of the private fund.

**ITEM 16**  
**Investment Discretion**

Redding Ridge Asset Management generally receives and exercises discretionary authority to manage investments on behalf of each CLO for which it provides investment advisory services. A CLO may have certain investment restrictions regarding the management of the assets of the CLO (*e.g.* concentration limits, credit quality.). Redding Ridge Asset Management's discretionary authority as to the assets of each CLO for which it provides investment advisory services is set forth in the Management Agreement and other constituent documents of the CLO.

**ITEM 17**  
**Voting Client Securities**

The Management Agreement and constituent documents of each CLO may give Redding Ridge Asset Management the authority to vote on modifications to loan terms and covenants without investor guidance. Redding Ridge Asset Management may have conflicts of interest where it has a substantial business relationship with a company and the failure to vote in favor of company management could harm Redding Ridge Asset Management's relationship with management. Conflicts also arise in the event a senior executive of a company and principal of Redding Ridge Asset Management or one of its affiliates has a significant personal relationship that could affect how the adviser would vote on a matter relating to the company.

Redding Ridge Asset Management has adopted and implemented policies and procedures which they believe are reasonably designed to ensure that Redding Ridge Asset Management votes proxies in the best interests of its clients. For example, if a Redding Ridge Asset Management representative sits on the board of directors of a company that is the subject of a proxy, the Chief Compliance Officer or designee will undertake a review prior to any vote by the proxy recipient to determine whether a material conflict of interest exists between Redding Ridge Asset Management and the interests of its client or between Redding Ridge Asset Management and the company shareholders. In the event that a material conflict of interest is identified, the Chief Compliance Officer or designee will take such steps as he or she deems necessary in order to determine how to vote the proxy in the best interests of the client, including, but not limited to, consulting with the legal department, outside counsel, a proxy consultant or the investment professionals responsible for the relevant portfolio investment. In each instance, when exercising its voting discretion, Redding Ridge Asset Management seeks to avoid any direct or indirect conflict of interest between its clients and its voting decision.

CLOs may request from Redding Ridge Asset Management a copy of the proxy voting policy and a record of how proxies have been voted.

## **ITEM 18**

### **Financial Information**

This Item 18 is not applicable. Redding Ridge Asset Management is not required to include a balance sheet for its most recent fiscal year, is not aware of any financial condition reasonably likely to impair its ability to meet its contractual commitments to clients or has not been the subject of a bankruptcy petition at any time during the past ten years.