



PART 2A OF FORM ADV: FIRM BROCHURE

**FAIR OAKS CAPITAL US LP**

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United States

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April 2020

This firm brochure (the “Brochure”) provides information about the qualifications and business practices of Fair Oaks Capital Limited (“Fair Oaks UK”) and Fair Oaks Capital US LP (“Fair Oaks US” and, together with Fair Oaks UK, “Fair Oaks”, the “Firm” or “us”). If you have any questions about the contents of this Brochure please contact us at +44 (0) 20 3034 0400, or by email at: [legalcompliance@fairoakscap.com](mailto:legalcompliance@fairoakscap.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about each of Fair Oaks UK and Fair Oaks US is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

This Brochure does not constitute an offer to sell or the solicitation of an offer to purchase any securities of any entities described herein. With respect to Fair Oaks US, any such offer or solicitation may be made solely to qualified investors by means of a private placement memorandum.

## **Item 2 – Material Changes**

The Material Changes section of this brochure will be updated annually and will include only material changes since the last annual update of this brochure.

There have been no material changes since the last annual update of this brochure.

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## **Item 4 – Advisory Business**

### **Description**

Fair Oaks is an asset management firm focused on the corporate credit markets.

Fair Oaks UK is a limited liability company incorporated on 19 October 2012 under the laws of England and Wales with registered number 08260598. Fair Oaks UK's place of business is at 1 Albemarle Street, London W1S 4HA. Fair Oaks UK is registered with the Securities and Exchange Commission as an investment adviser under the Investment Advisers Act of 1940 and is also authorized and regulated by the United Kingdom Financial Conduct Authority (FCA FRN: 604090) as an investment adviser and discretionary portfolio manager.

Fair Oaks US is a limited partnership incorporated on 9 February 2016 under the laws of the State of Delaware. Fair Oaks US' place of business is at 152 West 57 Street, New York, NY 10019. Fair Oaks US is also registered with the Securities and Exchange Commission as an investment adviser under the Investment Advisers Act of 1940.

Fair Oaks UK and Fair Oaks US are commonly owned affiliates. The principal owners of Fair Oaks UK and Fair Oaks US are Miguel Ramos Fuentenebro, Roger Coyle and a third party minority investor, Kudu Investment Holdings, LLC whose parent, Kudu Investment Management LLC, is registered with the Securities and Exchange Commission as an investment adviser.

### **Advisory Services**

The Firm provides investment management or advisory services with respect to pooled investment vehicles and a separately managed account (each an "Account", "Fund" or "Client"), which invest in the debt and/or equity tranches of structured investment vehicles, called Collateralized Loan Obligations ("CLOs") and, in certain cases, may also invest in corporate bonds. The assets of a CLO are typically composed of highly diversified pools of below investment grade US or European floating-rate senior secured loans.

Fair Oaks Income Fund (GP) Limited (the "GP"), a commonly owned affiliate that is regulated by the Guernsey Financial Services Commission (the "GFSC"), acts as the general partner to (i) FOIF LP and FOMC II LP, each a Guernsey domiciled limited partnership structured as a self-managed alternative investment fund; and (ii) Cycad Investments LP, a Delaware limited partnership. The GP has appointed Fair Oaks UK to provide non-discretionary investment advice with respect to FOIF LP and FOMC II LP and has appointed Fair Oaks US to provide non-discretionary investment advice with respect to Cycad Investments LP.

Fair Oaks Income Limited (“FOIL” or the “Feeder Fund”) is a Guernsey domiciled closed-ended collective investment scheme regulated by the GFSC and listed on the Specialist Fund Segment of the London Stock Exchange’s Main Market. The Feeder Fund is structured as a self-managed alternative investment fund and currently has a class of shares that invests its assets in FOMC II LP. The Feeder Fund has appointed Fair Oaks UK to provide it with non-discretionary investment advice.

Fair Oaks UK acts as investment manager to the Fair Oaks Dynamic Credit Fund (“FODC”) and the Fair Oaks High Grade Credit Fund (“FOHGC”), each a UCITS sub-fund of Alpha UCITS SICAV, a Luxembourg Undertaking for Collective Investments (Société d'Investissement à capital variable).

Fair Oaks GP (UK) LLP, a commonly owned affiliate, acts as general partner to Credit Opportunities 2018-1 LP, a UK limited partnership structured as a fund of one. Fair Oaks GP (UK) LLP has appointed Fair Oaks UK to provide investment management services with respect to Credit Opportunities 2018-1 LP.

Fair Oaks UK acts as collateral manager to a European CLO issuer, Fair Oaks Loan Funding I DAC and also acts as collateral manager to the warehouse vehicle for Fair Oaks Loan Funding II DAC. FOMC II LP, as retention holder, holds the subordinated notes of Fair Oaks Loan Funding I DAC and has also invested in the warehouse vehicle for Fair Oaks Loan Funding II DAC with the intention in due course of acquiring over 50% of that CLO’s subordinated notes. References to Accounts or Clients in this Brochure shall include, where the context so requires, such CLO(s).

Finally, Fair Oaks UK also acts as the investment manager to a separately managed account and provides investment advisory services with respect to CLO investments made by a third party private fund.

Depending on a client’s particular investment mandate, Fair Oaks may in the future provide investment management or advisory services with respect to other types of securities.

Fair Oaks UK and Fair Oaks US each provide the other certain intra-group services in connection with the provision of advisory services.

## **Tailored Services**

Investment objectives, strategies and restrictions are reflected in the applicable offering document, partnership agreement and/or investment management or advisory

agreement (the “Offering Materials”) of a particular pooled investment vehicle or account and are not tailored to meet the individual investment needs of any single investor. However, the provision of investment management or advisory services with respect to a bespoke vehicle or a separately managed account may be tailored to the individual needs of that client.

### **Wrap Fee Programs**

The Firm does not participate in any Wrap Fee Programs.

### **Assets Under Management**

As of November 30, 2019, Fair Oaks managed or advised approximately US\$2,504,300,000 in Regulatory Assets Under Management (“RAUM”).

## **Item 5 – Fees and Compensation**

### **General Description**

Fair Oaks typically charges management or advisory fees based on assets under management as well as performance fees or carried interest based on the net appreciation of an Account over a particular hurdle. Management or advisory fees may be charged at rates up to 1.70% per annum and performance fee or carried interest rates range from 5% to 30% over applicable hurdles.

Fair Oaks does not maintain a fixed fee schedule. With respect to our pooled investment vehicles, listed vehicle and UCITS funds, the fees are generally non-negotiable and are set forth in the relevant Offering Materials. Fees for separately managed accounts will typically be negotiated with the client prior to the account being opened.

The placing agent acting on behalf of FOIL will be remunerated for its placing agent services and Fair Oaks UK may also occasionally receive from such placing agent a portion of that placing agent’s fee where Fair Oaks UK introduces investors to that placing agent and those investors then invest in FOIL. Whilst this practice may present a conflict of interest as Fair Oaks UK will be incentivised to introduce investors to the placing agent acting on behalf of FOIL, Fair Oaks will ensure that in introducing such investors it will act in accordance with the Code of Ethics described in further details in “Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading” below and such conflict has been disclosed in the prospectus for FOIL.

The solicitor acting for Fair Oaks US under a cash solicitation agreement shall be entitled to receive compensation from Fair Oaks US for any clients that become advisory clients of Fair Oaks US equal to a proportion of the gross advisory fees paid by such clients to Fair Oaks US.

Fair Oaks UK and Fair Oaks US each provide the other certain intra-group services in connection with the provision of advisory services, with the result that Fair Oaks UK makes a monthly payment to Fair Oaks US as reimbursement for certain costs incurred. Additionally, Fair Oaks US occasionally makes capital and/or interest payments to Fair Oaks UK related to an intra-company loan.

### **Payment of Fees**

Fees paid to Fair Oaks are generally deducted from the assets of the relevant Account, although in certain cases may be billed directly to the Client. Management or advisory fees are generally deducted on a quarterly or monthly basis in arrears. If applicable, any performance-based fees are typically paid (or allocated to the Firm or an affiliate) on an annual basis whereas any carried interest fee is accrued and typically paid at or towards the end of the life of the relevant Account.

### **Additional Fees and Expenses**

Please note that the information provided in this section is intended to be a general overview of the additional expenses born by Accounts. Please refer to the applicable offering document, partnership agreement and/or investment management agreement for additional disclosures on expenses.

In addition to the range of fees described above, each Account will generally bear fees, costs and expenses related to the purchase, holding and disposition of assets (please see Item 12 below for a description of Brokerage Practices); legal, administration and operating expenses, organizational costs, fund administrator fees, custodian fees, director fees and expenses, auditing fees and expenses, tax preparation fees and expenses, reasonable marketing expenses (where applicable), insurance premiums, indemnity expenses, taxes and/or governmental charges, fees related to regulatory compliance and all filing costs. Additionally, and if applicable, each Account will generally bear its pro rata share of the costs attributable to the relevant general partner.

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

As described above, the Firm has entered into performance-based or carried interest fee arrangements with certain of its Clients. Since the Firm provides management or advisory services to certain Accounts that are charged a performance-based or carried

interest fee and to other Accounts that are not, the Firm (including its staff and supervised persons) may have a financial incentive to favor Accounts with performance-based or carried interest fees over those that do not. To mitigate this potential conflict of interest, the Firm strictly adheres to an allocation policy that mandates that allocations will be made on a fair and equitable basis over time, across those Accounts eligible to hold such investments, with adjustments based on factors including, but not limited to, the cash balance in the Account, an Account's risk-return profile, the potential for the investment to create an imbalance in an Account's portfolio, liquidity requirements and regulatory restrictions.

## **Item 7 – Types of Clients**

Fair Oaks provides discretionary investment management services or non-discretionary advice to pooled investment vehicles, CLO issuers and a separately managed account on behalf of institutions, pension plans and family offices.

Minimum investment amounts for separately managed accounts are negotiated at the time the account is established. In respect to pooled investment vehicles and CLO issuers, minimum investment amounts or investor eligibility requirements are typically set forth in the relevant offering document or partnership agreement.

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

### ***Investment Strategies***

Fair Oaks is a research-driven investment manager and adviser with a focus on fundamental corporate credit analysis. Fair Oaks has a team with corporate credit and securitization experience dedicated to sourcing, analysing, negotiating, selecting and monitoring CLO, senior secured loan and corporate bond investments. Fair Oaks provides investment management or non-discretionary advisory services with respect to Funds or Accounts which invest in the debt and/or equity tranches of CLOs and corporate bonds. Fair Oaks also provides collateral management services to a European CLO and a European CLO warehouse vehicle

### ***Risk of Loss***

An investment in a Fund or Account managed or advised by Fair Oaks involves a moderate or high degree of risk, including the risk that the entire amount invested may be lost. No guarantee or representation is made that an investment program will be successful. The description below provides a brief overview of the main investment risks which, where relevant, should be read in conjunction with a more detailed description of



the risks associated with an investment in a particular Fund or Account as included in the Offering Materials for that Fund or Account.

### **General Investment and Trading Risks**

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

### **Credit risk of non-investment grade corporate debt**

A Fund or Account may invest in non-investment grade corporate debt. This debt is considered to be subject to greater risk of loss of interest and principal than investment grade sovereign or corporate bonds or loans, which may occur due to adverse changes in the financial condition of the issuer of the debt, a deterioration in general economic conditions or an unanticipated rise in interest rates. Non-investment grade debt securities may not be protected by financial covenants or limitations on additional indebtedness. In addition, evaluating credit risk for debt securities involves uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult. It is likely that a major economic recession could disrupt severely the market for such securities and may have an adverse impact on the value of such securities. In addition, it is likely that any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default for such securities.

### **Risks relating to corporate bonds**

A Fund or Account may invest in debt securities and private debt instruments of unrated or non-investment grade companies. Investments in debt are subject to the ability of the issuer or the borrower to meet principal and interest payments on the obligation and may be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer or the borrower and the general market conditions. Such risks are greater for investments in non-investment grade, non-rated or lower credit quality debt than for investments in higher rated debt. In addition, private debt instruments have significant liquidity risks and market value risks since they are not generally traded in organized exchange markets but are traded by banks and other

institutional investors. There may be limitations on the ability of a Fund or Account to directly enforce its rights with respect to these types of investments, and a Fund or Account may, in addition to assuming the credit risk of the borrower, assume the credit risk associated with the lender or an interposed financial intermediary. Investments in debt may also expose a Fund or Account to unfavourable outcomes in the event of a bankruptcy proceeding. Successful claims by third parties arising from these and other risks will be borne by the relevant Fund or Account.

### **Credit risk and complexity of Collateralised Loan Obligations**

A Fund or Account may invest in CLOs, which are securities backed by corporate debt. CLOs are generally issued in multiple classes, each having different interest rates and levels of priority over payment of interest and principal. Payment of interest or principal on some classes may be subject to contingencies or some classes or series may bear some or all of the risk of default on the assets. A Fund or Account may invest in subordinated classes of CLOs. While they may be protected to some extent by loss-absorbing junior-ranking capital, the payment of interest and principal to holders of these classes will nonetheless only be made from the cash flows received on the CLO's underlying assets after senior ranking classes and expenses of the CLO have been paid. As such, the investments of a Fund or Account in subordinated classes of CLOs are particularly susceptible to losses resulting from defaults within the CLO portfolios. Furthermore, in determining the average maturity or duration of a CLO, Fair Oaks must apply certain assumptions and projections about the maturity and prepayment of such security and actual prepayment rates may differ. If the life of a security is inaccurately predicted, a Fund or Account may not be able to realise the expected rate of return. In some cases, the complexity of the payment, credit quality and other terms of such CLO may create a risk that terms of the security are not fully transparent. In addition, the complexity of CLOs may make valuation of such securities at an appropriate price more difficult.

### **CLO valuation and liquidity**

The value of a CLO may be affected by a number of factors, including interest rates, changes in the performance or the market's perception of the underlying assets backing the security and changes in the market's perception of the adequacy of credit support built into the security's structure to protect against losses. The secondary market for CLOs may not be as liquid as the secondary market for corporate debt. As a result, Fair Oaks could find it more difficult to sell these investments on behalf of a Fund or Account or may be able to sell them only at prices lower than if they were widely traded. It may be difficult to establish accurate prices for such investments for the purposes of calculating a Fund or Account's net asset value. Therefore, prices realised upon the sale of such investments may be lower than the prices used in calculating a Fund or Account's net asset value.

## **Dependence on Managers of CLOs**

The performance of a Fund or Account's investments in CLOs will depend in part upon the performance and operational effectiveness of the managers of the CLOs. A Fund or Account may invest in CLOs which are subject to management and performance fees charged by the managers of the CLOs. These are in addition to the fees charged to that Fund or Account by Fair Oaks. Payment of such fees could have a negative impact on the returns achieved by a Fund or Account.

## **Market Risk**

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

## **Counterparty risk**

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

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

A Fund or Account may not be restricted from dealing with any particular counterparty or from concentrating any or all of their transactions with one counterparty. Moreover, no Fund or Account has an internal credit function dedicated to the evaluation of the creditworthiness of its counterparties.

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

## **Potential Inability to Implement Investment Strategies**

The success of a Fund or Account's investment activities will depend on Fair Oaks' ability to identify investment opportunities, assess the import of news and events that may affect the financial markets and make investment decisions. Identification and exploitation of the investment strategies to be pursued by each Fund or Account involves a high degree of uncertainty. No assurance can be given that Fair Oaks will be able to identify suitable investment opportunities in which to deploy all of an investment vehicle's assets or that it will decide to make such investments. The departure of any of the individuals at Fair Oaks for any reason, or the failure to appoint qualified or effective successors in the event of such departures, could have a material adverse effect on the performance of a Fund or Account.

## **Potential Illiquidity of a Client's Investments**

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

An investment in certain Funds or Accounts may be suitable only for certain sophisticated investors who do not require immediate liquidity for their investments.

## **Currency value fluctuations**

A Fund or Account may make Investments denominated in a number of currencies, subject to complying with relevant investment restrictions. Unless the resulting currency exposure is effectively hedged, changes in currency exchange rates may adversely affect the value of investments, returns received from collections made, gains and losses realized on any sale of investments and the amount of distributions, if any, to be made by a Fund or an Account. In addition, a Fund or an Account will incur costs in converting investment principal and income from one currency to another.

Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments.

## **Hedging**

A Fund or Account may employ hedging techniques designed to protect against adverse movements in securities prices, currency and/or interest rates and other risks. While such transactions may reduce certain risks, the transactions themselves may entail certain other risks. Thus, while a Fund or Account may benefit from the use of these hedging mechanisms, changes in interest rates, securities prices, currency exchange rates or other factors may result in a poorer overall performance for a Fund or Account than if it had not entered into such hedging transactions. There can be no guarantee that any hedging undertaken will be entirely effective.

## **Brexit**

The United Kingdom ("UK") left the European Union in January 2020. Negotiations of the terms of the withdrawal during the transition period, which will end on 31 December 2020, are ongoing and complex. This withdrawal may damage the UK economy, the financial system, and UK based financial firms such as Fair Oaks UK. It is not yet possible to quantify such risks, but they may be material to certain aspects of Fair Oaks' business model.

## **Risk retention rules**

On 21 October 2014, the final rules implementing the credit risk retention requirements of Section 941 of the Dodd-Frank Act (the "US Risk Retention Rules") were issued. The US Risk Retention Rules generally require the collateral manager of a CLO to retain not less than five per cent. of the credit risk of the assets collateralising the CLO issuer's securities. The US Risk Retention Rules became effective with respect to CLO transactions on 24 December 2016. On 9 February 2018, the US Court of Appeals ruled that the US Risk Retention Rules should not apply to open-market CLO managers, reversing an earlier lower court decision.

In Europe, equivalent risk retention rules apply to various types of EU regulated investors including credit institutions, authorized alternative investment fund managers, investment firms, insurance and reinsurance undertakings and UCITS funds (the "EU Risk Retention Rules"). Among other things, such requirements restrict an investor who is subject to the EU Risk Retention and Due Diligence Rules from investing in securitizations unless: (i) the originator, sponsor or original lender in respect of the relevant securitization has explicitly disclosed that it will retain, on an on-going basis, a net economic interest of not less than 5% in respect of certain specified credit risk tranches or securitized exposures; and (ii) such investor is able to demonstrate that they have undertaken certain due diligence in respect of various matters including but not limited to its note position, the underlying assets and (in the case of certain types of investors) the relevant sponsor or originator.

Aspects of the EU Risk Retention and Due Diligence Rules and what is or will be required to demonstrate compliance to national regulators remain unclear and accordingly any impact on the Funds remain unclear.

There can be no assurance that the US Risk Retention Rules will not change or that in future the US Risk Retention Rules or the EU Risk Retention Rules will not be interpreted by regulators in a manner that in future will require compliance or would otherwise preclude the ability of a Fund to invest in, or to dispose of CLOs. It is also possible that the US Risk Retention Rules and/or the EU Risk Retention Rules (or any future changes thereto) may adversely affect the issuers of CLOs or the performance, liquidity or market value of a CLO and which may, in either case, result in a reduction in the new issuance of CLOs which could impact the ability of a Fund to implement its investment objective and policy.

#### **Item 9 – Disciplinary Information**

Fair Oaks is not aware of any legal or disciplinary events involving a management person or the Firm.

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

##### **Broker Dealer Registration Status**

Neither Fair Oaks nor any of its affiliates or management persons is registered as a broker-dealer. In addition, no application is pending to register as a broker-dealer or registered representative of a broker-dealer.

##### **Futures Commission Merchant, Commodity Pool Operator or Commodity Trading Adviser Registration Status**

Neither Fair Oaks nor any of its affiliates or management persons is, or has applied to be, registered as a futures commission merchant, commodity pool operator, commodity trading advisor or an associated person of the foregoing entities.

##### **Material Relationships or Arrangements with Industry Participants**

Fair Oaks does not have any material relationships with industry participants that it believes would create a conflict of interest for its Clients.

## **Material Conflicts of Interest Between Investment Advisers**

Fair Oaks UK provides investment advisory or management services with respect to FOIF LP, FOMC II LP, FOIL, FODC, FOHGC, Credit Opportunities 2018-1 LP, Fair Oaks Loan Funding I DAC, Fair Oaks Loan Funding II DAC, a separately managed account and with respect to certain CLO investments made by a third party private fund. Fair Oaks US provides investment advisory services with respect to Cycad Investments LP. It is not expected that any material conflicts of interest will arise between such appointments. Should a conflict of interest arise in the context of these relationships, the Chief Compliance Officer and senior management of Fair Oaks UK and Fair Oaks US will address them in accordance with the Code of Ethics described in further details in “Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading” below.

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

### **Code of Conduct**

Employees (including partners and directors) and other members of staff are subject to the Firm’s Code of Ethics which is based on the fundamental principle that Fair Oaks and its staff have a fiduciary duty to the Firm’s clients and investors and must, in this fiduciary capacity, place the interests of clients and investors before their own. The Code of Ethics requires that staff conduct themselves with integrity and dignity and act in a professional and ethical manner in all dealings on our behalf, comply with applicable federal securities laws, act with competence and strive to maintain and improve their competence, use proper care and exercise independent professional judgement in the execution of their duties, and avoid actions or relationships that might conflict or appear to conflict with job responsibilities or the interest of Fair Oaks and its clients.

### **Personal Trading in Securities**

Employees (including partners and directors) and other members of staff are subject to the Firm’s Code of Ethics, which is designed to ensure that no employee takes any action in respect of a personal investment in securities that is adverse or appears to be adverse to the interests of Fair Oaks or any of its clients. The Code of Ethics includes provisions such as:

- A requirement that employees not trade in securities of issuers identified on a restricted list.

- Periodic reporting of all activity in personal securities accounts.
- Restrictions on the use of material nonpublic information.
- Annual certifications of compliance.

Our Code of Ethics also requires that staff obtain our approval before investing in any initial public offerings of securities or in any private placement of securities.

A copy of the Code of Ethics will be made available to any client or prospective client upon request.

### **Principal and Cross Transactions**

Fair Oaks and its personnel generally do not purchase or sell any securities for their own accounts to or from its client accounts. In the rare event of a principal transaction, it would be executed in compliance with the requirements of applicable law, including Section 206(3) of the Advisers Act. Neither Fair Oaks nor any of its affiliates acts as a broker-dealer when crossing securities between accounts; therefore, it does not engage in agency cross transactions. From time to time, subject to investment guidelines and restrictions, Fair Oaks may direct one fund to sell securities to another fund through an internal cross transaction in which neither Fair Oaks nor a related person will receive compensation. Any such transaction will be effected at the price and on the terms determined by Fair Oaks to be fair to both parties to the cross transaction. In determining price, Fair Oaks utilizes valuation procedures which are designed to take into account to the maximum extent possible third party bid and ask prices at the time of the valuation. With respect to FOIF LP, FOMC II LP and Cycad Investments LP, it is anticipated that GP will approve any principal or cross transaction involving the relevant Fund. In addition, FOMC II LP (and, possibly, future funds) will sell assets to CLOs managed by Fair Oaks where FOMC II LP has acted as originator of the assets. Such sales will take place under and in accordance with an agreement or arrangement which provides for the sale of assets from FOMC II LP to the CLO at FOMC II LP's original purchase price.

### **Conflicts of Interest**

Fair Oaks and its affiliates manage accounts with similar investment strategies. However, certain conflicts may arise from the fact that Fair Oaks may give advice or take action with respect to the investments of one or more clients that may not be given or taken with respect to other clients with similar investment programs, objectives and strategies. Accordingly, clients with similar strategies may not hold the same securities or achieve the same performance. Fair Oaks also may advise clients with conflicting programs, objectives or strategies. These activities also may adversely affect the prices and availability of securities held by or potentially considered for one or more clients.



Fair Oaks and its personnel may have conflicts in allocating their time and services among its clients and those of its affiliates. Employees or other members of staff may invest in certain pooled investment vehicles and listed vehicles managed by Fair Oaks.

As noted under “Item 4 – Advisory Business” above, Fair Oaks Income Limited has a class of share that invests its assets in FOMC II LP. Furthermore, approximately 14% of FOMC II LP’s portfolio currently comprises an investment in FOIF LP, although no fees are duplicated as a result. It should also be noted that Fair Oaks Income Fund (GP) Limited acts as general partner to each of FOIF LP, FOMC II LP and Cycad Investments LP. The potential conflicts of interest arising from these arrangements are disclosed in the prospectus relating to Fair Oaks Income Limited.

In addition to the above, certain accounts advised by Fair Oaks may from time to time invest a proportion of their assets in other accounts advised by Fair Oaks.

As further noted under “Item 4 – Advisory Business” above, Fair Oaks UK acts as collateral manager to a European CLO issuer, Fair Oaks Loan Funding I DAC and also acts as collateral manager to the warehouse facility for Fair Oaks Loan Funding II DAC. FOMC II LP, as retention holder, holds the subordinated notes of Fair Oaks Loan Funding I DAC and has also invested in the warehouse facility for Fair Oaks Loan Funding II DAC with the intention in due course of acquiring over 50% of that CLO’s subordinated notes.

### **Allocation of Investment Opportunities**

Fair Oaks and its affiliates seek to ensure the equitable allocation of scarce opportunities where Fair Oaks and its affiliates are unable to obtain the full amount of the securities that they wish to purchase for their relevant client accounts. In these situations, it is the policy of Fair Oaks and its affiliates to first determine the amount of the security they wish to acquire based on availability, the size and objectives of the accounts and other relevant factors, without regard to allocations to any particular accounts. The executed order will be allocated in a manner that we believe treats each client’s account fairly over time. Because of the nature of the securities we deal in, generally, we would be unable to allocate to all eligible accounts on a pro rata basis. Rather, Fair Oaks and its affiliates consider a wide range of factors including the cash balance of a client’s account, the risk-return profile of the proposed investment, the potential for the investment to create an imbalance in an account’s portfolio, the account’s investment objective, the liquidity requirements of the account, regulatory restrictions for each account and other account guidelines and relevant factors.

## **Item 12 – Brokerage Practices**

### **Best Execution**

Fair Oaks has discretion over the selection of the brokers to be used and the prices of purchases and sales with respect to its clients' trades. In selecting a broker for a transaction, Fair Oaks seeks best execution and may consider a number of factors, including, for example, price, cost, speed, size and/or nature of the transaction, likelihood of execution and settlement and such other considerations that Fair Oaks believes to be relevant to effecting the execution of the order.

### **Research and Other Soft Dollar Benefits**

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

### **Brokerage for Client Referrals**

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

### **Directed Brokerage**

Fair Oaks does not have any directed brokerage arrangements.

### **Aggregation of Client Accounts**

Order aggregation, also known as bunching, batching, or trade aggregation, refers to the practice of combining trade orders for execution. Aggregation may cause a delay in the execution of the transaction, and it may operate to its advantage or disadvantage on some occasions. Further, aggregated orders may result in a higher or lower price being obtained or a delay in executing the order.

Fair Oaks is not authorised to deal on its own account, that is, proprietary trading. In the event in the future Fair Oaks was authorised to trade on its own account, it would not be permitted to aggregate a Client order with that of its own account.

Fair Oaks may, at its reasonable discretion:

- aggregate orders for a particular Client with orders for other Clients and allocate the investments or proceeds acquired among the participating Clients in a manner that they believe is fair and reasonable; and
- if the entire combined trade order is not executed at the same price, Fair Oaks may average the prices paid or received, and charge the relevant Clients with the average net price. Investors should be aware that aggregation of orders may work to their disadvantage in relation to a particular trade order. However, order aggregation will only be undertaken if it is **not** likely to work to the disadvantage of a Client.

When Fair Oaks has executed an aggregated order or is undertaking an allocation, then it shall allocate that order either at:

- the price paid for each investment concerned; or
- a volume-weighted average of the prices of a series of transactions.

## **Trade Errors**

Administrative errors may occur during the investment decision-making process as well as the trading process. Such trade errors will be logged and its Fair Oaks' policy that trading errors be corrected and adjustments made as soon after discovery as is reasonably practical and in such a manner that minimises any loss to a client's account. To the extent an error is caused by a third party, such as a broker or dealer, Fair Oaks will strive to recover any losses associated with such error from such third party. Fair Oaks will generally bear the loss resulting from any trade error that resulted from its own gross negligence. Otherwise, in the absence of any negligence on the part of Fair Oaks the loss resulting from any trade error will be borne by the relevant client account.

## **Item 13 – Review of Accounts**

### **Frequency and Nature**

The Firm performs frequent and regular reviews of each Client's portfolio. Such reviews are conducted by the Firm's portfolio managers, investment analysts and research associates.

### **Factors Prompting other than Periodic Review**

A review of a Client portfolio may be triggered by market conditions, changes in the fundamentals underlying an investment or a change in valuation, among other factors.

## **Content and Frequency of Reports**

Clients receive or have access to regular written reports relating to the performance of their portfolio, including where relevant, annual audited financial statements. In certain instances Fair Oaks will make this information available directly to underlying fund investors through certain websites. Additionally, investors will receive additional information as is agreed between Fair Oaks and the Client together with such other information as may be required by regulators or listing authorities.

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

Fair Oaks UK acts as global distributor with respect to each of FODC and FOHGC and has the power to appoint sub-distributors to distribute one or more classes of shares of such sub-fund. Fair Oaks UK receives an investment management fee and/or performance fee in connection with the investment management services it provides to FODC and FOHvC but does not receive a separate fee for acting as global distributor with respect to FODC or FOHGC. To date Fair Oaks UK has appointed three sub-distributors with respect to FODC and one sub-distributor with respect to FOHGC, and each such sub-distributor is paid a distribution fee by Fair Oaks UK equal to a proportion of the investment management fee and/or performance fee otherwise due to Fair Oaks UK with respect to investors who are introduced by such sub-distributor and who then invest in FODC. Further sub-distributors may be appointed to FODC and FOHvC in the future and it is expected that any such appointments will be on similar terms.

Fair Oaks UK may also occasionally receive a portion of the fees due to the placing agent acting on behalf of FOIL with respect to investors who are introduced to that placing agent by Fair Oaks UK and who then invest in FOIL.

Fair Oaks US has separately entered into a cash solicitation agreement with a third party to solicit certain institutions and other clients to become advisory clients of Fair Oaks US.

Fair Oaks may otherwise enter into one or more written solicitation arrangements in accordance with applicable law with third parties. Under a solicitation arrangement, Fair Oaks may pay compensation to a placement agent when it successfully refers clients to Fair Oaks or investors into pooled investment vehicles managed or advised by Fair Oaks. The amount of compensation is typically based on a negotiated percentage of the capital committed by the investor. The solicitation arrangement will not affect the amount of fees paid by a Fund investor or separate account.

Fair Oaks does not receive economic benefits from non-clients for providing investment management or other advisory services.

### **Item 15 – Custody**

Fair Oaks does not take or maintain physical custody of any Client cash or assets and conducts all business operations such that Client cash and securities are preserved in the safekeeping of an independent custodian under the Client's name pursuant to an agreement between the Client and the third party custodian. Clients receiving statements directly from such custodians should carefully review those statements and should compare such statement to any reports prepared by Fair Oaks.

Fair Oaks and/or its affiliates may be deemed to have custody of the cash and securities of certain Funds by virtue of their status as a general partner of a pooled investment vehicle. To ensure compliance with Rule 206(4)-2 under the Advisers Act, such Funds are subject to an annual audit and the relevant audited financial statements are distributed (either physically, electronically or via a website) to each investor via the Fund's administrator within 120 days of the Fund's fiscal year end.

### **Item 16 – Investment Discretion**

Fair Oaks serves as the investment manager with discretionary trading authority for certain Clients. Our investment decisions and advice with respect to each Fund or Account are subject to that Fund or Account's investment objective, restrictions and other guidelines, as set forth in the applicable offering document, investment management agreement or partnership agreement. The Firm typically assumes authority to make investment decisions or provide advice with respect to an Account through a contractual appointment made by or on behalf of the relevant Client.

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

In compliance with Advisers Act Rule 206(4)-6, Fair Oaks has adopted voting policies and procedures. It should be noted that it is not currently anticipated that the accounts managed or advised by Fair Oaks will hold voting securities that will require Fair Oaks to vote proxies and any direction Fair Oaks provides pursuant to the trust instrument of a CLO shall not be considered a proxy vote. Where relevant to the accounts managed or advised by Fair Oaks, the general policy is to vote proxy proposals, amendments, consents or resolutions (collectively "Proxies") in a prudent and diligent manner that will serve the applicable Client's best interests and is in line with each Client's investment objective.

Certain accounts managed or advised by Fair Oaks may hold subordinated notes of CLOs and Fair Oaks may from time to time be required to provide certain consents or directions on behalf of that subordinated noteholder as stipulated under that CLO's indenture instrument. Furthermore, Fair Oaks may provide management or advisory services on behalf of other clients that hold mezzanine debt securities in the same CLO issuer for which Fair Oaks has provided a consent or direction on behalf of a client that is a subordinated noteholder with a controlling interest, and that this may result in certain conflicts between the interests of those clients. As a general rule, in such circumstances Fair Oaks will provide a consent or direction in the best interests of each client holding any relevant consent or direction rights.

Clients may not direct the Firm's vote in a particular solicitation.

You may obtain a copy of the Fair Oaks' Proxy Voting Policy and Procedures and its proxy voting record by contacting us at the telephone number located on the front of this Brochure.

### **Item 18 – Financial Information**

Fair Oaks is not aware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to clients. Furthermore, the Firm has never been the subject of a bankruptcy petition.

[End of Part 2A]