



# Partners Group

REALIZING POTENTIAL IN PRIVATE MARKETS

## PARTNERS GROUP US MANAGEMENT CLO LLC FORM ADV PART 2A

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This brochure (the “Brochure”) provides information about the qualifications and business practices of Partners Group US Management CLO LLC (the “Adviser”). If you have any questions about the content of this Brochure, please contact us at (212) 908-2600. 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.

Partners Group US Management CLO LLC is registered with the SEC as an investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information based on which you may determine to hire or retain an investment adviser.

Additional information about Partners Group US Management CLO LLC is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

This is the Adviser's initial Brochure filed with the SEC; as such, there are no changes from prior versions.

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## Item 4 – Advisory Business

Partners Group US Management CLO LLC (the “Adviser”), a Delaware limited liability company founded in 2017, will provide discretionary investment advisory services as collateral manager to structured debt vehicles known as Collateralized Loan Obligations (hereinafter referred to as “Clients,” “CLOs,” and each a “Relevant CLO”). As collateral manager, the Adviser will transact primarily in senior secured debt securities, along with subordinated debt securities and certain other securities in accordance with the investment guidelines provided by the offering documents for each Relevant CLO (hereinafter referred to as “Collateral Obligations”). No individual Client can impose restrictions on investing in certain securities or certain types of securities other than such restrictions found in the Relevant CLO offering documents.

The Adviser is wholly owned and managed by Partners Group (USA) Inc. (“PG USA”), a Delaware corporation and registered investment adviser with the SEC.

The Adviser does not participate in any Wrap Fee Programs.

The Adviser's responsibilities as collateral manager to Relevant CLOs have yet to commence, therefore the Adviser currently has no regulatory assets under management. However, once its initial engagement as collateral manager begins (anticipated to be within the next 120 days) the Adviser will manage a Relevant CLO's portfolio of Collateral Obligations on a discretionary basis; the Adviser will not manage any assets on a non-discretionary basis.

## Item 5 – Fees and Compensation

The Adviser will receive management fees as compensation for its collateral management services to Relevant CLOs. Information on such management fees are set forth in the Relevant CLO offering documents. Management fees will be payable in arrears, generally on a quarterly basis, and will be paid out of the priorities of payment set out in the relevant CLO offering documents of the Relevant CLO.

Except as otherwise agreed to by a Relevant CLO and the Adviser, the costs and expenses (including the fees and disbursements of counsel and accountants but excluding all overhead costs and employees’ salaries) of the Adviser and of each Relevant CLO incurred in connection with the negotiation, preparation and execution of the relevant collateral

management agreement (a "Collateral Management Agreement") that establishes the Adviser as collateral manager to each Relevant CLO and any amendment thereto, and all matters incidental thereto, shall be borne by the respective Relevant CLO. Each Relevant CLO that engages the Adviser as collateral manager will reimburse the Adviser, or its affiliates as the case may be, for expenses including fees, costs and expenses reasonably incurred by the Adviser or its affiliates in connection with services provided under the respective Collateral Management Agreement (regardless of whether the person providing or performing the service or output giving rise to such fees, costs and expenses is the Adviser, an affiliate of the Adviser or a third party, and including allocated portions of fees, costs and expenses, including overhead, incurred in connection with services performed by personnel or employees of the Adviser or its affiliates; provided that, if such service or output is provided or performed by the Adviser or an affiliate of the Adviser and not a third party, then, unless approved by an independent review party, the applicable fees, costs and expenses shall not be greater than those that would be payable to a third party under arm's length terms for the provision or performance of similar services or outputs) including, without limitation, (a) the cost of legal advisers, consultants, rating agencies, accountants, brokers and other professionals retained or employed by a Relevant CLO or the Adviser or an affiliate of the Adviser (in each case, on behalf of a Relevant CLO), (b) the cost of asset pricing and asset rating services, compliance services and software, and accounting, programming and data entry services directly related to the management of the assets of each Relevant CLO, (c) all taxes, regulatory and governmental charges (not based on the income of the Adviser) and insurance premiums or expenses incurred in connection with each Relevant CLO, (d) any and all costs and expenses incurred in connection with the acquisition or disposition of investments on behalf of a Relevant CLO (whether or not actually consummated) and management thereof, including attorneys' fees and disbursements, (e) expenses related to preparing reports to holders of the notes issued by a Relevant CLO (hereinafter referred to as "Noteholders"), (f) reasonable travel expenses (including, without limitation, airfare, meals, lodging and other transportation) undertaken in connection with the performance by the Adviser of its duties pursuant to a Collateral Management Agreement or the indenture for a Relevant CLO, (g) expenses and costs in connection with any investor conferences, (h) the cost of any brokerage services provided to the Adviser or its affiliates in connection with the sale or purchase of any Collateral Obligation or other assets, (i) the cost of bookkeeping, accounting or recordkeeping services obtained or maintained with respect to a Relevant CLO (including those services rendered at the behest of the Adviser), (j) the cost of software programs licensed from a third party and used by the Adviser or its affiliates in connection with servicing the assets of a Relevant CLO, (k) fees and expenses incurred in obtaining the market value of the assets of a Relevant CLO (including, without limitation, fees payable to any nationally recognized pricing service),

(l) the cost of audits incurred in connection with any consolidation review, (m) any out-of-pocket costs or expenses incurred by the Adviser or its affiliates in connection with complying with the U.S. risk retention rules (including, without limitation, any expenses incurred by any affiliate of the Adviser) and/or the European retention requirements incurred in connection with a Relevant CLO, (n) the expenses of winding up and liquidating a Relevant CLO, and (o) any other expenses as otherwise agreed upon by the parties to a Relevant CLO. For the avoidance of doubt, except as otherwise set forth above, all routine overhead expenses, including rent, utilities, secretarial expenses and compensation and benefits of the Adviser's and its affiliates' employees shall be borne directly by the Adviser or its affiliates and may not be recharged to the Adviser's Clients.

A rules based approach is applied by the Adviser and its affiliates (hereinafter referred to as "Partners Group") in apportioning expenses between clients on a pro rata basis, however certain clients may not be charged their pro rata portion of expenses that would otherwise be borne by such clients, such portions instead being borne by Partners Group.

The information contained herein is a summary only and is qualified in its entirety by the information contained in the offering documents of a Relevant CLO, which provide a detailed and complete description of the fees and costs associated with an investment in a Relevant CLO. Please contact Partners Group US Management CLO LLC at (212) 908-2600 to request a copy of a particular CLO's offering circular.

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

The Adviser will be eligible to receive performance-based fees as compensation for its collateral management services to Relevant CLOs. Information on such performance fees are set forth in the Relevant CLO offering documents. All such performance fees will be earned in accordance with Rule 205-3 of the Investment Advisers Act of 1940, as amended (the "Advisers Act").

Performance-based fees may create an incentive for the Adviser to recommend investments that are riskier or more speculative than those which would be recommended under a different arrangement. Such arrangements also create an incentive to favor higher-fee paying Clients over other Clients of the Adviser in the allocation of investment opportunities. The Adviser has implemented procedures designed to ensure that all Clients are treated fairly, and to prevent this potential conflict from influencing the allocation of investment opportunities among its Clients.

## **Item 7 – Types of Clients**

The Adviser will provide investment management services solely as collateral manager to CLOs.

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

Investing directly or indirectly in CLOs managed by the Adviser involves risk of loss up to and including the loss of an entire investment; investors therefore must be prepared to bear such loss.

In performing its investment advisory activities, the Adviser significantly relies upon staffing, operations, sourcing, analysis, risk management and other functions performed by its affiliates, in particular PG USA. PG USA's employees that perform the Adviser's functions as collateral manager to Relevant CLOs generally participate in the due diligence and analysis process with respect to investment opportunities in North and South America, but may have limited or no participation with respect to investment opportunities in other geographic regions other than the analyses made by the Adviser's independent management team (the "Adviser Management Team"). Through its relationship with its affiliates, the Adviser gains access to, and benefits from, a much broader range of investment opportunities, analytical resources and investment personnel than would otherwise be available while retaining full investment discretion in regards to its Clients.

Partners Group sources investment opportunities on a global basis through referrals of its affiliates. All investment opportunities are referred to Partners Group for due diligence and analysis, as described below, before being recommended or allocated to any of the Adviser's Clients. Once identified, investment opportunities are generally logged into a proprietary database that tracks Partners Group's analysis of the opportunity. Investment analysis by Partners Group generally involves (i) a market assessment based on periodic analysis of relevant economic fundamentals, (ii) the development of a relative value outlook for different markets and/or for various investment subcategories within such markets and (iii) a critical review of individual investment opportunities available to Partners Group. Partners Group typically analyzes each individual investment opportunity through the step-by-step process outlined below. The manner in which each step is completed, including whether any steps may be completed concurrently, depends on the particular circumstances of each potential investment opportunity and remains at the discretion of Partners Group.

### **Investment Analysis Process**

Investment analysis is primarily based upon original research and due diligence performed by Partners Group. Partners Group may also review research reports generated by third parties. Partners Group may also hire research/consulting firms on a fee-for-service basis (non-soft dollar) to obtain access to research databases.

### *First Check*

The initial analysis of an investment opportunity is typically referred to as a “First Check” or “FC”. Each FC highlights various aspects of the relevant investment opportunity, such as strategy, management team, track record and/or market positioning. Such initial analyses may be presented to Partners Group’s specialist debt investment committee or Partners Group’s global investment committee (each, a “Partners Group Investment Committee”) for an initial review, depending on the potential size of the investment opportunity. Certain members of the Adviser Management Team sit on Partners Group’s specialist debt investment committee along with other members of Partners Group’s global debt investment team; Partners Group’s global investment committee is comprised of Partners Group’s most senior professionals across the globe. Depending on the size and seniority of the potential investment the relevant Partners Group Investment Committee approves the opportunity by issuing a Transaction Advice (“TA”) for that opportunity, rejects it outright, or determines that additional due diligence needs to be performed in the form of an Investment Recommendation.

### *Investment Recommendation*

Where the appropriate Partners Group Investment Committee determines after an FC that an investment opportunity merits additional due diligence, selected debt investment professionals of Partners Group perform a thorough commercial due diligence assessment of the investment opportunity and prepare an Investment Recommendation (“IR”), which consists of a standard set of documents that detail the findings of the debt investment team performing the analysis on the investment opportunity. The debt investment team performing this assessment and preparing the IR may or may not include members of the Adviser Management Team, depending on the nature and geographic location of the relevant investment opportunity. When complete, the relevant IR is presented to the appropriate Partners Group Investment Committee for review which then approves or rejects the investment opportunity by issuing a TA for that opportunity.

### *Transaction Advice*

A TA will outline the parameters for each investment opportunity approved by the relevant Partners Group Investment Committee, such as hunting license duration, price limits, etc.



The Adviser Management Team then seeks to execute transactions in approved investment opportunities, in accordance with relevant TA limitations. The Adviser generally will not execute any investment for its Clients if the relevant Partners Group Investment Committee has not previously issued a TA in respect of such investment.

## **Allocation Process**

Concurrent with the investment analysis process described above, Partners Group's portfolio management team allocates prospective investment opportunities among Partners Group clients, including those of the Adviser. Allocations are based on a pro-rata principle, taking into account each client's particular investment objectives, guidelines, restrictions, risk parameters, investment demand and other suitability criteria. Accordingly, due to differences in (1) the nature of each investment opportunity, (2) the amount expected to be available for investment in a given transaction and (3) the aggregate demand among Partners Group clients for investments in a given category, allocations in respect of a given transaction may or may not include allocations for Clients of the Adviser.

The Adviser Management Team represents the interests of the Adviser's Clients during this allocation process. Specifically, the Adviser Management Team provides investment guidelines to Partners Group's portfolio management team detailing the appropriate kinds of investments that could be allocated to each of the Adviser's Clients based on certain factors, such as, but not limited to, investment type, geography, size, and diversification requirements. These inputs from the Adviser Management Team are independent of any specific deal analysis and are updated as necessary.

The Adviser Management Team reviews all preliminary allocations recommended for its Clients by Partners Group's portfolio management team. Based on its independent analysis of the investment opportunity, both in terms of commercial appeal and suitability for the Adviser's Client(s), the Adviser Management Team may approve the allocation as proposed, approve a reduced allocation below the amount proposed, or reject the proposed allocation entirely. Any investment opportunity that is rejected by the Adviser Management Team will not be allocated to the relevant CLO/Client. The Adviser Management Team may also request an increased allocation with respect to particular investment opportunities or request an allocation to an investment opportunity not initially recommended to the Adviser's Client(s) by the portfolio management team, based on its analysis of its Clients' investment objectives, guidelines, restrictions, investment demand and other suitability criteria. Nevertheless, all allocations are subject to availability and Partners Group's global allocation policy, to which the Adviser is subject. Although the Adviser may reject any investment opportunity and/or proposed allocation, the Adviser may not compel Partners

Group to make (or increase) the allocation in respect of any particular investment opportunity, and accordingly, the Adviser Management Team's requests for increased or new allocations may or may not be satisfied. Any investment opportunity the portfolio management team recommends for consideration is independently reviewed, considered and voted upon by the Adviser Management Team.

With input from the Adviser Management Team and the relevant Partners Group Investment Committee(s), Partners Group's portfolio management team proposes a final allocation of an investment opportunity among clients of Partners Group and/or its affiliates. If a final allocation to an investment opportunity includes one or more Clients of the Adviser, the Adviser Management Team must approve such allocation prior to a relevant CLO committing to an investment.

## **Material Risks**

All investments involve financial risks. Some of the material risks with CLO investments, including purchasing notes issued by a Relevant CLO ("Notes"), are included below: the interplay of such risks should be considered, as where more than one risk factor is present, the risk of loss to an investor may be significantly increased. Prospective investors should ensure that they understand the risk factors associated with such an investment, which generally include, but are not limited to, the material risks outlined below, and have the financial ability and willingness to accept such risks. The information contained herein regarding such risks is a summary only and is qualified entirely by information found in the relevant offering circular; investors should refer to the applicable offering circular for a comprehensive description of risks.

*Identification of investment opportunities and expenses.* The success of the Adviser depends on the availability and identification of suitable investment opportunities. The availability of investment opportunities will be subject to market conditions and other factors outside the control of the Adviser. There can be no assurance that the Adviser or its affiliates will be able to identify sufficient attractive investment opportunities to meet the Adviser's Client's investment objectives.

The funds available to a Relevant CLO to pay its expenses on any payment date are limited as provided in the priorities of payments described in each Relevant CLO offering circular. In the event that such funds are not sufficient to pay the expenses incurred by a Relevant CLO, its ability to operate effectively may be impaired, and it may not be able to defend or prosecute legal proceedings brought against it or which it might otherwise bring to protect its interests or be able to pay the expenses of legal proceedings against persons it has indemnified.

*Business and regulatory risks of CLOs.* Legal, tax and regulatory changes could occur over the course of the life of Notes that may adversely affect the Relevant CLOs. The regulatory environment for vehicles of the nature of CLOs is evolving, and changes in regulation may adversely affect the Relevant CLOs, the value of investments held by them and their ability to obtain the leverage they might otherwise obtain or to pursue their investment and trading strategies. In addition, the securities and derivatives markets are subject to comprehensive statutory, regulatory and margin requirements. Certain regulators and self-regulatory organisations and exchanges are authorised to take extraordinary actions in the event of market emergencies. The regulation of transactions of a type similar to the Relevant CLOs and derivative transactions and vehicles that engage in such transactions is an evolving area of law and is subject to modification by governmental and judicial action. The effect of any future regulatory change on the Relevant CLOs could be substantial and adverse.

*Economic, political and legal risks.* The Adviser's investments may be made in a number of countries, exposing investors to a range of potential economic, political and legal risks. These may include, but are not limited to, declines in economic growth, inflation, deflation, currency revaluation, nationalization, expropriation, confiscatory taxation, governmental restrictions, adverse regulation, social or political instability, negative diplomatic developments, military conflicts, and terrorist attacks.

*Illiquidity in the collateralised debt obligation, leveraged finance and fixed income markets may affect Noteholders.* In previous years, events in the collateralised debt obligation (including CLO), leveraged finance and fixed income markets have resulted in substantial fluctuations in prices for leveraged loans and high-yield debt securities and limited liquidity for such instruments. No assurance can be made that conditions giving rise to similar price fluctuations and limited liquidity may not emerge in the future. During periods of limited liquidity and higher price volatility, a Relevant CLO's ability to acquire or dispose of investments at a price and time that it deems advantageous may be severely impaired. As a result, in periods of rising market prices, a Relevant CLO may be unable to participate in price increases fully to the extent that it is unable to acquire desired positions quickly; and a Relevant CLO's inability to dispose fully and promptly of positions in declining markets may exacerbate losses suffered by it when its Collateral Obligations are sold. Furthermore, significant additional risks for a Relevant CLO and investors in the Notes may exist. Such risks include, among others, (i) the possibility that, after issuance of the Notes, the prices at which the Notes' collateral can be sold may deteriorate from their purchase price, (ii) the possibility that opportunities for a Relevant CLO to sell its collateral in the secondary market, including credit risk obligations, credit improved obligations and defaulted obligations, may be impaired, and (iii) increased illiquidity of the Notes because of reduced

secondary trading in CLO securities. These additional risks may affect the returns on the Notes to investors or otherwise adversely affect Noteholders.

*Third party litigation; limited funds available.* A Relevant CLO's investment activities may subject it to the risks of becoming involved in litigation by third parties. This risk may be greater where a Relevant CLO exercises control or significant influence over a company's direction. The expense of defending claims against a Relevant CLO by third parties (including bankruptcy or insolvency proceedings) and paying any amounts pursuant to settlements or judgments would, except in the unlikely event that a Relevant CLO is indemnified for such amounts, be borne by the Relevant CLO and would reduce the funds available for distribution and the Relevant CLO's net assets. The funds available to a Relevant CLO to pay certain fees and expenses of the respective trustee, the Adviser and for payment of the Relevant CLO's other accrued and unpaid administrative expenses are limited amounts available in accordance with the priorities of payments described in the relevant offering circular. If such funds are not sufficient to pay the expenses incurred by a Relevant CLO, its ability to operate effectively may be impaired, and it may not be able to defend or prosecute legal proceedings that may be brought against it or that it might otherwise bring to protect its interests.

*Limited liquidity and restrictions on transfer.* Although there is currently a limited market for notes representing collateralised loan obligations similar to the Notes, there is currently no market for the Notes themselves. There can be no assurance that any secondary market for any of the Notes will develop or, if a secondary market does develop, that it will provide the Noteholders with liquidity of investment or that it will continue for the life of such Notes. Consequently, investors must be prepared to hold such Notes for an indefinite period of time or until such Notes' maturity date. Where a market does exist, there can be no assurance that any available sale price will be at par. In addition, no sale, assignment, participation, pledge or transfer of the Notes may be effected if, among other things, it would require any of a Relevant CLO or any of its officers or directors to register under, or otherwise be subject to the provisions of, the U.S. Investment Company Act of 1940, as amended (the "Investment Company Act"), or any other similar legislation or regulatory action. Furthermore, the Notes will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or any U.S. state securities laws, and the Relevant CLOs have no plans, and will be under no obligation, to register the Notes under the Securities Act. The Notes are subject to certain transfer restrictions and can be transferred only to certain transferees. Such restrictions on the transfer of the Notes may further limit their liquidity.

*Optional redemption and market volatility.* The market value of Relevant CLO's Collateral Obligations may fluctuate, with, among other things, changes in prevailing interest rates,

foreign exchange rates, general economic conditions, the conditions of financial markets (particularly the markets for senior and mezzanine loans, secured senior bonds and high yield bonds), political events, events in the home countries of the issuers of the Collateral Obligations or the countries in which their assets and operations are based, developments or trends in any particular industry and the financial condition of such issuers. The secondary market for senior and mezzanine loans and high yield bonds is still limited. A decrease in the market value of a Relevant CLO's portfolio of Collateral Obligations would adversely affect the amount of proceeds which could be realised upon liquidation of such portfolio and ultimately the ability of a Relevant CLO to redeem its issued Notes.

*Limited recourse obligations.* The Notes are limited recourse obligations and are payable solely from amounts received in respect of a Relevant CLO's Collateral Obligations. Payments on the Notes both prior to and following enforcement of the security over such collateral are subordinated to the prior payment of certain fees and expenses of, or payable by, the Relevant CLO and to payment of principal and interest on prior ranking classes of Notes. No party to a Relevant CLO (other than the Relevant CLO itself) will be obliged to make payments on Notes of any class. Consequently, Noteholders must rely solely on distributions on relevant CLO Collateral Obligations and other collateral securing the Notes for the payment of principal, discount, interest and premium, if any thereon. There can be no assurance that the distributions on Relevant CLO Collateral Obligations and other collateral securing Notes will be sufficient to make payments on any class of Notes after making payments on more senior classes of Notes and certain other required amounts to other creditors ranking senior to or *pari passu* with such class pursuant to the priorities of payments described in Relevant CLO offering circulars. If distributions on Relevant CLO Collateral Obligations are insufficient to make payments on relevant Notes, no other assets will be available for payment of the deficiency and following realisation of a Relevant CLO's Collateral Obligations and the application of the proceeds thereof in accordance with the respective priorities of payments, the obligations of the Relevant CLO to pay such deficiency shall be extinguished. Such shortfall will be borne by Noteholders in each case in accordance with the priorities of payments outlined in the Relevant CLO's offering circular.

Noteholders, will not be entitled at any time to institute against a Relevant CLO, or join in any institution against a Relevant CLO, of any bankruptcy, reorganisation, arrangement, insolvency, examinership, winding up or liquidation proceedings or other proceedings under any applicable bankruptcy or similar law in connection with any obligations of a Relevant CLO relating to Notes of any class, save for lodging a claim in the liquidation of a Relevant CLO which is initiated by another non-affiliated party or taking proceedings to obtain a declaration as to the obligations of a Relevant CLO.

*Subordination of Notes.* The payment of principal and interest on any classes of Notes may not be made until all payments of principal and interest due and payable on any classes of Notes ranking in priority thereto pursuant to the priorities of payments have been made in full, subject to and as more fully described in the priorities of payments outlined in the Relevant CLO offering circular. Payments on subordinated Notes will be made by a Relevant CLO to the extent of available funds and no payments thereon will be made until the payment of certain fees and expenses have been made and until interest on rated Notes has been paid and, subject always to the terms and conditions outlined in the Relevant CLO offering circular.

*Volatility of the subordinated Notes.* Subordinated Notes represent a leveraged investment in the underlying Collateral Obligations. Accordingly, it is expected that changes in the market value of subordinated Notes will be greater than changes in the market value of the underlying Collateral Obligations, which themselves are subject to credit, liquidity, interest rate and other risks. Utilisation of leverage is a speculative investment technique and involves certain risks to investors and will generally magnify the subordinated Noteholders' opportunities for gain and risk of loss. In certain scenarios, Notes may not be paid in full, and subordinated Notes and one or more classes of rated Notes may be subject to a partial or a complete loss of invested capital. Subordinated Notes represent the most junior securities in a leveraged capital structure. As a result, any deterioration in performance of the Collateral Obligations, including defaults and losses, a reduction of realised yield or other factors, will be borne first by holders of subordinated Notes, and then by the holders of rated Notes in reverse order of seniority.

CLO expenses (including management fees) are generally based on a percentage of the total asset portfolio of a Relevant CLO, including the assets obtained through the use of leverage. Given the leveraged capital structure of the Relevant CLOs, expenses attributable to subordinated Notes will be higher because such expenses will be based on total assets of a Relevant CLO.

*Custody and clearance risks.* Custody and clearance risks may be associated with Collateral Obligations or other assets comprising the portfolio of Relevant CLOs which are securities that do not clear through The Depository Trust Company ("DTC"), Euroclear or Clearstream, Luxembourg. There is a risk, for example, that such securities could be counterfeit, or subject to a defect in title or claims to ownership by other parties, including custody liens imposed by standard custody terms at various stages in the chain of intermediary ownership of such Collateral Obligations.

Any risk of loss arising from any insufficiency or ineffectiveness of the security for the Notes or the custody and clearance risks which may be associated with Collateral Obligations will be borne by Noteholders without recourse to the Relevant CLO or any other party.

*Concentrated ownership of one or more classes of Notes.* If at any time one or more investors that are affiliated hold a majority of any class of Notes, it may be more difficult for other investors to take certain actions that require consent of any such classes of Notes without their consent. For example, optional redemption and the removal of the Adviser as collateral manager for cause and the appointment of a successor collateral manager are at the direction of holders of specified percentages of subordinated Notes and/or the controlling class (as applicable and described in more detail in the Relevant CLO offering circular). Investors should also be aware that such group of Noteholders would in such circumstances exercise effective control over the exercise of rights granted to any such class and may have interests that differ from other Noteholders and may seek to profit or seek direct benefits from their effective control over the exercise of such rights.

*Below investment-grade Collateral Obligations involve particular risks.* The Collateral Obligations will consist primarily of non-investment grade loans or interests in non-investment grade loans, all of which are subject to liquidity, market value, credit, interest rate, reinvestment and certain other risks. It is anticipated that the Collateral Obligations generally will be subject to greater risks than investment grade corporate obligations. These risks could be exacerbated to the extent that the portfolio is concentrated in one or more particular types of Collateral Obligations.

Prices of the Collateral Obligations may be volatile, and will generally fluctuate due to a variety of factors that are inherently difficult to predict, including but not limited to changes in interest rates, prevailing credit spreads, general economic conditions, financial market conditions, domestic and international economic or political events, developments or trends in any particular industry, and the financial condition of the obligors of the Assets. The current uncertainty affecting the United States economy and the economies of other countries in which issuers of Collateral Obligations are domiciled and the possibility of increased volatility in financial markets could adversely affect the value and performance of the Collateral Obligations. Additionally, loans and interests in loans have significant liquidity and market value risks (including the use of third party appraisals to value the underlying collateral of asset-based loans) since they are not generally traded in organized exchange markets but are traded by banks and other institutional investors engaged in loan syndications. Because loans are privately syndicated and loan agreements are privately negotiated and customized, loans are not purchased or sold as easily as publicly traded

securities. In addition, historically the trading volume in the loan market has been small relative to the debt securities market.

Below investment-grade investments, including leveraged loans have historically experienced greater default rates than has been the case for investment grade securities. There can be no assurance as to the levels of defaults and/or recoveries that may be experienced on the Collateral Obligations, and an increase in default levels could adversely affect payments on the Notes.

A non-investment grade loan, or other obligation or an interest in a non-investment grade loan, or other obligation is generally considered speculative in nature and may become defaulted for a variety of reasons. Upon any Collateral Obligation going into default, such defaulted obligation may become subject to either substantial workout negotiations or restructuring, which may entail, among other things, a substantial reduction in the interest rate, a substantial write-down of principal, and a substantial change in the terms, conditions and covenants with respect to such defaulted obligation. In addition, such negotiations or restructuring may be quite extensive and protracted over time, and therefore may result in substantial uncertainty with respect to the ultimate recovery on such defaulted obligation. The liquidity for defaulted obligations may be limited, and to the extent that defaulted obligations are sold, it is highly unlikely that the proceeds from such sale will be equal to the amount of unpaid principal and interest thereon. Furthermore, there can be no assurance that the ultimate recovery on any defaulted obligation will be at least equal to either the minimum recovery rate assumed by in rating the Notes or any recovery rate used in connection with any analysis of the Notes. Non-investment grade leveraged loans have historically experienced greater default rates than investment grade loans.

Additionally, various laws enacted for the protection of creditors may apply to the Collateral Obligations of a Relevant CLO. Such laws may require the ability of a Relevant CLO to return payments received on Collateral Obligations and may impair the ability of a Relevant CLO to receive sufficient payments to make payments on the Notes issued by the Relevant CLO. Additionally, insolvency proceedings with respect to a Collateral Obligation could result in, among other things, a substantial reduction in the interest rate and a substantial write down of the principal of the related Collateral Obligations of such Relevant CLO. See “*Insolvency Considerations Related to Collateral Obligations.*”

*Investing in participations involves particular risks.* Each Relevant CLO may acquire interests in Collateral Obligations either directly (by way of assignment from the selling institution) or indirectly (by purchasing a participation interest from the selling institution). Holders of



participation interests are subject to additional risks not applicable to a holder of a direct interest in a Collateral Obligation.

Participations by a Relevant CLO in a selling institution's portion of a Collateral Obligation typically result in a contractual relationship only with such selling institution, not with the borrower. In the case of a participation interest, the Relevant CLO will generally have the right to receive payments of principal, interest and any fees to which it is entitled only from the institution selling the participation and only upon receipt by such selling institution of such payments from the borrower. By holding a participation interest in a Collateral Obligation, the Relevant CLO generally will have no right to enforce compliance by the borrower with the terms of the loan agreement, nor any rights of set off against the borrower, and the Relevant CLO may not directly benefit from the collateral supporting the Collateral Obligation in which it has purchased the participation. As a result, the Relevant CLO will assume the credit risk of both the borrower and the institution selling the participation, which will remain the legal owner of record of the applicable Collateral Obligation. In the event of the insolvency of the selling institution, the Relevant CLO, by owning a participation interest, may be treated as a general unsecured creditor of the selling institution, and may not benefit from any set off between the selling institution and the borrower. In addition, the Relevant CLO may purchase a participation from a selling institution that does not itself retain any portion of the applicable Collateral Obligation and, therefore, may have limited interest in monitoring the terms of the Collateral Obligation agreement and the continuing creditworthiness of the borrower. When the Relevant CLO holds a participation interest in a Collateral Obligation it will not have the right to vote under the applicable loan agreement with respect to every matter that arises thereunder, and it is expected that each selling institution will reserve the right to administer the Collateral Obligation sold by it as it sees fit and to amend the documentation evidencing such Collateral Obligation in all respects. Selling institution voting in connection with such matters may have interests different from those of the Relevant CLO and may fail to consider the interests of the Relevant CLO in connection with their votes.

*Investing in covenant lite loans involves certain risks.* A significant portion of the Collateral Obligations are expected to consist of covenant lite loans. Covenant lite loans typically do not have maintenance covenants. Ownership of covenant lite loans may expose the Relevant CLO to different risks, including with respect to liquidity, price volatility and ability to restructure loans, than is the case with loans that have maintenance covenants. As a result of the ownership of such covenant lite loans, the Relevant CLO's exposure to losses may be increased, which could result in an adverse impact on the Relevant CLO's ability to make payments on the Notes.

*Investing in unsecured loans involves certain risks.* Unsecured loans are unsecured obligations of the applicable obligor, may be subordinated to other obligations of the obligor and generally have greater credit, insolvency and liquidity risk than is typically associated with investment grade obligations and secured obligations. Unsecured obligations will generally have lower rates of recovery than secured obligations following a default. Also, in the event of the insolvency of an obligor of any unsecured obligation, the holders of such unsecured obligation will be considered general, unsecured creditors of the obligor and will have fewer rights than secured creditors of the obligor.

*Investing in second lien loans involves certain risks.* The Collateral Obligations may include second lien loans, each of which will be secured by a pledge of collateral, but which is subordinated to other secured obligations of the obligors secured by all or a portion of the collateral securing such secured loan. Second lien loans are typically subject to intercreditor arrangements, the provisions of which may prohibit or restrict the ability of the holder of a second lien loan to (i) exercise remedies against the collateral with respect to their second liens; (ii) challenge any exercise of remedies against the collateral by the first lien lenders with respect to their first liens; (iii) challenge the enforceability or priority of the first liens on the collateral; and (iv) exercise certain other secured creditor rights, both before and during a bankruptcy of the borrower. In addition, during a bankruptcy of the obligor, such agreements may require the holder of a second lien loan may be required to give advance consent to (a) any use of cash collateral approved by the first lien creditors; (b) sales of collateral approved by the first lien lenders and the bankruptcy court, so long as the second liens continue to attach to the sale proceeds; and (c) debtor-in-possession financings.

*Credit risk.* Risks applicable to Collateral Obligations generally also include the possibility that earnings of an issuer of such securities may be insufficient to meet its debt service obligations thereunder and the declining creditworthiness and potential for insolvency of the issuer of such loans and obligations during periods of rising interest rates and economic downturn. An economic downturn could severely disrupt the market for leveraged loans and senior, mezzanine and high yield obligations and adversely affect the value thereof and the ability of the issuer thereunder to repay principal and interest.

There is limited historical data available as to the levels of defaults and/or recoveries that may be experienced on the debt securities that will comprise Relevant CLO Collateral Obligations and no assurance can be given as to the levels of default and/or recoveries that may apply to any such securities. Collateral Obligations' terms will have been a matter of negotiation and will thus be unique. The types of protection afforded to creditors will therefore vary from investment to investment. Recoveries on Collateral Obligations may also be affected by the different bankruptcy regimes applicable in different jurisdictions, (to

the extent such Collateral Obligations are secured) the availability of comprehensive security packages in different jurisdictions and the enforceability of claims against the issuers thereunder.

*Concentration risk.* Although no significant concentration with respect to any particular issuer of Collateral Obligations, industry or country is expected to exist, the concentration of a Relevant CLO's portfolio of Collateral Obligations in any one issuer would subject the relevant Notes to a greater degree of risk with respect to defaults by such issuer, and the concentration of the Relevant CLO's portfolio in any one industry would subject the relevant Notes to a greater degree of risk with respect to economic downturns relating to such industry.

*Reinvestment risk/uninvested cash balances.* To the extent a Relevant CLO (or the Adviser on its behalf) maintains cash balances invested in short-term investments instead of higher yielding loans or bonds, portfolio income will be reduced which will result in reduced amounts available for payment on relevant Notes. In general, the larger the amount and the longer the time period during which cash balances remain uninvested the greater the adverse impact on portfolio income which will reduce amounts available for payment on the relevant Notes, especially subordinated Notes. The extent to which cash balances remain uninvested will be subject to a variety of factors, including future market conditions and is difficult to predict.

*Insolvency considerations relating to Collateral Obligations.* Collateral Obligations may be subject to various laws enacted for the protection of creditors in the countries of the jurisdictions of incorporation of issuers and, if different, in which such issuers conduct business and in which they hold the assets, which may adversely affect such issuers' abilities to make payment on a full or timely basis. These insolvency considerations will differ depending on the country in which each issuer is located or domiciled and may differ depending on whether the issuer is a non-sovereign or a sovereign entity. In particular, it should be noted that a number of continental European jurisdictions operate "debtor friendly" insolvency regimes which would result in delays in payments under Collateral Obligations where obligations thereunder are subject to such regimes, in the event of the insolvency of the relevant issuer.

*Loan repricing.* Leveraged loans may experience volatility in the spread that is paid on such leveraged loans. Such spreads will vary based on a variety of factors, including, but not limited to, the level of supply and demand in the leveraged loan market, general economic conditions, levels of relative liquidity for leveraged loans, the actual and perceived level of credit risk in the leveraged loan market, regulatory changes, changes in credit ratings, and

the methodology used by credit rating agencies in assigning credit ratings, and such other factors that may affect pricing in the leveraged loan market. Since leveraged loans may generally be prepaid at any time without penalty, the issuer of such leveraged loans would be expected to prepay or refinance such leveraged loans if alternative financing were available at a lower cost. For example, if the credit ratings of an issuer were upgraded, the issuer were recapitalised or if credit spreads were declining for leveraged loans, such issuer would likely seek to refinance at a lower credit spread. Declining credit spreads in the leveraged loan market and increasing rates of prepayments and refinancings will likely result in a reduction of portfolio yield and interest collection on Collateral Obligations, which would have an adverse effect on the amount available for distributions on Notes, beginning with the subordinated Notes as the most junior classes.

*Valuation information; limited information.* No party will be required to provide periodic pricing or valuation information to investors. Investors will receive limited information with regard to the Collateral Obligations and none of the transaction parties (including the Relevant CLO, trustee, or the Adviser) will be required to provide any information other than what is required in the Relevant CLO transaction documents. Furthermore, if any information is provided to Noteholders (including required reports), such information will not be audited. Finally, the Adviser may be in possession of material, non- public information with regard to Collateral Obligations and will not be required to disclose such information to Noteholders.

*Hedging.* The Adviser may employ hedging techniques designed to protect against adverse movements in currency, interest rates or other risks. While such transactions may reduce certain risks, such transactions themselves may entail certain other risks and involve transaction expenses associated with the hedging. Thus, while the Adviser may benefit from the use of these hedging mechanisms, unanticipated changes in interest rates, securities prices, currency exchange rates or other factors may result in poorer overall performance for the Adviser's Clients than if it had not entered into such hedging transactions.

*Currency risk.* The Adviser's investments in Collateral Obligations may be made in a number of different currencies. Any returns on, and the value of such investments may, therefore, be materially affected by exchange rate fluctuations, local exchange control, limited liquidity of the relevant foreign exchange markets, the convertibility of the currencies in question and/or other factors.

*Management and strategy risk.* The ability of each Client's portfolio to meet its investment objective is directly related to the Adviser's investment strategies. The investment process

used by the Adviser could fail to achieve a Client's investment objective and cause investments to lose value.

*Conflicts of interest.* Various potential and actual conflicts of interest may arise from the overall management, advisory, investment and other activities of the Adviser and its affiliates (including other funds and investment vehicles managed thereby), on the one hand, and the Relevant CLOs, on the other. The Adviser and its affiliates manage several funds and other investment vehicles, including other collateralized loan obligation transactions, with objectives that are similar or overlapping. In addition, the Adviser and its affiliates may in the future manage or sponsor other investment funds or investment vehicles with objectives that may differ from those of the Relevant CLOs. Other conflicts of interest may arise with respect to (i) the compensation paid to the Adviser and its affiliates by the Relevant CLOs; (ii) the allocation of time and resources by the Adviser and its affiliates and their employees among the Relevant CLOs or to other business not pertaining to the Relevant CLOs; (iii) the allocation of investment opportunities to and/or among the Relevant CLOs; and (iv) valuation of the assets of the Relevant CLOs. From time to time, the Adviser may acquire for a Relevant CLO securities of an issuer which have opposing interests to securities of the same issuer that are held by, or acquired for, one or more other Relevant CLOs, funds or investment vehicles (e.g., a Relevant CLO may acquire senior debt while one or more other Relevant CLOs, funds and/or investment vehicles may acquire subordinated debt). Similarly, a Relevant CLO itself may make investments that have opposing interests to one another, where the groups of investors holding these investments may not be identical. Conflicts of interest may arise under such circumstances.

For more detailed information regarding any of the investment vehicles sponsored by the Adviser or its affiliates, please contact Partners Group (USA) Inc. at (212) 908-2600 to request a copy of the relevant vehicle's confidential private placement memorandum.

## **Item 9 – Disciplinary Information**

SEC-registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to an investor's evaluation of an investment adviser or the integrity of the adviser's management team. Neither the Adviser nor PG USA, the Adviser's sole member, or any of their respective "management persons" as defined in Form ADV have been subject to legal or disciplinary events related to this Item or are otherwise required to disclose any event required by this Item.

## **Item 10 – Other Financial Industry Activities and Affiliations**

The Adviser, through an intercompany services agreement, relies on PG USA for its day-to-day operations; the Adviser has no employees of its own. Further, PG USA may outsource investment analysis, valuation support, finance, accounting and certain investment advisory services to Partners Group AG, an affiliate of the Adviser, with the right to further outsource to other affiliates. Partners Group AG is an exempt reporting adviser with the SEC. The Adviser, PG USA and/or their principal executive officers or senior management are also engaged in providing services to Partners Group AG and other affiliates of the Adviser. These activities may include serving on investment committees, providing research or opinions to affiliates of the Adviser and structuring and/or marketing various private funds or other investment products offered by the Adviser's affiliates. Certain employees of PG USA are registered as representatives of a broker-dealer that is not affiliated with the Adviser.

As stated in Item 8, Partners Group's portfolio management team allocates prospective investments among Partners Group clients, including those of the Adviser. This creates an inherent conflict of interest among Partners Group clients that the Adviser along with its affiliates mitigate through procedures designed to ensure that all Partners Group clients are treated fairly with respect to allocation of investment opportunities.

## **Item 11 – Code of Ethics**

In an effort to avoid conflicts of interest and protect its Clients from improper behavior, the Adviser together with its sole member PG USA have adopted a Code of Ethics (the "Code") designed to address and prevent potential conflicts of interest as required under Rule 204A-1 under the Advisers Act. The Adviser's Code governs the actions of PG USA's employees that operate the Adviser's investment management business and seeks to promote an ethical and compliance-oriented environment. The Code is provided to all of the Adviser's supervised persons (which term includes all of PG USA's employees) upon hire and annually thereafter, with a requirement that each supervised person acknowledge their receipt and compliance to its provisions in writing.

The Code includes, but is not limited to, high standards of business conduct, compliance with federal securities laws, reporting of political contributions, restrictions on the acceptance of significant gifts, pre-clearance of certain personal securities transactions, and reporting of personal investments and outside business activities. The Code is designed to ensure that

the personal securities transactions, activities and interests of supervised persons of the Adviser will not materially interfere with both making and implementing investment decisions in the best interest of the Adviser's clients (e.g. Relevant CLOs). Trading by access persons (which term also includes all employees of PG USA) is monitored by the Adviser's Chief Compliance Officer and that of PG USA to reasonably detect and prevent conflicts of interest between the Adviser and its clients. Furthermore, all access persons are prohibited from trading in public equity or debt securities, and related derivative products, in which funds managed by Partners Group are directly invested; adherence to this prohibition is monitored by the Adviser's and PG USA's Chief Compliance Officer as well. Supervised persons who violate the Code or the Adviser's compliance manual are subject to disciplinary action including, but not limited to, written warnings, fines and termination of employment.

The Adviser may at times transact in securities on behalf of its Clients at or about the same time an affiliate of the Adviser transacts in the same security for a client of the relevant affiliate. Such joint transactions create a potential conflict of interest in that the Adviser's affiliate's clients may have investment objectives or may implement investment strategies similar to those of the Adviser's clients. The Adviser and its affiliates address such conflicts through the independent investment committee process described in Item 8 above where the Adviser's Management Team ensures that the Adviser's Clients are treated fairly and equitably by both PG USA and its affiliates conducting such securities transactions.

Further, the Adviser and its affiliates are subject to a group-wide Conflicts of Interest Directive, which describes the group-wide approach to identifying, managing, and resolving conflicts of interest both generally and in specific circumstances. This Conflicts of Interest Directive also establishes Partners Group's Conflict Resolution Board which serves as an independent decision-making body should conflicts among Partners Group's affiliates, including the Adviser, require an independent body to resolve the conflict or to further escalate it with the advisory boards or similar bodies of the respective investment vehicles.

The Code is available to Clients and prospective Clients upon written request by contacting the Adviser.

## **Item 12 – Brokerage Practices**

Section 28(e) of the Securities Exchange Act of 1934, as amended, provides a safe harbor that permits investment advisers, when selecting brokers to execute transactions for Client accounts, to take into account certain research products and services provided to such adviser by brokers. Partners Group does not currently engage in soft dollar arrangements.

The Adviser outsources trade execution for its investments to its affiliate Partners Group AG, who determines how best to execute relevant trading activities authorized and directed by the Adviser's Management Team. Further, Partners Group AG may aggregate trades for the Adviser's Clients along with those of Partners Group clients such that more favorable trade prices can be realized for all clients; all such pricing benefits are allocated among Partners Group clients, including those of the Adviser, on a pro-rata basis.

Partners Group AG also selects the broker(s) to be used for such transactions subject to Partners Group's best execution standards designed to obtain the best possible result for clients. Partners Group AG will seek best execution by selecting a broker considering not only the cost of transactions conducted with such broker but whether the broker can provide the overall best qualitative execution, taking into consideration numerous factors, including, but are not limited to market impact, execution speed, certainty and size of the order, responsiveness and overall level of customer service, and the broker's ability to settle trades in a timely manner.

Partners Group prohibits employee compensation or bonus payments being directly related to the number of transactions placed through specific brokers.

### **Item 13 – Review of Accounts**

The Adviser will regularly monitor the collateral portfolios of Relevant CLOs. For example, investment limits and restrictions are generally monitored via an internal control system on an ongoing basis and in connection with each new investment and investment performance is generally monitored monthly or quarterly. Various professionals of Partners Group participate in such reviews, from financial analysts to senior management. Additionally, the Adviser Management Team reviews the overall investment objectives, current, and planned portfolios of each Client on a quarterly basis with Partners Group's portfolio management team.

Noteholders will receive monthly written reports, as well as written reports generated on each payment date (typically quarterly) that reflect the performance of their respective Notes as well as updates on the status of the Relevant CLO in general.

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

The Adviser and its affiliates do not compensate other persons for client referrals.



## **Item 15 – Custody**

The Adviser does not have custody of client assets.

## **Item 16 – Investment Discretion**

The Adviser will, as collateral manager, possess discretionary authority to manage the assets of each Relevant CLO. Such authority will be bound by the investment guidelines set forth in the offering documents of each Relevant CLO.

## **Item 17 – Voting Client Securities**

The Adviser will have the authority to vote as proxy for all Relevant CLOs, specifically on votes arising out of Relevant CLO Collateral Obligations. The Adviser's voting procedures have been adopted pursuant to Rule 206(4)-6 under the Advisers Act and decisions are made in the best interest of each Relevant CLO's objectives.

Additionally, with respect to the wide variety of social and corporate responsibility issues that may be presented, Partners Group's general policy is to take a position that supports policies that are designed to protect and promote the economic value of the issuer. Where proxy votes cannot be exercised, Partners Group shall apply such principles to the extent applicable.

## **Conflicts**

Where a conflict of interest is identified in relation to a proxy vote, then the relevant investment committee shall refer the matter to Partners Group's Conflict Resolution Board. When resolving conflicts of interest, the Conflict Resolution Board shall make its decision, on a case-by-case determination, taking all available facts and its obligations from a regulatory perspective into consideration.

Investors may obtain a copy of the Adviser's complete proxy voting policies and procedures and obtain information regarding how any proxies were voted upon written request.

## **Item 18 – Financial Information**

The Adviser does not require the payment of management fees or other compensation six months or more in advance. There exists no financial condition of which the Adviser is currently aware that would impair the Adviser to meet contractual commitments to its Clients.

#### **Item 19 – Requirements for State-Registered Advisers**

The Adviser is not registering, nor is currently registered, as an investment adviser with any state securities authorities.