



# Form ADV Part 2A: Firm Brochure

## Macquarie Private Debt Asset Management, LLC

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This brochure provides information about the qualifications and business practices of Macquarie Private Debt Asset Management, LLC. If you have any questions about the contents of this brochure, please contact us at +1 212 231 1000. 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 Macquarie Private Debt Asset Management, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Referring to Macquarie Private Debt Asset Management, LLC as a registered investment adviser does not imply a certain level of skill or training of its officers.



## Item 2: Material Changes

This page contains the following material changes relevant to Macquarie Private Debt Asset Management LLC (“the Registrant”) since the completion of its last amendment to Form ADV Part 2A dated June 29, 2018.

There have been no material changes since the last amendment.

The Registrant, at any time, may update this Brochure and either send you a copy or offer to send you a copy (either by electronic means (email) or in hard copy form).

## Item 3: Table of Contents

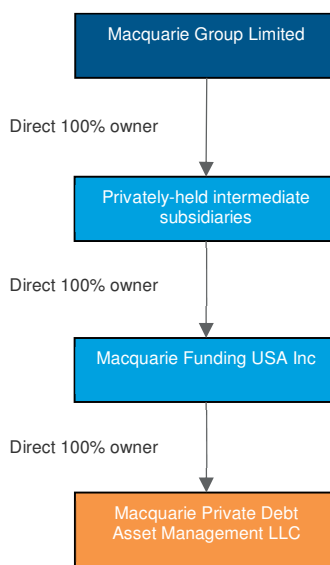
Item 2: Material Changes .....	1
Item 3: Table of Contents .....	2
Item 4: Advisory Business .....	3
A. Advisory Firm .....	3
B. Advisory Services Provided .....	4
C. Tailored Advisory Services and Restrictions .....	4
D. Wrap Fee Programs .....	4
E. Assets under Management .....	4
Item 5: Fees and Compensation .....	4
Item 6: Performance-Based Fees and Side-By-Side Management .....	5
Item 7: Types of Clients .....	5
Item 8: Methods of Analysis, Investment Strategies and Risk of Loss .....	5
A. Methods of Analysis and Investment Strategies .....	5
B. & C. Risk of Loss .....	6
Item 9: Disciplinary Information .....	12
A. Criminal or Civil Action .....	12
B. Administrative Proceedings before a Regulatory Agency .....	12
C. Proceedings before a Self-Regulatory Agency .....	12
Item 10: Other Financial Industry Activity and Affiliations .....	12
A. & B. Other Registrations .....	12
C. Affiliations .....	12
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	13
A. Code of Ethics .....	13
B., C. & D. Potential Conflicts of Interest .....	13
Item 12: Brokerage Practices .....	17
A. Selection of Broker-dealers .....	17
B. Aggregation of trades .....	17
Item 13: Review of Accounts .....	17
A. & B. Account Review .....	17
C. Client Reporting .....	18
Item 14: Client Referrals and Other Compensation .....	18
A. Other Compensation .....	18
B. Compensation for Client Referrals .....	18
Item 15: Custody .....	18
Item 16: Investment Discretion .....	18
Item 17: Voting Client Securities .....	18
Item 18: Financial Information .....	19
A. Balance Sheet .....	19
B. Financial Conditions .....	19
C. Bankruptcy .....	19

## Item 4: Advisory Business

### A. Advisory Firm

Macquarie Private Debt Asset Management, LLC (**Registrant** or **Manager**), the registered investment adviser, is a Delaware limited liability company. It was formed on July 13, 2016.

The Registrant is ultimately owned by Macquarie Group Limited (**MGL**) (Australian Securities Exchange listed entity, stock code ASX:MQG), the ultimate parent of the Macquarie Group, an international financial services company, via the following holding structure:



The Registrant is an entity within the Macquarie Infrastructure Debt Investment Solutions business (**MIDIS**) of Macquarie Specialised Investment Solutions, one of three divisions within Macquarie Asset Management, an operating group of the Macquarie Group of companies (**Macquarie**).

The MIDIS business was established in 2012 to leverage the infrastructure expertise within Macquarie into a global infrastructure debt investment management business. MIDIS conducts its infrastructure debt investment activities through three investment adviser divisions:

- Macquarie Bank International Limited (incorporated and registered in England and Wales (Company No. 06309906)) (**MBIL**);
- Macquarie Financial Products Management Limited (incorporated and registered in Australia (ACN 095 135 694)) (**MFPML**); and
- the Registrant.

The Registrant has entered into a dual-hatting arrangement with each of MBIL and MFPML. Pursuant to this arrangement, certain personnel of MBIL and MFPML in the UK and Australia, respectively, provide investment advisory and related services to the Registrant's clients. These persons are deemed the Registrant's "associated persons" and "access persons" as defined under the U.S. Investment Advisers Act of 1940. In this capacity, they are subject to the control and supervision of the Registrant and to the Registrant's compliance policies and procedures, including the Registrant's Code of Ethics, in connection with any such services provided to the Registrant's clients. All investment advice provided to the Registrant's clients by the dual-hatted personnel is provided through and under the supervision and control of the Registrant.

## B. Advisory Services Provided

The MIDIS business provides asset management and advisory services to institutional clients investing in infrastructure debt investments, such as debt securities and loans.

As noted above, the Registrant is part of the MIDIS business. The Registrant will provide infrastructure debt investment management and advisory services with respect to MIDIS clients domiciled in the United States and investments located in the United States. These clients are anticipated to be large institutional investors such as pension funds and insurers located across a number of different jurisdictions such as the U.S., UK, continental Europe and Japan.

MIDIS provides investment management and advisory services or recommendations to clients by way of separately managed accounts and pooled investment vehicles or funds. Initially the Registrant will focus on advisory services to separately managed accounts and may advise pooled investment vehicles or funds in the future.

The Registrant may also provide its services to its affiliates in the UK and/or Australia, in relation to infrastructure debt investment opportunities in the U.S.

## C. Tailored Advisory Services and Restrictions

For separately managed accounts, the Registrant will provide services tailored to the specific needs of its clients in accordance with the investment objectives and guidelines and the applicable restrictions set forth in the relevant legal documentation.

For a pooled investment vehicle or fund, the Registrant will generally not tailor its services to individual investors in the fund, but will provide services consistent with the fund's offering and constituent documentation.

## D. Wrap Fee Programs

The Registrant does not participate in wrap fee programs.

## E. Assets under Management

As of the date of this Brochure, the Registrant has \$200,000,000 assets under management. As of that date, the Registrant managed \$200,000,000 on a discretionary basis and \$0 on a non-discretionary basis.

# Item 5: Fees and Compensation

The Registrant does not have a standardized fee schedule. For each separately managed account, the Registrant will negotiate with the client to establish a fee schedule in the client's written agreement with the Registrant. Typically, the Registrant will charge its fees quarterly in arrears by way of a management fee, which will be a percentage applied to assets under management, but the specific fee schedule will be negotiated on a case-by-case basis with the client and may include other types of fees in addition to or instead of the ongoing fee described above. Fees payable on any pooled investment vehicle or fund will be set forth in the offering documentation.

Fees charged will generally not be payable in advance.

Neither the Registrant nor any of its supervised persons will receive any compensation (apart from the fee schedule set forth in the written agreement for each advisory client) for the sale of securities or other investment products.

Clients will also be responsible for the costs described below. However, it is noted that on primary market transactions these costs may be met directly by the borrower or indirectly through the payment of fees to lenders:

- Third-party costs and expenses reasonably incurred by the Registrant in relation to any restructure, amendment, consent, waiver, breach, potential breach and any enforcement action required under or in relation to any debt investment agreement or any agreement between the lenders of record in relation to a debt investment; and
- reasonable costs and expenses of any third-party consultant, auditor or lawyer in providing any sign-off, opinion, review or report properly incurred by the Registrant or its affiliates in connection with the due diligence, investment and management of the portfolio.

Clients will also be responsible for such other expenses set forth in the offering and / or definitive documentation for an account or a fund. The benefit of any discounts provided by service providers to MIDIS may, but will not be required to, be passed onto its clients. Accordingly, MIDIS may receive more favorable rates from its service providers than the rates applicable to work done by such providers on behalf of clients.

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

Neither the Registrant nor any supervised person currently accepts performance-based fees.

## Item 7: Types of Clients

The Registrant will generally provide investment advice to financial institutions, pension plans, trusts, foundations, family offices, corporations, pooled investment vehicles, and other institutional investors, as well as to its affiliates.

The Registrant has various minimum mandate sizes, depending on the strategy, although it may waive the minimum size requirement at its discretion.

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

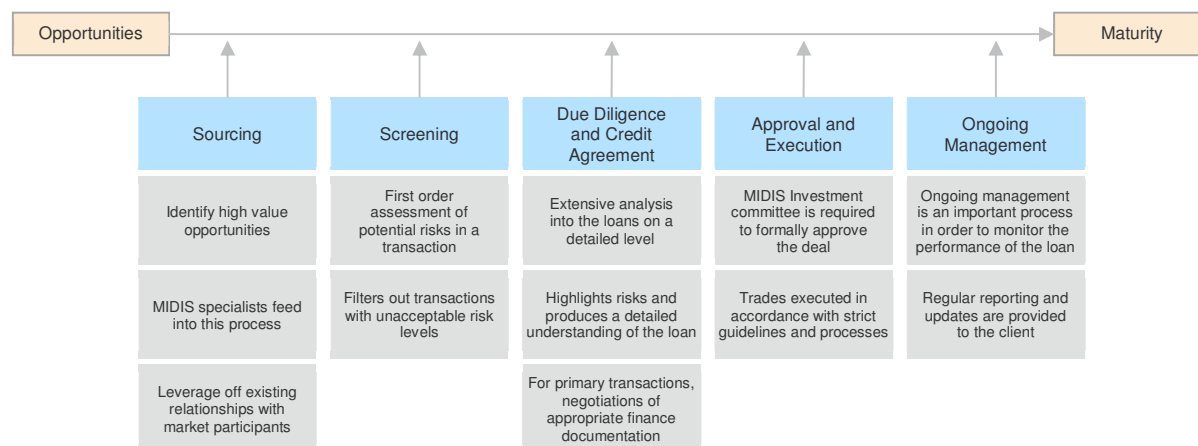
### A. Methods of Analysis and Investment Strategies

The Registrant will use the MIDIS method of analysis and investment strategy. The MIDIS investment management process typically includes:

- initial sourcing of opportunities;
- screening and due diligence through to approval;
- execution of the transaction; and
- ongoing management.

Throughout each stage of the investment management process, risk assessment is a key focus for every investment the Registrant makes on behalf its clients.

## MIDIS Investment Management Process



The Sourcing stage utilizes MIDIS' deep origination channels and existing relationships in the market to identify high value opportunities.

These opportunities are taken through the Screening stage where a first order assessment of the potential risks is conducted to filter out transactions with unacceptable risks.

An extensive analysis is conducted on transactions that pass the Screening stage. The Due Diligence stage seeks to highlight risks and develop a deep understanding of the transaction. During this process, MIDIS will engage with the borrower and external expert due diligence advisers directly to ensure that all relevant aspects of the transaction are sufficiently reviewed.

A committee of experienced MIDIS members with a cross-functional mix of expertise, known as the MIDIS Investment Committee, will review the transaction. The MIDIS Investment Committee provides a formal recommendation to the Registrant. The Registrant must make a formal determination and provide an investment approval before the transaction is executed. For primary transactions, the Registrant will typically take an active role in the negotiation and finalization of loan terms and conditions as reflected in any definitive documentation, including engaging with external legal counsel. For secondary transactions, the MIDIS Investment Committee provides a formal recommendation to the Registrant so the Registrant can determine whether the existing transaction terms and conditions as governed by the transaction documentation are appropriate and adequate.

The Ongoing Management of the investment is an important process to provide performance monitoring and reporting. The Registrant provides regular reporting and updates to its clients.

## B. & C. Risk of Loss

All investments include various risks that may adversely affect return (if any), including a risk of loss of principal (invested amount). Economies, industries and individual businesses fluctuate substantially over time and this prohibits the Registrant from making any assurances as to the performance of any investment. As a result, there is a risk of loss of principal.

The Registrant aims to identify and manage appropriate investments based on investment objectives communicated by a client. However, the Registrant cannot and does not guarantee any level of performance or that any investment will not experience a loss. Among other things, assets with the highest long-term returns may also carry the highest level of short-term risk, particularly if an investment is not held for the full investment term. Returns are not guaranteed; future returns may differ from past returns, and the level of returns may vary. The value of an investment may vary materially, and there may be the risk of loss of principal.

As well as the risks of a particular investment, clients should also consider how the investment fits into their overall portfolio. Clients should also consider whether the investment amount of any investment is appropriate given the overall size of their investment portfolio. Diversification of investment portfolios can be used as part of an overall portfolio risk management to limit exposure to loss or underperformance of any one investment, manager or asset class.



While the risks and mitigants will depend on transaction specific factors, the information below sets out a number of the most common infrastructure debt risks. The following are some, but not all, of the considerations regarding risk factors that should be carefully evaluated in relation to an investment in infrastructure debt.

As used herein, the term “lender” generally refers to the separately managed account or pooled investment vehicle making the investment, and the term “borrower” generally refers to the project that is being invested in.

#### **Limited control over borrower’s assets / business**

The ability of a lender to control the assets or business activities of a borrower is considerably less than the control that can be exercised by an equity investor.

#### **Illiquid and long-term investment**

Investments in infrastructure debt are generally less liquid and involve a longer holding period than some other investments that may consider themselves as being illiquid and long-term. Investments in infrastructure debt are done on a buy and hold basis and can be difficult or impossible to sell into a secondary market.

#### **Lender coordination risk**

When lending jointly or as part of a consortium, a minority lender may not be in a position to control the enforcement and other actions to be taken under a loan. In particular, infrastructure projects and certain utility financing platforms are subject to complex inter-creditor arrangements which may mean that amendments, waivers, consents and the ability to take or direct enforcement action, including the acceleration of debt, are outside of the control of a single creditor. As projects and utility financings may have very diverse creditors (including but not limited to public bondholders, banks, financial institutions, hedging providers, monoline insurers (whether active or non-active), supra-national lenders and insurance companies), and, as such, creditors may have different payment rankings, the interests of creditors operating such inter-creditor arrangements may not necessarily be aligned.

#### **General economic and market conditions**

General economic and market conditions, such as interest rates, availability of lending opportunities, inflation rates, economic uncertainty, changes in laws and political circumstances, unexpected volatility or illiquidity could impair the ability to buy or sell loans or the value at which loans can be acquired or sold.

#### **Enforcement risk**

If a lender is required to take enforcement action and sell the underlying asset/business of a borrower it may recover less under such a forced sale than might otherwise be achieved and the proceeds might not be sufficient to cover all the amounts owing by the borrower. In some jurisdictions or for certain sub sectors, special insolvency regimes may apply which may prevent the enforcement of security and commencement of insolvency proceedings.

#### **Prepayment risk**

There is a risk that a debt investment is pre-paid in advance of its maturity date. This may be partially mitigated in circumstances where contractual protections such as break fees that may be payable by the borrower exist. When present, these mitigants seek to ensure that, when invested, at the relevant cash rate, the investor is wholly or partially compensated for the prepayment having occurred. Such protections may not be present in a debt investment, in which case, investors may be exposed to prepayment risk.

#### **Interest rate risk**

In addition to infrastructure projects being exposed to adverse interest rate movements on their debt, the regulatory regimes governing regulated infrastructure assets often use prevailing market interest

rates in determining the allowed revenue that can be generated from these assets. As a result revenue may fluctuate with interest rate movements. Movements in interest rates may also affect the appropriate discount rate to be used to value the debt investments, resulting in fluctuations in the valuation.

**Credit Risk**

The assessment of a borrower's ability to repay a loan is based on a number of assumptions. There is a risk that the assumptions may prove to be incorrect. The longer the term of the debt, the less certain it is that the assumptions will prove to be correct.

**Project Risks**

The Registrant aims to provide its management and advisory services to clients who have the intention to hold, and to earn income from, a diversified portfolio of investments in the debt of infrastructure companies. These investments will necessarily be subject to the risks incidental to the borrowers' ownership and operation of infrastructure projects, including risks associated with the general economic climate, policy and government regulations.

The long lead-time between the inception of a borrower's project and its completion, means that a well-conceived project may, as a result of changes in investor sentiment, the financial markets, economic or other conditions prior to its completion, become an economically unattractive proposition to which to provide debt finance.

In addition, the successful completion of a profitable project is reliant on the performance by counterparties to the borrower of their obligations. These counterparties include building and other contractors whose services are essential in order to ensure the delivery of the infrastructure asset on time and budget. To the extent these counterparties do not perform their obligations, or costs escalate in connection with the performance of those obligations, the economic viability of the project may be adversely affected.

**Construction Risk**

Clients may permit investment into the construction of infrastructure projects that may not produce income until such construction is completed and the project is operational. The debt investments may also be subject to the risks normally associated with such construction activities. Such risks include:

- the cost and timely completion of construction (including risks beyond the control of the borrower such as weather, labor conditions, material shortages and cost overruns); and
- an increased risk of litigation with contractors, subcontractors, suppliers, guarantors, partners and others.

These risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent completion of construction activities once undertaken, any of which could have an adverse effect on the borrower and consequently the client's portfolio. For a concession-based infrastructure project, this could result in termination (and thus loss) of the concession. If cost overruns arising from project construction are significant, this could reduce the availability of capital for the completion of the project and for the borrower to satisfy its debt repayment obligations. Projects under construction may receive little or no cash flow until the date of completion of construction and may still experience operating deficits well after the date of completion.

Some mitigants may be available to limit clients' exposure to construction risk, including in projects where some or all of such risks are transferred to the relevant construction contractors under the terms of the construction contract, including a requirement for payment of liquidated damages by the construction contractor.

There may, however, be a limit to the liquidated damages available to the borrower from the construction contractor, for example where the borrower, or the borrower and the construction contractor jointly, have contributed to a delay or a budget over-run, the liquidated damages provision of the construction contract may not be enforceable or may only be enforceable from a later completion date. The borrower may also not be able to recover liquidated damages in the event of the construction contractor's financial failure. In these circumstances, the borrower may not be able to recoup all damages/losses incurred as a result of a time delay or budget over-run. Clients' exposure to such inability (or reduced ability) to

recover damages or losses may be mitigated by requiring the contractor to provide credit enhancement, by way of parent company guarantees or other security.

Newly-developed projects may not have operating history and may require forecasts and projections of operating results. This may subject the clients to the risk that such projects may not achieve their forecast operating results or may not achieve such results within the anticipated timeframe.

### **Operational and technical risks**

The infrastructure assets of a borrower may be subject to operating and technical risks, including the risk of mechanical breakdown, spare parts shortages, failure to perform according to design specifications, labor strikes, labor disputes, work stoppages and other work interruptions, weather and other unanticipated events which adversely affect operations. There is also a risk that, as a result of these events or as a result of inaccurate forecasting, there may be cost overruns in relation to scheduled maintenance expenses or unexpected additional expenses. While due diligence seeks to identify these risks and credit documentation seeks to limit them or attempt to pass many of these risks on to creditworthy and, if applicable, appropriately bonded and insured third parties where practical, there can be no assurance that any or all such risks can be mitigated or that such third parties, if present, will perform their obligations or that insurance will be available on commercially reasonable terms. An operating failure suffered by a borrower may lead to loss of a license, concession or contract, or a reduction of performance-based fees. The long-term profitability of infrastructure assets is accordingly dependent upon the efficient operation and maintenance of the assets. Inefficient operations and maintenance, or limitations in the skills, experience or resources of operating companies, may reduce returns to the borrowers and this may have a negative impact on the debt investments.

### **Demand and user risk**

While infrastructure lending typically seeks to involve borrowers with low demand, usage and throughput risk, these risks may exist and may affect the performance of debt investments. To the extent that initial assumptions regarding the demand, usage and throughput of a borrower's assets prove incorrect, returns could be adversely affected.

### **Toll rate risk**

Where a borrower operates toll roads, bridges, tunnels, rail, metro, subways or equivalent projects, they are exposed to the risk that users may react negatively to the applicable toll rates (or adjustments thereto), or public pressure may cause relevant government authorities to challenge the toll rates. Motorists may react adversely to toll rates, for example, by avoiding tolls or refusing to pay tolls, resulting in lower traffic volumes and reduced toll revenues. In addition, adverse public opinion, or lobbying efforts by specific interest groups, could result in governmental pressure on borrowers to reduce their toll rates or to forego planned rate increases. It cannot be guaranteed that government bodies with which borrowers have concession agreements will not try to exempt certain vehicle types or classes of users from tolls or negotiate lower toll rates. If public pressure or government action forces a borrower to restrict its toll rate increases or reduce its toll rates, and it is not able to secure adequate compensation to restore the economic balance of the relevant concession agreement, the borrowers' business, financial condition and results of operations could be materially and adversely affected.

### **Alternative infrastructure asset**

Once an infrastructure asset becomes operational, it may face competition from other infrastructure assets in the vicinity, the presence of which depends in part on government plans and policies. This could impact on such borrower's revenue and therefore its ability to meet its interest repayments.

### **Health and safety**

Health and safety is a key risk area in the operation and maintenance of many infrastructure assets. Costs associated with the failure to protect the health and safety of workers in, and users of, infrastructure assets could adversely impact the borrower which could, in turn, have a corresponding effect on the debt investment.

**Environmental risk**

Infrastructure projects are subject to numerous statutes, rules and regulations relating to environmental protection. There is the possibility of existing or future environmental contamination, including soil and groundwater contamination, as a result of the spillage of hazardous materials or other pollutants. Under various environmental statutes, rules and regulations, a current or previous owner or operator of real property may be liable for non-compliance with applicable environmental and health and safety requirements and for the costs of investigation, monitoring, removal or remediation of hazardous materials. These laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of hazardous materials. The presence of these hazardous materials on a property could also result in personal injury, property damage or similar claims by private parties.

Persons who arrange for the disposal or treatment of hazardous materials may also be liable for the costs of removal or remediation of those materials at the disposal or treatment facility, whether or not that facility is or ever was owned or operated by that person. Any liability of a borrower resulting from non-compliance or other claims relating to environmental matters could have a material adverse effect on the value of the debt investment.

**Unforeseen events risk - projects**

The use of the infrastructure assets may be interrupted or otherwise affected by a variety of events outside the borrower's control, including serious traffic accidents, natural disasters (such as fire, floods, storms, earthquakes, etc. ), man-made disasters (including terrorism), defective design and construction, slope failure, bridge and tunnel collapse, road subsidence, fuel prices, environmental legislation or regulation, general economic conditions, labor disputes and other unforeseen circumstances and incidents. Certain of these events have affected toll roads, bridges, tunnels and other infrastructure assets in the past, and if the use of the infrastructure assets operated by a borrower is interrupted in whole or in part for any period as a result of any such events, the revenues of such borrower could be reduced and the costs of maintenance or restoration as well as the overall public confidence in such infrastructure asset could be reduced. There can be no assurance that such borrower's insurance would cover liabilities resulting from claims relating to the design, construction, maintenance or operation of the toll roads, bridges, tunnels or other infrastructure assets, lost toll revenues or increased expenses resulting from such damage. In some cases, project agreements could be terminated if the events described above were so catastrophic that they could not be remedied within a reasonable period or at all. This could, in turn, have a corresponding effect on the debt investment.

**Project regulatory risk**

Many infrastructure projects are subject to substantial regulation by governmental agencies. In addition, their operations may often rely on governmental licenses, concessions, leases or contracts. If any borrower fails to comply with the regulations or contractual obligations to which it is subject, it could be subject to monetary penalties or it may lose its right to operate the underlying infrastructure assets, or both. Where such borrower's ability to operate an infrastructure asset is subject to a concession or lease from the government, the concession or lease may restrict its ability to operate the asset in a way that maximizes cash flows and profitability. The lease or concession may also contain clauses more favorable to the government counterparty than a typical commercial contract. For instance, the lease or concession may enable the government to terminate the lease or concession in certain circumstances (such as default by the Borrower) without requiring it to pay adequate compensation. In addition, government counterparties also may have the discretion to change or increase regulation of the operations of the borrower's assets or to implement laws, regulations or policies affecting their operations, separate from any contractual rights that the government counterparties may have. Accordingly, governments have considerable discretion in implementing regulations and policies that could impact the infrastructure assets, their operation and, ultimately, the underlying debt investment.

**Leverage risk**

Infrastructure projects are generally highly leveraged. This increases the exposure of such projects to adverse economic factors such as rising interest rates and downturns in the economy and may impair such project's ability to finance future operations and capital needs and result in restrictive financial and operating covenants. These restrictive financial covenants may limit such a borrower's flexibility to

respond to changing business and economic conditions. This may result in a borrower being unable to generate sufficient cash flow to meet principal and/or interest payments on the debt investment.

### **Legal dispute risks**

Infrastructure projects are usually governed by a complex series of legal documents and contracts. As a result, the risk of a dispute over the interpretation and enforceability of legal documents or contracts may be higher than for other borrowers. In addition, infrastructure projects often involve a significant impact on local communities and the surrounding environment. It is not uncommon for infrastructure assets to be exposed to a variety of legal claims including, but not limited to, environmental claims, legal action arising out of acquisitions or dispositions, workers' compensation claims, third-party losses related to disruption of the provision of infrastructure services by an infrastructure provider and legal action from special interest groups seeking to impede particular infrastructure projects to which they are opposed. If a borrower becomes involved in material or protracted litigation, the litigation expenses and the liability threatened or imposed could have a material adverse effect on the borrower and accordingly on the debt investments.

### **Political and public risks of privatization**

Privatization of public infrastructure assets and development of infrastructure assets traditionally owned by the public sector are subject to a variety of political and public opinion pressures that could adversely affect a client's exposure to a particular infrastructure project. The success of infrastructure projects is highly dependent on the political environment and the willingness of state and local governments to support and encourage initiatives such as Private Public Partnerships through enabling legislation. There can be no guarantee that borrowers will enjoy political support of privatization efforts in the future. For instance, there is a risk that negative public opinion generated by the privatization of infrastructure assets may put pressure on the government to restrict these transactions. In certain cases, development of infrastructure projects may require the exercise of politically sensitive governmental action, such as eminent domain (compulsory purchase), in order to acquire privately owned land, or rights to use such land through easements, which can cause long delays or even an inability to complete projects due to legal challenges or negative public publicity.

### **Risks associated with different parts of a borrower's debt capital structure**

The risks associated with an investment in a lower level of a borrower's debt capital structure, *i.e.*, junior ranked debt, will typically be greater than those risks associated with an investment higher up the same borrower's debt capital structure. Examples of such additional risks include a payment deferral in the event that the borrower does not have sufficient funds to make a repayment on a payment date.

### **Reliance on affiliates or individuals**

The loss of key MIDIS personnel could have an adverse impact on the Registrant's ability to realize an objective of a client. There can be no assurance that any employees of the Registrant and its affiliates or members of the MIDIS Investment Committee (or other expert committees) will continue to be affiliated with the Registrant or provide services to MIDIS throughout its term.

Clients will be relying entirely on the Registrant and through the dual-hatting arrangements, its affiliates to conduct and manage their portfolio. Clients must also rely on the ability of the Registrant and, through the dual-hatting arrangements, its affiliates to make appropriate infrastructure debt investments for their portfolio and to monitor performance of such debt investments. Clients will not have the opportunity to evaluate the relevant economic, financial and other information that will be utilized by the MIDIS team in deciding whether or not to recommend a particular infrastructure debt investment.

In addition to relying on the Registrant and its affiliates, clients may make investments through investment vehicles that are established by MIDIS. These vehicles may be wholly or partly owned or managed by Macquarie or may be owned by third parties including charitable trusts, service providers or individuals related to such service providers. To the extent any service providers or officers, employees or agents of such service providers commit acts of fraud or dishonesty, the ability to achieve an investment objective for the client may be adversely affected. In these circumstances, MIDIS will conduct due diligence on the service providers who are involved in the establishment of the MIDIS

investment vehicle and will continue to monitor the performance and actions of such service providers to mitigate the chances of any such instances occurring.

**Risk of pro-rata allocation between MIDIS clients**

Where any infrastructure debt is suitable for investment by other MIDIS clients, the investment may be allocated between all clients who have a similar investment mandate, in accordance with the MIDIS investment allocation principles. As a result of such allocations a client's infrastructure debt investment may be lower than the amount permitted to be invested in such a debt investment under the client agreement.

Please see "Aggregation of trades" in Item 12 for a description of MIDIS' trade allocation policy.

## Item 9: Disciplinary Information

### A. Criminal or Civil Action

There is no such action with respect to the Registrant or any of its management persons.

### B. Administrative Proceedings before a Regulatory Agency

There is no such action with respect to the Registrant or any of its management persons.

### C. Proceedings before a Self-Regulatory Agency

There are no such proceedings with respect to the Registrant or any of its management persons.

## Item 10: Other Financial Industry Activity and Affiliations

### A. & B. Other Registrations

Neither the Registrant nor any of its management persons are registered, or have an application pending to register, as a broker-dealer, a futures commission merchant, a commodity pool operator, a commodity trading advisor, or a registered representative or associated person of the foregoing entities.

### C. Affiliations

**Broker-dealers**

Macquarie Capital (USA) Inc., ("MCUSA") and Delaware Distributors LP ("DDLDP") are affiliated broker-dealers and FINRA members. In the regular course of business, MCUSA and DDLDP may assist the Registrant in advising on sourcing private transactions in the U.S. as well as distribute private fund interests on behalf of the registrant.

**Other investment advisers**

The Registrant's Chief Compliance Officer is also the Chief Compliance Officer and a supervised person of Macquarie Capital Investment Management, LLC (**MCIM**), a U.S. based investment adviser registered with the SEC. The Registrant's Chief Compliance Officer is also a supervised person of Macquarie Infrastructure and Real Assets, Inc., MIRA Americas, Inc., and Macquarie Infrastructure Partners Inc., each a U.S. based investment adviser registered with the SEC.



MFPML currently provides investment advisory services for several MIDIS clients. It is a wholly owned subsidiary of Macquarie Group Limited. It holds an Australian Financial Services License and is regulated by the Australian Securities and Investments Commission (ASIC).

MBIL currently provides investment advisory services for several MIDIS clients. It is a wholly owned subsidiary of Macquarie Group Limited and is authorized by the Prudential Regulation Authority (PRA), as well as regulated by the Financial Conduct Authority (FCA) and PRA.

As described above in Item 4, certain personnel of MFPML and MBIL provide investment advisory and related services to the Registrant's clients through a dual-hatting arrangement. These persons are "associated persons" and "access persons" of the Registrant and are subject to the control and supervision of the Registrant and to the Registrant's compliance policies and procedures in connection with any such services provided to the Registrant's clients. All investment advice provided to the Registrant's clients by the dual-hatted personnel is provided through and under the supervision and control of the Registrant.

### Banking or thrift institution

The Registrant is an indirectly wholly-owned subsidiary of Macquarie Bank Limited (**MBL**), an Australian banking institution. MBL is wholly owned by Macquarie Group Limited (**MGL**), an Australian financial institution, and the Registrant's ultimate parent company.

The Macquarie Group or other Macquarie affiliate may sell securities or other financial instruments to or buy them from a Client or act as a counterparty to a Client in certain financing transactions

Refer to Items 11B., C. & D: Potential Conflicts of Interest, for a description of material conflicts potentially created by these relationships and how such conflicts are addressed by the Registrant.

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

### A. Code of Ethics

All officers, directors and employees of the Registrant, as well as those persons providing services to the Registrant through the dual-hatting arrangement, are subject to the provisions contained in the Registrant's Code of Ethics (**Code**). The Code outlines the Registrant's policies and procedures regarding standards of conduct, personal investment transactions, and handling of material, non-public information.

The Code contains several restrictions and procedures designed to eliminate conflicts of interest surrounding personal investment transactions including: (i) filing of initial and annual holdings reports; (ii) a prohibition against personally acquiring securities in an initial public offering or private placement without prior approval; (iii) a prohibition against supervised persons purchasing or selling a security of any borrowers; and (iv) a prohibition against supervised persons profiting from the purchase and sale, or sale and purchase, of the same (or equivalent) securities within 30 days.

If an employee possesses non-public price-sensitive information about or affecting a financial product, or the issuer of any financial product, that employee is prohibited from buying or selling such financial product, or advising or procuring any other person to buy or sell such financial product.

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

### B., C. & D. Potential Conflicts of Interest

Macquarie has a significant presence across a broad range of disciplines in the global infrastructure market. In addition to its position as a leading infrastructure investor and fund manager with an extensive infrastructure advisory team worldwide, Macquarie's infrastructure activities include

infrastructure equity management, infrastructure private placements, infrastructure debt investment and trading in secondary market infrastructure loans.

MIDIS benefits indirectly from the institutional understanding of the global infrastructure market within Macquarie. Subject to appropriate wall crossing procedures, it may also engage from time to time with Macquarie's infrastructure advisory business.

While the activities of Macquarie in the infrastructure market and MIDIS' engagement with the other areas of Macquarie have the potential to give rise to certain conflicts of interest (outlined below), MIDIS has put in place comprehensive internal conflict of interest protocols generally designed to manage these potential conflicts which complement Macquarie's corporate conflict management policies.

### **Conflicts of Interest Policy**

The key principles of the protocols and policies applied by the Registrant in relation to potential conflicts include:

- Macquarie or Macquarie clients do not have priority over MIDIS managed accounts;
- MIDIS will not, without prior consent from its clients:
  - purchase an infrastructure debt investment from a member of the Macquarie Group;
  - sell an infrastructure debt investment to a member of the Macquarie Group;
  - purchase or sell an infrastructure debt investment to or from one MIDIS client to another; or
  - invest into a Related Party Conflict Debt Investment,
- a "Related Party Conflict Debt Investment" is any Debt Investment that involves any or all of the following:
  - a debt investment transaction in which a member of the Macquarie Group provides services and earns fees (other than MIDIS earning fees from MIDIS clients also investing in the same debt investment transaction);
  - a member of the Macquarie Group also invests into the debt investment transaction (not including allocations of infrastructure debt investments among MIDIS clients); or
  - a debt investment transaction involving lending to a Macquarie affiliated borrower;
- the responsibility for implementing a process to identify investments which are Related Party Conflict Debt Investments will, in the first instance, reside with the MIDIS Investment Team. The process will include checking for conflicts through the Macquarie central control room;
- any related party transactions, including those which have received prior approval from clients, will be on arm's length terms; and
- ethical walls will be maintained between the MIDIS and Macquarie's infrastructure and advisory businesses to restrict the information being provided to the MIDIS business in relation to a Macquarie advised Borrower which is communicated to the broader lender group.

Provided these protocols and policies are strictly adhered to, cooperation between MIDIS and other infrastructure businesses within Macquarie provides a considerable competitive advantage to MIDIS through its access to deal flow, infrastructure credit due diligence process and institutional quality funds management operations.

### **Potential Conflicts of Interest**

The following are a list of potential conflicts of interest for the Registrant and the MIDIS business.

#### **Conflicts generally**

There may be occasions when the Registrant and its affiliates encounter conflicts of interest in connection with its investment activities. For example, the Registrant and its employees will continue to devote such time and attention to their existing business activities as is required to discharge their duties relating to such activities. Also, as a result of existing investments and activities, the Registrant and its



employees may from time to time acquire confidential information that they will not be able to use for the benefit of clients.

### **Macquarie fees**

Macquarie or its affiliates may receive fees from investments, borrowers, and other parties involved in transactions entered into on behalf of clients. These are Related Party Conflict Debt Investments that are subject to the “Conflicts of Interest Policy” including client consent as previously described. Such fees could be paid for providing services in connection with (among other things):

- restructuring impaired assets;
- the acquisition, disposal or sale of borrower assets;
- hedging arrangements;
- debt financings;
- credit facilities;
- debt arranging and structuring services;
- providing guarantees, providing credit enhancement or otherwise assuming financial and credit risk;
- underwriting a debt Investment; or
- other banking, financial advisory or similar services

Conflicts of interest may arise in circumstances where the MIDIS clients transact with a party who has engaged Macquarie or its affiliates to provide such services. MIDIS will seek to manage these potential conflicts of interest in accordance with the conflicts of interest policy.

### **Investment Banking / Financial Advisory activities**

In the regular course of business, Macquarie may be engaged to act, or may seek to act, as a financial adviser to third parties in connection with raising or arranging debt financing meeting clients investment strategy and investment restrictions. If Macquarie is so engaged, MIDIS clients may be precluded from investigating, investing in or acquiring the debt financing being arranged. If MIDIS clients consent to act as an investor notwithstanding borrower’s retention of Macquarie or its affiliates, certain conflicts of interest would be inherent in the situation, including those involved in negotiating terms and conditions, including spreads. Such circumstances may create conflicts of interest for both Macquarie and its affiliates and for MIDIS clients.

Also in the regular course of business, Macquarie may be engaged to act, or may seek to act, as a financial advisor to third parties in connection with the acquisition of a potential borrower or bidding for an asset or project. Other Macquarie funds whether advised by MIDIS or otherwise may also be seeking to acquire, invest in or bid for a potential borrower, asset or project. If the Macquarie client is seeking to provide financing to a competing bidder in connection with the same transaction, certain conflicts of interest may arise.

Macquarie employees (including employees within the MIDIS business and Macquarie’s infrastructure and advisory businesses) are required to comply with internal Macquarie policies which seek to manage conflicts. These policies include procedures intended to manage internally and externally imposed confidentiality requirements, restrict the dissemination of price sensitive information and restrict the sharing of information which would lead to conflicts. The operation of such policies could lead to circumstances where employees of Macquarie’s infrastructure and advisory businesses may be conflicted to the extent they possess information which cannot be disclosed to the MIDIS business in accordance with such requirements.

### **Participation in Macquarie-originated investment opportunities**

For investment opportunities originated by Macquarie or its affiliates (excluding MIDIS), Macquarie may, but shall not be required to, invite MIDIS clients, other Macquarie funds and third parties to participate

in such investment opportunities at its sole discretion, taking into account investment return requirements, geographic scope, investment strategies, investment size and other factors that it may deem relevant. Neither Macquarie nor any Macquarie fund is under any obligation to offer or share any such investment opportunity with MIDIS clients, other than to the extent that they agree to do so from time to time. The allocation of investment opportunities may therefore give rise to conflicts of interest in certain circumstances.

For a discussion of MIDIS' trade allocation policies, please see "Aggregation of trades" in Item 12 below.

### **Investments by the Manager, Macquarie, Macquarie Funds and Macquarie advised clients**

Under certain circumstances, MIDIS clients may be offered an opportunity to make an investment in debt in which Macquarie, a Macquarie affiliate, a Macquarie advised client or a Macquarie fund is expected to invest or seeks to participate, or in the debt of a company in which Macquarie, a Macquarie affiliate, a Macquarie advised client or a Macquarie fund already has made, or concurrently will make or seek to make, a debt or equity investment. In connection with such debt investments, there may be conflicting interests and investment objectives, including with respect to the operation of the investment, the targeted returns from the investment and the timeframe for and method of exiting the investment.

In addition, MIDIS clients may be precluded from investing in the debt of certain borrowers in which Macquarie or a Macquarie fund have an equity or subordinated debt interest as a result of shareholder arrangements or undertakings given to the investors in other Macquarie funds. If the MIDIS client were permitted to invest in the debt of a borrower in which Macquarie or another Macquarie fund has an equity investment, the MIDIS client may be subject to limitations on its ability to have the same rights, including voting rights, as other lenders to the borrower or on its ability to exercise any rights it may have as a lender. That may include limitations on its rights to take enforcement action.

Even if a MIDIS client has the same rights as other pari passu lenders, conflicts will also arise in cases where the MIDIS client makes a debt investment in a borrower in which Macquarie, a Macquarie affiliate, a client of Macquarie or a Macquarie fund has an equity or mezzanine loan investment.

### **Principal and Affiliate Transactions**

Principal transaction are trades in which a Client buys securities (or debt investments that are structured as securities) for its own account from, or sells securities for its own account to, MPDAM or any affiliate of MPDAM, acting for its own account. Principal trades may only be undertaken if consent is obtained from the Client or a Fund's Committee of Investors for each specific transaction prior to execution. These principles may also be relevant if MIDIS provides bridging or balance sheet transactions.

### **Management of clients**

Members of the MIDIS business will devote such time to the clients account as the Registrant, in its sole discretion, deems necessary to carry out the operations of the account effectively. Some members of the MIDIS business may spend a significant portion of their time on matters relating to the businesses of other parts of MIDIS or MSIS generally. As a result of the foregoing, conflicts of interests will arise in allocating the time of the members of the MIDIS business between client accounts and the other matters in which such persons are involved.

### **Service Providers**

Certain service providers (including attorneys, consultants and investment banking firms) may also provide goods or services to or have other relationships with Macquarie. These other services and relationships may influence the Registrant in deciding whether to select such a provider to perform services for clients and their Investments. As noted above in Item 5, the Registrant may, but is under no obligation to, pass on any service provider discounts it receives to its clients.

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

As a result of the advisory, consulting and other activities of Macquarie, as well as investments made by Macquarie and its affiliates for their own account, Macquarie may acquire confidential or material non-public information and therefore be restricted from initiating transactions in certain securities that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have

sold. Disclosure of such information to clients will be on a need-to-know basis only, and a client may not be free to act upon any such information. Therefore, clients may not be provided access to material non-public information in the possession of Macquarie which might be relevant to an investment decision to be made by a client, and a client may initiate a transaction or sell an investment which, if such information had been known to it, may not have been undertaken. In the event any material, non-public information is disclosed to a person responsible for the affairs of the client's portfolio, the client may be prohibited by applicable securities laws and Macquarie's internal policies from acting upon any such information. In addition, since the Registrant maintains a "Chinese Wall" between the MIDIS business and the trading activities of Macquarie, its affiliates outside of MIDIS and their customers, the MIDIS client may not be given access to material non-public information in the possession of Macquarie which may be relevant to an investment decision to be made by the client.

### **Resolution of conflicts**

Any conflicts of interest that arise between MIDIS clients, on the one hand, and Macquarie, its affiliates, any existing or future Macquarie fund or any Macquarie advised clients, on the other hand, will be discussed and resolved on a case-by-case basis by the relevant parties and in accordance with the MIDIS conflicts management procedures. Any such discussions will take into consideration the interests of the relevant parties and the circumstances giving rise to the conflict.

## **Item 12: Brokerage Practices**

### **A. Selection of Broker-dealers**

Due to the nature of debt investments, the Registrant does not expect to use broker-dealers for client transactions.

### **B. Aggregation of trades**

The allocation of investment opportunities is conducted by taking into consideration all MIDIS clients, including those of MBIL, MFPML and the Registrant, for which the opportunity may be appropriate. In general, MIDIS has structured its trade allocation policies on the basis of pro rata allocation per client account based upon order size as determined by the MIDIS Investment Committee at the time of order entry. MIDIS believe that in most instances a pro rata allocation will assure fairness across participating client accounts over time. However, it is recognized that no rigid formula will always lead to a fair and reasonable result over time, and that a degree of flexibility to adjust to specific circumstances is necessary. Therefore, under certain circumstances, such as share or amount lot rounding, trade allocation on a basis other than strictly pro rata based on order size is permitted if it is believed that such allocation is fair and reasonable over time and in accordance with the policy (in such instance, the rationale for the allocation will be documented in writing by the Investment Team and the Chief Compliance Officer will be promptly notified). All records required to be created pursuant to this policy, including the original orders, written statements explaining any deviations from the policy and client account records are created and maintained in accordance with the record-keeping requirements outlined in the Registrant's Compliance Manual.

## **Item 13: Review of Accounts**

### **A. & B. Account Review**

The Registrant will regularly monitor and maintain the portfolio of investments through to maturity.

The types of activities the MIDIS business will conduct through the Registrant with respect to its clients include:

- Dynamic monitoring the performance of each infrastructure debt investment. This includes the financial statements and any material changes of the borrower's credit quality.
- Producing annual summaries on each infrastructure debt investment.
- Preparing monthly valuation reports and portfolio reporting for clients.
- Where required respond to ad-hoc requests and reviews for clients and infrastructure debt investments.
- Working with and reporting to the MIDIS Investment Committee.
- Engaging with the Macquarie Risk Management Group Compliance and Internal Risk teams from time to time.

## C. Client Reporting

The Registrant will provide reporting to clients in accordance with the relevant client agreement. This may include regular review meetings and monthly portfolio reports.

## Item 14: Client Referrals and Other Compensation

### A. Other Compensation

The Registrant does not receive any economic benefit from anyone who is not a client in relation to the provision of investment advisory services to its clients.

### B. Compensation for Client Referrals

From time to time the Registrant and its affiliates may utilize both affiliated and non-affiliated, third party placement agents. Payment of a referral fee will not result in additional cost to the client.

## Item 15: Custody

The Registrant does not expect to have custody of the assets of any separately managed account client.

## Item 16: Investment Discretion

For separately managed client accounts, the Registrant may have the authority to determine, without obtaining specific client consent, the investments and the amount thereof to be bought or sold. Such authority is subject to any guidelines or limitations set forth in the agreement with the relevant client.

## Item 17: Voting Client Securities

MIDIS clients invest in infrastructure debt and therefore on occasion will carry voting rights either as security holder or as a lender. To the extent that a client agreement appoints the Registrant with the power to exercise the client's voting rights, when exercising these voting rights the Registrant will aim to vote in the best interest of the client. The Registrant has adopted procedures designed to identify conflicts or potential conflicts that could arise between its own interests and those of its clients. If it is determined that any such conflict or potential conflict is not material, the Registrant may vote notwithstanding the existence of the conflict. If it is determined, however, that a conflict of interest or

potential conflict of interest is material, one or more methods will be used to resolve the conflict, including (i) disclosing the conflict to the client and obtaining its consent before voting, (ii) engaging a third party to recommend a vote with respect to the proxy, or (iii) such other method as is deemed appropriate under the circumstances. Clients may obtain a copy of the Registrant's proxy voting policy and procedures, as well as applicable proxy voting records, upon request.

## Item 18: Financial Information

### A. Balance Sheet

Fees will be payable to the Registrant quarterly in arrears. The Registrant does not require or solicit the prepayment of fees earlier than this. As such, it is not required to provide a balance sheet for the most recent fiscal year.

### B. Financial Conditions

There are no financial conditions likely to impair in any material respect the Registrant's ability to meet its contractual obligations to its clients.

### C. Bankruptcy

The Registrant has never been the subject of a bankruptcy petition.