

# Amherst Capital Management LLC

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## **Form ADV Part 2A** **March 30, 2020**

This brochure (“Brochure”) provides information about the qualifications and business practices of Amherst Capital Management LLC. If you have any questions about the contents of this Brochure, please contact Amherst Capital at 512-342-3043. 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 Amherst Capital is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Registration as an investment adviser does not imply any level of skill or training.

## **Important Note about this Brochure**

*This Brochure is not:*

- *An offer or agreement to provide advisory services to any person;*
- *An offer to sell interests (or a solicitation of an offer to purchase interests) in any fund;*
- *An offer to enter into any separately managed account (each an “SMA”) or “fund of one” arrangement; or*
- *A complete discussion of the features, risks or conflicts associated with any fund, SMA or advisory service.*

*As required by the Investment Advisers Act of 1940, as amended (“Advisers Act”), Amherst Capital provides this Brochure to current and prospective clients and may also, in its discretion, provide this Brochure to current or prospective investors in a fund, together with other relevant governing documents, such as a fund’s offering or private placement memorandum or an SMA agreement for an SMA prior to, or in connection with, such persons’ investment in the fund. Additionally, this Brochure is available through the SEC’s Investment Adviser Public Disclosure website.*

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

## **Item 2. Material Changes**

Following is a summary of material changes Amherst Capital has made to Amherst Capital's Brochure since Amherst Capital filed its annual update on March 29, 2019.

- Item 4. Advisory Business has been amended to endowment investors, to reflect the addition of CLOs and removal of CRE unlevered strategy along with the associated fund ("Unlevered Fund").
- Item 5. Fees and Compensation has been amended to include: (i) CLO fees; (ii) loan servicing fees; and (iii) removal of Unlevered Fund management fees. The description of CRE Fund expenses was also amended.
- Item 6. Performance Fees and Side-by-Side Management has been amended by removing performance fees associated with the Unlevered Fund.
- Item 7. Types of Clients was amended to include endowments and CLOs.
- Item 8. Methods of Analysis, Investment Strategies and Risk of Loss has been amended to include additional risks including social and economic risks and risks associated with CLOs.
- Item 10. Other Financial Industry Activities and Affiliations has been amended to include additional disclosure regarding Dual Officers and disclosure on the use of Affiliates in the placement of CLO Securities.
- Item 12. Brokerage Practices has been amended for the removal of allocation practices between the Unlevered and Levered Fund.
- Item 13. Review of Accounts has been amended to include the review of CLOs.
- Item 15. Custody has been amended to include disclosure around Amherst Capital's role as administrative agent and its use of an agent account in servicing certain CRE loans.

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#### **Item 4. Advisory Business**

Amherst Capital Management LLC (“Amherst Capital”) is a limited liability company organized under the laws of the State of Delaware. Amherst Capital is a subsidiary of Amherst Holdings, LLC (“Amherst Holdings”). Amherst Capital and CREST Fund GP, LLC are together filing a single Form ADV in reliance on the position expressed in the January 18, 2012 Response of the Office of Investment Adviser Regulation, Division of Investment Management to the American Bar Association, Business Law Section.

Amherst Capital was formed in November 2014 and commenced its investment advisory business in February 2015. Amherst Capital provides both discretionary and non-discretionary investment advisory services to institutional investors through pooled investment vehicles (private funds), “funds of one,” separately managed accounts (“SMAs”) and a collateralized loan obligation (“CLOs”), as collateral manager. Investors include sovereign wealth funds, endowments, registered mutual funds and other institutions. Amherst Capital’s investment advice is generally limited to advice with respect to investments in mortgage-backed securities and commercial real estate debt.

Amherst Capital provides discretionary investment advisory services to a private real estate fund that is outside of, or excepted from, the definition of an “investment company” under the Investment Company Act of 1940, as amended (the “Investment Company Act”) in reliance on the exceptions provided by Section 3(c)(1), Section 3(c)(5) and/or Section 3(c)(7) thereof, and whose securities are exempt from registration under the Securities Act of 1933, as amended (the “Fund” or “CRE Fund”). In addition, interests in the Fund may be sold to a “knowledgeable employee” of Amherst Capital within the meaning of Rule 3c-5 under the Investment Company Act. The Fund, CLO and the SMAs are referred to collectively herein as “Clients.”

The primary investment strategy of the CRE Fund is to originate and invest in non-recourse first mortgage loans backed by institutional quality commercial real estate properties (the “Loans”). Commercial real estate securing the Loans is expected to consist primarily of office, retail, multifamily, industrial, mixed-use, and hotel properties. The CRE Fund employs leverage as part of its private mortgage investment strategy and is structured as a limited partnership and the applicable general partner of the Fund is an affiliate of Amherst Capital (collectively, the “General Partner”).

As an investment adviser, Amherst Capital identifies investment opportunities and participates in the acquisition, financing, monitoring and disposition of investments for the Fund. Amherst Capital provides investment advisory and management services to the Fund pursuant to a separate investment management agreement (each, an “Investment Management Agreement”). The terms of the investment advisory services to be provided to the Fund, including any specific investment guidelines or restrictions, will be set forth in the Fund’s Investment Management Agreement. Investment guidelines for the Fund, if any, are generally established in the organizational or offering documents of the Fund. Investment advisory services will be provided directly to the Fund and not individually to the investors in the Fund.

Amherst Capital or its related entities also may enter into side letter agreements with certain investors in the Fund providing such investors with different or preferential rights or terms,

including but not limited to different fee structures and co-investment rights. Amherst Capital and its related entities will have no obligation to offer all such additional rights, terms or conditions, to any other investor in such Fund, except to the extent required by the organizational or offering documents of the Fund. Once invested in the Fund, investors will generally not be able to impose additional investment guidelines or restrictions on the Fund. For these reasons, Amherst Capital will not be able to tailor the investment advisory services provided to the Fund to meet individual investor needs or impose individual investment restrictions on the investment strategies for underlying investors in the Fund. Investors should carefully consider whether an investment in a Fund is suitable for them in light of their sophistication, needs, risk appetite and financial condition.

Amherst Capital also serves as the collateral manager to a CLO. CLOs typically issue rated senior and mezzanine notes and unrated subordinated notes (referred to collectively herein as the “CLO Securities”) in private placement transactions to eligible purchasers for purposes of the Securities Act of 1933 (the “Securities Act”) and the Investment Company Act. As collateral manager to the CLO, Amherst Capital focuses on making investments to generate returns to meet the CLO’s payment obligations and optimize returns for investors. Amherst Capital manages the CLO subject to the powers, duties, and limitations outlined within the collateral management agreement entered into between Amherst Capital and the CLO and the indentures governing the CLO. Investors in the CLO should review the relevant offering document, indenture, and other constituent documents pertaining to the CLO for additional information.

Amherst Capital offers investment advisory services for its public mortgage strategies through SMAs that are tailored to meet SMA Clients’ individual investment goals and works with SMA Clients to create investment guidelines mutually acceptable to the SMA Client and Amherst Capital, which are memorialized in the agreement between Amherst Capital and the client relating to the SMA (“SMA Agreement”). When creating investment guidelines, SMA Clients may impose investment restrictions in certain individual securities or types of securities. SMA Clients who impose investment restrictions might limit our ability to employ the strategy resulting in investment performance that differs from that of the composite and other Client accounts. Funds of one may be similarly tailored for the investor’s individual goals.

Amherst Capital provides certain non-discretionary portfolio analytics and investment research services to Amherst Residential, LLC pursuant to a negotiated intercompany agreement.

As of December 31, 2019, Amherst Capital manages on a discretionary basis \$1,793,778,779 billion relating to the Fund, CLO and public mortgage strategies.

## **Item 5. Fees and Compensation**

### **SMA Fees:**

With respect to SMAs, fees for investment advisory and management services are separately negotiated. These fees generally include asset based management fees and may, if agreed, include incentive fees. Such fees are typically paid quarterly in arrears by invoicing the SMA Client. Fees for certain types of non-discretionary services may be lower than fees for discretionary services. The SMA Agreement may also provide that SMA Clients will incur fees and expenses in addition

to advisory fees such as custody, brokerage and other transaction costs, servicing, administrative and other expenses. Examples of other costs and expenses include markups, mark-downs and other amounts included in the price of a security, odd-lot differentials, transfer taxes, wire transfer fees, electronic fund fees, third-party fees, and insurance and litigation expenses. SMA Clients should review their SMA Agreement for further information on how Amherst Capital charges and collects fees. Please see Item 12 of this Brochure for more information on Amherst Capital's brokerage practices.

### **Fund Fees:**

Amherst Capital charges a management fee which is indirectly borne by investors in the Fund. The Management Fee will generally be payable out of the Fund's assets as follows:

- The Fund charges a Management Fee, quarterly in arrears, equal to (a) 150 bps per annum of its weighted-average investor NAV, if such investor has a net capital commitment of less than twenty five million dollars; (b) 135 bps per annum of its weighted-average investor NAV, if such investor has a net capital commitment between twenty five million and fifty million dollars; and (c) 125 bps per annum of its weighted-average investor NAV, if such investor has a net capital commitment greater than fifty million dollars.

The Fund's Investment Management Agreement, organizational documents, offering documents and/or other documentation received by each investor prior to investment in the Fund (together with any applicable side letters, the "Governing Documents") provide detailed information regarding applicable fees and expenses. Negotiations with prospective Fund investors may cause some investors to bear fees that are different from the basic fee schedules described above. Consistent with the Governing Documents of the Fund, the Fund will also generally bear all of the costs and expenses relating to the organization and operation of the Fund and any subsidiaries. Expenses borne by the Fund include: (i) the costs and expenses of the Fund's accounts; (ii) all expenses associated with the preparation and distribution of financial statements, tax returns, and reports; (iii) costs and expenses related to the investigation of investment opportunities, whether or not consummated, and whether incurred before or after the formation of the Fund (excluding any such costs, fees and other out-of-pocket expenses incurred before the formation of the Fund for investment opportunities that are not ultimately consummated by the Fund); (iv) costs and expenses related to the origination (including, without limitation, costs, expenses and fees charged or specifically attributed or allocated by the Manager to provide origination or transaction management services to the Fund, and expenses, charges and/or related costs incurred by the Fund or the Manager in connection with such provision of services to the Fund; provided, that any such expenses, charges or related costs will not be greater than what would be paid to an unaffiliated third party for substantially similar services), acquisition, ownership, management, servicing, financing, refinancing, hedging or interest rates on financings, or sale of investments; (v) costs and expenses of meetings with or reporting to the limited partners (excluding internal costs for preparing such reports or organizing such meetings); (vi) accounting and bookkeeping costs for the Fund and any subsidiaries; (vii) third-party fees for accounting, auditing, research, consulting, underwriting, due diligence and legal services; (viii) litigation expenses; (ix) interest on and fees and expenses arising out of any borrowings made by the Fund; (x) any taxes, fees or other governmental charges levied against the Fund and all expenses incurred in connection with any

tax audit, investigation, settlement or review of the Fund; and (xi) such other expenses as set forth in the Fund's Governing Documents. Please see the Fund's Governing Documents for further information regarding fees and expenses.

### **CLO Fees:**

Amherst Capital has agreed to waive its entitlement to its fees for the CLO for so long as Amherst Capital or an affiliate thereof provides collateral management and investment advice to the CLO and is also the manager of the CRE Fund.

Pursuant to the Servicing Agreement described in the CLO Offering Documents, the CLO issuer has appointed Amherst Capital to act as special servicer on behalf of the CLO issuer with respect to the commercial real estate loans that are owned by the CLO issuer. Services performed by Amherst Capital will be reasonable and customary for such transactions; and the fees, terms and conditions of the transactions between the CLO and Amherst Capital are as favorable as would be obtainable in an arm's length transaction. Please refer to the CLO's governing and offering documents for additional information on special servicing fees.

### **Public Mortgage Fees:**

Amherst Capital offers public mortgage strategies, which are not currently subject to an established fee schedule. Amherst Capital negotiates the precise amount of and the manner and calculation of, the advisory fees for the public mortgage strategies with individual Clients or investors.

### **Negotiated Fees:**

Amherst Capital reserves the right, in Amherst Capital's sole discretion, to negotiate or modify (either up or down) the fee schedules for any Client due to a variety of factors, including but not limited to: the level of reporting and administrative operations required to service an account, the investment strategy or style, the number of portfolios or accounts involved, and/or the number and types of services provided to the Client.

From time to time, Amherst Capital may enter into different compensation arrangements with other Clients, including arrangements providing for compensation on the basis of a share of the capital gains upon, or the capital appreciation of, the funds, or any portion of the funds of a Client, in accordance with and to the extent permitted by Section 205-3 of the Advisers Act and the rules and regulations promulgated thereunder.

### **General Sales Fee Information:**

Amherst Capital does not charge or receive compensation in connection with the sale of investment products. Currently Amherst Capital has no plans for Amherst Capital's employees or supervised persons to accept compensation for the sale of the Fund or other investment products Amherst Capital manages.



## **Loan Servicing Fees**

In most cases, Amherst Capital will service commercial real estate loans and will receive compensation for such services. In the event that a Client invests in commercial real estate loans serviced by Amherst Capital, such Client will pay Amherst Capital a loan servicing fee. In addition, Amherst Capital may service commercial real estate loans that have been syndicated or otherwise sold to third parties and, in return, may receive a loan servicing fee from the respective third parties. Such fees will not be shared with the Fund and its investors, but rather earned by the Amherst Capital alone. In certain circumstances, and subject to the approval of the investor advisory committee of the Fund, in order to facilitate the syndication or other sale of such Loans, it may be necessary for Amherst Capital to accept a servicing fee that is less than that paid by the Fund to service such loans. However, any such determination by Amherst Capital to accept a lesser servicing fee without reducing the servicing fee paid by the Fund with respect to such loans will include a consideration of the services provided and overall economic benefits received by the Fund in connection with such syndication or sale. Therefore, Amherst Capital may have an incentive to cause investments to be made, managed or syndicated with a view to earning such compensation, even if such investment decisions are not in the best interests of the Fund and its limited partners.

Please see CLO Fees for more information on Amherst Capital's fees as special servicer to the CLO Issuer. To the extent that a Client pays Amherst Capital a loan servicing fee and also has indirect ownership of the CLO, Amherst Capital will offset any such CLO fees, such that the aggregate servicing fees borne by a Client, directly or indirectly, does not exceed the contractual servicing fee agreed to by the Client.

## **Non-discretionary Investment Research Service Fees:**

Under Amherst Capital's negotiated intercompany services agreements, Amherst Capital receives fees for certain non-discretionary quantitative research and portfolio analytics and investment related research services, including thought leadership, provided to Amherst Capital's affiliates.

## **Valuation of Portfolio Investments**

In certain cases, Amherst Capital's compensation may be reduced if Amherst Capital determines to write-down the value of a portfolio investment, creating a disincentive for Amherst Capital to do so. Amherst Capital's valuation policies for its portfolio investments serve to mitigate this conflict. Amherst Capital's valuation policies are consistent with ASC Topic 820, requiring that Amherst Capital assign a "fair value" to certain investments representing "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date."

When there is not readily available market pricing information for an investment, Amherst Capital personnel assign a value to the investment in accordance with Amherst Capital's relevant valuation and pricing policies (collectively, the "Valuation Policy"). The Valuation Policy provides for the application of various valuation techniques, inputs and factors in determining the value of the instruments in which Clients invest, including with respect to the valuation of real-estate transitional loans and interest rate swaps. Amherst Capital has established valuation committees

(collectively, the “Valuation Committee”), which have oversight responsibility for overseeing the implementation of the Valuation Policy. For the public mortgage strategies, the Pricing Committee will ultimately be responsible for determining the fair value of each investment. With respect to the CRE Fund the Funds’ board of directors will review and approve any fair valuation determination.

For example, Amherst Capital may fair value an asset or liability by calculating the present value of a lender’s expected future cash flows discounted at the loan’s effective interest rate. Because fair value pricing requires the application of judgment to establish a good faith approximation of the value of an asset as of the measurement date at the time the valuation is performed, fair valuation will not necessarily reflect the actual or empirical value of any asset as might be determined with the benefit of hindsight. Thus, the fair value assigned to an asset may not match the next available and reliable market price or, in retrospect, have been the price that would have been paid had that asset actually been sold on the measurement date.

Please see Item 12 of this Brochure for more information on brokerage and certain other transaction costs.

#### **Item 6. Performance Fees and Side-by-Side Management**

Amherst Capital’s performance based fee arrangements, Amherst Capital’s side-by-side management of Clients with differential fee structures entail inherent conflicts that are described in this Item 6.

Certain SMA Clients may pay an incentive fee to Amherst Capital and the terms of such incentive fees for one SMA Client may be different from the incentive fee terms applicable for other SMA Clients (*e.g.*, no fees, different rates and/or calculation formulas) or for the Fund. SMA Clients may pay incentive fees based on net investment income, subject to a hurdle rate and catch-up, if applicable. These are expected to be calculated and charged annually. Incentive fees for SMA Clients likely will vary and will be subject to negotiation with each particular Client.

Amherst Capital’s differing pecuniary interests with respect to its various Clients may create conflicts of interests with respect to the allocation of time, resources and investment opportunities, as Amherst Capital and its personnel may have an incentive to favor Clients in which they have a greater pecuniary interest. The General Partner or Amherst Capital’s entitlement to incentive or performance-based distributions may create an incentive for Amherst Capital to take risks in managing the Clients that it would not otherwise take in the absence of such arrangements. Amherst Capital also has an incentive to favor those Clients for which it begins receiving incentive fees at a lower “hurdle” rate because Amherst Capital will benefit more from the improved performance of such Clients.

Additionally, making incentive or performance-based distributions at different rates or using different calculation methods may create an incentive for Amherst Capital or its affiliates to disproportionately allocate time, services or functions to vehicles where the rate is higher, or to allocate investment opportunities to such vehicles. However, Amherst Capital has policies and procedures in place that, among other things, seek to ensure that investment opportunities are allocated in a manner that Amherst Capital believes in good faith is fair and equitable to its Clients

under the circumstances and considering such factors as it deems relevant, but in its sole discretion. See Item 12 of this Brochure regarding allocation of investment opportunities for additional information relating to how conflicts of interests are generally addressed by Amherst Capital.

### **Side-by-Side Management:**

“Side-by-side management” refers to Amherst Capital’s simultaneous management of multiple Client accounts/investment products with varying fee/expense arrangements. The conflicts of interest associated with side-by-side management can be particularly acute when Amherst Capital manages accounts that are charged a performance-based fee and other accounts that are charged a different type of fee, such as a flat asset-based fee. Amherst Capital has a financial incentive to favor accounts with performance-based fees because Amherst Capital (and our employees and supervised persons) may have an opportunity to earn greater fees on such accounts as compared to client accounts without performance-based fees. Thus, Amherst Capital has an incentive to direct our best investment ideas to client accounts that pay performance-based fees, and to allocate, aggregate or sequence trades in favor of such accounts. Amherst Capital also has an incentive to give accounts with performance-based fees better execution and better brokerage commissions. Please see Item 12 of this Brochure for more information on brokerage practices, including aggregation and trade allocation policies and procedures designed to mitigate these conflicts.

### **Conflicts of Interest Relating to “Proprietary Accounts”:**

Amherst Capital, its affiliates, existing and future employees will from time to time manage and/or invest in products or have accounts Amherst Capital manages and Amherst Capital or Amherst Capital’s affiliates may establish “seeded” funds or accounts for the purpose of developing new investment strategies and products (collectively “Proprietary Accounts”). Investment by Amherst Capital, Amherst Capital’s affiliates, or Amherst Capital’s employees in Proprietary Accounts can create conflicts of interest. Amherst Capital has an incentive to favor these Proprietary Accounts by, for example, directing Amherst Capital’s best investment ideas to these accounts or allocating, aggregating or sequencing trades in favor of such accounts, to the disadvantage of other accounts. Amherst Capital also has an incentive to dedicate more time and attention to Amherst Capital’s Proprietary Accounts. Amherst Capital has policies and procedures in place related to proprietary accounts, trade allocation and trade aggregation designed to mitigate these conflicts of interest. Please see Item 12 for more information.

### **Conflicts of Interest Relating to the Management of Multiple Client Accounts:**

Amherst Capital and its affiliates perform investment advisory services for various Clients. Amherst Capital may give advice and take action in the performance of Amherst Capital’s duties with respect to any of Amherst Capital’s Clients which differs from the advice given, or the timing or nature of action taken, with respect to any other Client. Amherst Capital has no obligation to purchase or sell for a Client any security or other property which Amherst Capital purchases or sells for Amherst Capital’s own account or for the account of any other Client, if Amherst Capital believes that it is undesirable or impractical to take such action. Amherst Capital may give advice or take action in the performance of Amherst Capital’s duties with respect to any of Amherst Capital’s Clients which differs from the advice given, or the timing or nature of action taken by

Amherst Capital's affiliates on behalf of their clients. Additionally, where a Client has imposed restrictions on the brokers through which Amherst Capital may execute transactions on the Client's behalf, such Client may not be able to obtain exposure to an investment in which other Clients with similar investment objectives will be able to invest. Further, Amherst Capital provides and may provide in the future discretionary investment advisory services for some Clients while providing non-discretionary investment advice for other Clients in the same strategy. This creates conflicts including with respect to the timing of trades and the potential for frontrunning.

### **Conflicts of Interest Relating to Accounts with Different Strategies**

Amherst Capital manages numerous accounts with a variety of strategies, which may present conflicts of interest. While portfolio managers generally only manage accounts with similar investment strategies, it is possible, due to varying investment restrictions among accounts, or for other reasons, that certain investments could be made for some accounts and not others, and that conflicting investment positions could be taken among accounts. Taking concurrent conflicting positions can likewise cause a loss to one client and a gain to another.

### **Conflicts of Interest Relating to the Management of Multiple Client Accounts**

Amherst Capital performs investment advisory services for various clients. Amherst Capital may give advice and take action in the performance of our duties with respect to any of our clients which may differ from the advice given, or the timing or nature of action taken, with respect to another client or by our affiliates on behalf of their clients. Amherst Capital has no obligation to purchase or sell for a client any security or other property which Amherst Capital purchases or sells for our own account or for the account of any other client, if believe it is undesirable or impractical to take such action.

### **Item 7. Types of Clients**

Amherst Capital provides advisory services to institutional investors through the Fund, SMAs and CLOs. Investors include sovereign wealth funds, endowments, registered mutual funds and other institutions.

Each investor in the Fund generally must be an "accredited investor," as defined in Regulation D under the Securities Act, a "qualified client" as defined in the Advisers Act and a "qualified purchaser" as defined in the Investment Company Act or "knowledgeable employees" as defined in the Investment Company Act (and for purposes of Section 3(c)(7) thereunder).

Minimum accounts sizes for SMAs and funds of one are determined on a one on one basis depending on the strategy pursued by each Client.

Amherst Capital also provides collateral management services to the CLO. Investors in the CLO consist of "Qualified Institutional Buyers" as defined in rule 144A of the Securities Act. Generally, investors participating in the CLO are required to meet certain suitability and net worth requirements, such as being (1) an accredited investor within the meaning of Rule 501 of Regulation D under the Securities Act of 1933, as amended ("Securities Act") and (a) a "qualified purchaser" as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended

(the “Investment Company Act”) or (b) a “knowledgeable employee” within the meaning of Rule 3c-5 of the Investment Company Act, or (2) a non-U.S. person, depending on the eligibility requirements of the specific Client.

Additionally, Amherst Capital provides certain non-discretionary portfolio analytics and investment research services to its affiliates pursuant to a negotiated intercompany agreement. Investments in the Fund are subject to minimum investment requirements. See Item 4 of this Brochure and refer to the Funds’ Governing Documents or the SMA Agreement, as applicable, for more information.

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

### **Investment Process - Strategies**

The following is a summary of the investment strategies and methods of analysis employed by Amherst Capital. This summary should not in any way limit Amherst Capital’s investment activities. The strategies below, or a combination thereof, as well as other strategies, may be employed for the SMAs, as well as the Fund. Amherst Capital may offer advisory services, provide advice with respect to investment strategies and make investments, including some that are not described in this Brochure including custom strategies for SMAs and Funds of one. Investors and prospective investors in a Fund and SMA Clients or prospective SMA Clients should consult the related offering documents or SMA Agreements for a more detailed discussion of applicable strategies to be employed for any particular Fund or SMA.

### **Investment Process – Private Mortgage Strategies:**

The primary investment strategy of the CRE Fund is to originate and invest in Loans. The Governing Documents specify the maximum term of any Loan if any, although the average Loan term is estimated to be two to five years. Most Loans are expected to have a floating interest rate, but the CRE Fund may each also hold fixed rate Loans, in which case it intends to enter into interest rate swaps to create a LIBOR based floating rate exposure to such Loans. In addition to originating first mortgage Loans, first mortgage Loans or participation interests in such Loans may be acquired from other lenders/investors, and will also be considered “Loans.” Participation interests may be structured in the form of senior, pari passu, or subordinated interests. Loans originated or acquired are typically expected to be held until they are paid off.

Commercial real estate securing the Loans is expected to consist primarily of office, retail, multifamily, industrial, mixed-use, and hotel properties. Most properties are expected to have transitional characteristics (i.e., currently generating in-place income significantly below potential pro forma levels) where the borrower is looking to stabilize and/or reposition the property (typically within a two to three year timeframe) at which time the property would be sold or refinanced. Accordingly, Amherst Capital believes borrowers will seek short-term financing with prepayment flexibility, although Amherst Capital will endeavor to seek Loans with 12+ months of prepayment protection.

Targeted Loans will not include higher risk, more speculative transitional projects. Loans will be backed by projects Amherst Capital believes are strong viable projects where

repositioning/stabilization plans are straightforward, well supported, and where Amherst Capital has a high confidence level in the borrower's ability to execute the plan. If the borrower's stabilization/reposition plans are unsuccessful, potential Loan loss exposure should be mitigated by moderate Loan leverage, strong Loan structural features and good property quality. While individual loan to value ratios ("LTVs") will vary from Loan to Loan based on the nature of the collateral property and its assessed risk profile, the targeted average LTV is expected not to exceed certain established LTV limitations. The Governing Documents will establish a maximum LTV for any individual Loan.

The Fund may from time to time hold cash and invest in cash equivalent securities and other short-term investments that will be held for future investment or other Fund purposes. These securities and investments may include U.S. Treasury securities and money market funds.

### **Investment Process – Public Mortgage Strategies:**

Amherst Capital's mortgage security investment process looks to identify attractive mortgage securities by applying a modern options framework, to value the borrower's probability of refinance. This approach starts with macroeconomic research to assess the overall risk environment, determine broad portfolio themes, and overall portfolio quality. With this macroeconomic foundation in place, Amherst Capital's investment professionals scour data sets and utilize proprietary technology to identify issuer- and security-level sources of potential alpha. In analyzing a specific issuer and underlying assets, Amherst Capital carefully assess the fundamental characteristics of each property taking into account borrower opportunity utilizing proprietary analytical tools.

Objective: Maximized return relative to benchmark index over 3-5 year market cycle with appropriate amount of risk.

Benchmarks: Bloomberg Barclays Capital US Agency MBS Index; Bloomberg Barclays GNMA Total Return Index

Investment Universe: Securities in this strategy generally include agency and non-agency residential mortgage-backed securities, mortgage related asset-backed securities, commercial real estate mortgage backed securities, agency mortgage backed securities derivatives (inverse interest only, interest only, principal only), U.S. Treasury and agency securities, inflation protected securities, and other non-agency structured securities. The strategy may also employ various fixed income derivatives including futures, options, swaps and forward contracts.

Alpha Sources: Strategy seeks to add alpha through active management which may include decisions with respect to security selection, sector allocation and interest rate positioning.

Risk: Typically maximum ex-ante tracking error of approximately 200 basis points but may be higher or lower based on specific client objectives.

## **Risks of Loss:**

The investment strategies described above, and other strategies that may be pursued by the Fund and SMAs, involve a substantial degree of risk, and the Fund or SMAs may lose all or a substantial portion of the value of their investments. Amherst Capital does not guarantee or represent that Amherst Capital's investment program will be successful. Amherst Capital's past results are not necessarily indicative of Amherst Capital's future performance and Amherst Capital's investment results may vary over time. Amherst Capital cannot assure any investor or Client that Amherst Capital's investments of such investor or Client's money will be profitable, and in fact, a Client or investor could incur substantial losses. Investments with Amherst Capital are not a bank deposit and are not insured or guaranteed by the FDIC or any other government agency.

It is not possible to identify all of the risks associated with investing in a Fund or SMA. The following section discusses certain material risks relating to the investment strategies and methods of analysis described above are described in more detail in the applicable Governing Documents or SMA Agreement, together with other risks relating to investment in the Funds, and representatives of Amherst Capital are available to discuss with potential investors or accountholders the risks involved in the strategies pursued by a Fund or SMA. Amherst Capital assumes that investors in a Fund will not invest all of their assets in the Fund. Investors are responsible for appropriately diversifying their assets to guard against the risk of loss.

The particular risks applicable to a Client will depend upon various factors, including the Client's investment strategies, restrictions, and holdings. Investment in any Client entails a high degree of risk and is suitable only for sophisticated institutions or individuals for whom an investment in a Fund or SMA is not a complete investment program and who fully understand and are capable of bearing the risks associated with an investment in a Fund or SMA. There can be no assurance that a Fund or SMAs' objectives will be achieved, and investors must be prepared to bear capital losses which might result from their investment. The risks set forth below represent a general summary of the material risks involved in the investment strategies Amherst Capital offers. Please refer to the "Risk Factors" sections in the Governing Documents or the SMA Agreement for a more detailed discussion of the risks involved with an investment in a Client.

## **MULTIPLE CLIENTS**

**Hedging Transactions.** Each Client may, but is not obligated to, utilize financial instruments to hedge its investments and the interest rate risk associated therewith. There can be no assurance that Clients will hedge when appropriate or choose the correct hedge if it does hedge. The use of hedging transactions involves certain risks. These risks include: (i) the possibility that the market will move in a manner or direction that would have resulted in gain for a Client had a particular hedging transaction not been utilized, in which case the Client's performance would have been better had the Client not engaged in the hedging transaction; (ii) the risk of imperfect correlation between the risk sought to be hedged and the hedging instrument used; and (iii) potential illiquidity for the hedging instrument used, which may make it difficult or costly for a Client to close-out or unwind a hedging transaction.

**Counterparty Risk.** It is expected that many Clients' investment purchases and dispositions will transpire in private markets. To the extent consistent with Clients' intended use of leverage and

as permitted by the relevant governing documents or management agreement (as applied separately for each Fund or SMA), these transactions may include swaps and financing trades including reverse repos, repos, bonds borrowed and bonds loaned. Differing market standards for counterparty credit evaluation may expose Clients to the risk that a counterparty will not complete or settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (irrespective of whether bona fide), counterparty default, or inability to perform, causing the applicable Client to suffer a loss. Such “counterparty” risk is accentuated for contracts with longer maturities or where the applicable Client has concentrated its transactions with a particular counterparty or group of counterparties.

**Risks of Leverage.** The amount of borrowings that a Client may have outstanding and/or to which its investments may be subject at any time will be large in relation to its capital or value. Although the use of leverage may enhance returns, it will also substantially increase a Client’s risk of loss.

**Derivatives.** Clients may utilize various derivative instruments including interest rate swaps, as permitted by the Governing Documents or SMA Agreement. Investments in swaps and other derivative instruments may expose a Client to greater risk and often involve leverage, which may exaggerate a loss, potentially causing a Client to lose more money than it would have lost had it invested in the underlying instrument.

Investments in derivatives may be subject to credit risk with regard to parties with whom Amherst Capital trade and may also bear the risk of settlement default. These risks may differ materially from those entailed in exchange-traded transactions that generally are backed by clearing organization guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default. Certain standardized swaps are now subject to clearing, and other instruments are expected to be in the future. Clearing is intended to reduce counterparty risk but does not make these transactions risk-free.

It is expected that all securities and other assets deposited with custodians or brokers will be clearly identified as being assets (directly or indirectly) of the specific Client, and hence such Clients should not be exposed to a credit risk with regard to such parties. However, it may not always be possible to achieve this segregation, and there may be practical or time problems associated with enforcing rights to its assets in the case of an insolvency of any such party.

**Changes in Market Circumstances.** Clients face risks attendant to changes in economic environments, including changes in interest rates, instability in certain securities markets and availability of financing. In addition, major market disruptions could occur which could significantly impair the value of a Client’s portfolio.

**Government Intervention.** The U.S. government, including the Federal Reserve, has taken a number of measures over the last several years in an effort to stabilize the U.S. economy and to inject liquidity into the U.S. capital markets. The Federal Reserve, in an attempt to stimulate the overall economy, has, among other things, kept interest rates low through its targeted federal funds rate and purchased mortgage-backed securities. Interest rate risk may now be heightened because the Federal Reserve has ended its quantitative easing program and has begun, and may continue,



to raise interest rates. There can be no assurance that programs and proposals initiated and announced by the U.S. Treasury or the Federal Reserve, or programs or proposals initiated in the future, will have a beneficial impact on the financial and real estate markets.

**Cybersecurity Risk.** In addition to the risks described above that primarily relate to the value of investments, there are various operational, systems, information security and related risks involved in investing, including but not limited to “cybersecurity” risk. Cybersecurity attacks include electronic and non-electronic attacks that include but are not limited to gaining unauthorized access to digital systems to obtain client and financial information, compromising the integrity of systems and client data (e.g., misappropriation of assets or sensitive information), or causing operational disruption through taking systems off-line (e.g., denial of service attacks). As the use of technology has become more prevalent, Amherst Capital and the client accounts Amherst Capital manages have become potentially more susceptible to operational risks through cybersecurity attacks. These attacks in turn could cause Amherst Capital and client accounts (including funds) Amherst Capital manages to incur regulatory penalties, reputational damage, additional compliance costs associated with corrective measures, and/or financial loss. Similar adverse consequences could result from cybersecurity incidents affecting issuers of securities in which Amherst Capital invests, counterparties with which Amherst Capital engages in transactions, third-party service providers (e.g., a client account’s custodian), governmental and other regulatory authorities, exchange and other financial market operators, banks, brokers, dealers and other financial institutions and other parties. While cybersecurity risk management systems and business continuity plans have been developed and are designed to reduce the risks associated with these attacks, there are inherent limitations in any cybersecurity risk management system or business continuity plan, including the possibility that certain risks have not been identified. Accordingly, there is no guarantee that such efforts will succeed, especially since Amherst Capital does not directly control the cybersecurity systems of issuers or third-party service providers.

**Political Uncertainty Risk.** Markets in which Clients are invested or to which Clients are exposed may experience political uncertainty (e.g., Brexit), that subjects investments to heightened risks, even when made in established markets. These risks include: greater fluctuations in currency exchange rates; increased risk of default (by both government and private issuers); greater social, economic, and political instability (including the risk of war or natural disaster); increased risk of nationalization, greater governmental involvement in the economy; less governmental supervision and regulation of the securities markets and participants in those markets; controls on foreign investment, capital controls and limitations on repatriation of invested capital and on the Clients’ ability to exchange currencies; inability to purchase and sell investments or otherwise settle security or derivative transactions (i.e., a market freeze); unavailability of currency hedging techniques; slower clearance; and difficulties in obtaining and/or enforcing legal judgments.

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

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

There can be no assurance that adverse political changes will not cause a Client to suffer a loss of any or all of its investments or, in the case of fixed income securities, interest thereon.

**Social and Economic Risk.** Social, economic and other conditions and events (such as natural disasters, epidemics and pandemics, terrorism, conflicts and social unrest) will occur that have significant impacts on issuers, industries, governments and other systems, including the financial markets. As global systems, economies and financial markets are increasingly interconnected, events that once had only local impact are now more likely to have regional or even global effects. Events that occur in one country, region or financial market will, more frequently, adversely impact issuers in other countries, regions or markets. These impacts can be exacerbated by failures of governments and societies to adequately respond to an emerging event or threat. Clients will be negatively impacted if the value of their portfolio holdings decreases as a result of such events, if these events adversely impact the operations and effectiveness of the adviser or key service providers or if these events disrupt systems and processes necessary or beneficial to the management of accounts.

## **CRE FUND**

**Lack of Diversification.** The Clients are expected to participate in a limited type of investments and there can be no assurances concerning the diversification. A limited degree of diversification increases risks. Portfolio diversification will decrease as each Client's target investments are divested following its investment period, as applicable. Clients are expected to invest primarily in real estate investments and therefore will be more adversely affected by unfavorable developments in the real estate markets than if Clients invested in a wider variety of instruments.

**Illiquidity of Investments.** The investments to be made by Clients are likely to be illiquid, and it is unlikely that there will be a public market for any of them. In addition, the types of real estate or loans securing the investments held by Clients may be such that they require a substantial length of time to realize or sell.

**Future Investments are Unspecified.** The target investments for the CRE Fund have not yet been selected and will be made over a substantial period of time, and accordingly, the real estate and debt markets, including interest rates, may change over time.

**Real Estate Capital Markets.** The real estate capital markets are dynamic, continually evolving and impacted by many variables. The real estate capital markets, financing techniques and products are likely to materially change over the term of Clients, and adapting to such changes and/or Amherst Capital's inability to successfully adapt to some or all of such change may negatively impact the performance of the Clients.

**Current Debt Market Conditions.** The continuing lack of liquidity in the U.S. debt markets may adversely affect a Client's ability, or the ability of a prospective purchaser of a Fund's assets, to obtain financing on favorable terms, or at all. It may also adversely affect a Client's ability to

make debt investments secured by real property and may heighten the risks associated with such debt investments, including the risk of borrower default.

**Risk of Investments without Credit Ratings.** Most, if not all, of the CRE Funds' investments will lack credit ratings. These investments may have a greater than normal risk of future defaults, delinquencies, bankruptcies or fraud losses.

**Commercial Real Estate Risks.** The CRE Funds' investments will mainly consist of a broad range of first mortgage loans secured by real property, which will derive their cash flow and value from the performance of the commercial real estate underlying such investments and/or the owners of such real estate. Consequently, all of the investments are subject to the risks of commercial real estate, including the following: (1) commercial real estate properties tend to be unique and are difficult to value; (2) commercial real estate properties, particularly industrial and warehouse properties, are generally subject to relatively greater environmental risks than non-commercial properties and to the corresponding burdens and costs of compliance with environmental laws and other regulations; (3) commercial mortgage lenders typically look to the debt service coverage of a loan secured by income-producing property as an important measure of the risk of default on such a loan; (4) commercial property values and net operating income are subject to volatility; (5) the repayment of loans secured by income-producing properties is typically dependent upon the successful operation of the related real estate project rather than upon the liquidation value of the underlying real estate; and (6) net operating income from and value of any commercial property is subject to various risks described herein, including changes in general or local economic conditions and/or specific industry segments; declines in real estate values; declines in rental or occupancy rates; increases in interest rates, real estate tax rates and other operating expenses; changes in governmental rules, regulations and fiscal policies; weather and other acts of God; pandemics; terrorist threats and attacks and social unrest and civil disturbances. If the properties securing the mortgage loans do not generate sufficient income or have appropriate reserves to meet operating expenses, debt service, capital expenditure and tenant improvements, then the obligors under the mortgage loans may be unable to make payments of principal and interest in a timely fashion. Income from and values of commercial properties are also affected by such factors as the quality of the property manager, applicable laws, including tax laws, interest rate levels, the availability of financing for owners and tenants and the impact of and costs of compliance with environmental controls and regulations.

**Social and Economic Operating Risk.** The occurrence of Social, economic and other conditions and events (such as natural disasters, epidemics and pandemics, terrorism, conflicts and social unrest) could have significant impact on Amherst Capital and third-parties, including borrowers, tenants, consultants and governments to perform certain services. Consequently, all of the CRE investments are subject to the operating risks of such conditions and events, including the following: (1) the ability for Amherst Capital to perform onsite due diligence; (2) the ability for key service providers to perform onsite appraisals and construction reviews; and (3) the ability for courts to exercise remedies during mandated work stoppages. If these events adversely impact the operations and effectiveness of Amherst Capital or key service providers or if these events disrupt systems and processes necessary or beneficial to the management of accounts, the CRE Fund, and its investors, will be negatively impacted if the value of their portfolio holdings decreases as a result of such events.

**Commercial Mortgage Loans.** Commercial mortgage loans such as the mortgage loans in which a CRE Fund intends to invest have certain distinct risk characteristics. Mortgage loans on commercial properties generally lack standardized terms, which may complicate their structure and increase due diligence costs. Commercial mortgage loans generally are non-recourse to borrowers. In the event of foreclosure on a commercial mortgage loan, the value at that time of the collateral securing the mortgage loan may be less than the principal amount outstanding on the mortgage loan and the accrued but unpaid interest thereon. The CRE Funds' investments will be secured by various types of income-producing properties, and there are risks applicable to loans secured by all of those property types, including risks of loss from environmental claims arising with respect to real estate owned (through foreclosure or otherwise) and the risk that a property suffers a loss that is not insured or is underinsured by the liability, fire and extended coverage insurance obtained by the owner or manager as a condition to the CRE Fund making a loan.

**Variable Rate Mortgages.** Many of the loans which the CRE Fund will originate will have variable interest rates. Variable rate loans are subject to the risk that interest rates may decline, which would reduce the amounts payable to the CRE Fund with respect to such loans.

**Redevelopment or Value-Add Properties.** In connection with certain investments, the CRE Fund will rely on the borrowers to implement their business plans in order to stabilize the properties securing such investments, whether through leasing, market repositioning, management change, limited renovation, or other special situations. Properties that require renovations or other improvements may generate reduced cash flow until such renovations are completed.

**Prepayments.** The CRE Funds' investments are subject to prepayment, which would reduce the expected return on the investment.

**Insolvency Considerations.** CRE Fund investments may be subject to various laws enacted in the jurisdiction or state of the borrower for the protection of creditors. Insolvency considerations may differ depending on the jurisdiction in which each borrower is formed and/or located and may differ depending on whether the borrower is a non-sovereign or a sovereign entity. In the event of the insolvency of a borrower, payments made on the investment could be subject to avoidance as a "preference" if made within a certain period of time (which may be as long as one year and one day) before insolvency, and payments may be delayed or diminished as a result of the exercise of various powers of the bankruptcy court.

**Non-performing Target Investments.** Investments acquired by the CRE Fund may thereafter become non-performing for a wide variety of reasons. Such non-performing investments may require a substantial amount of workout negotiations and/or restructuring, which may entail, among other things, a substantial reduction in the interest rate and a substantial writedown of the principal of such loan. In the event of enforcement action in respect of any of the investments, it may be necessary to sell the underlying assets. Sale proceeds could be insufficient, in which case the CRE Fund may ultimately suffer a loss. In addition, although the CRE Fund will have certain contractual remedies upon the default by any borrowers, such as enforcing upon the underlying real estate or collecting rents generated therefrom, certain legal requirements may limit the ability of the CRE Fund to effectively exercise such remedies.

**Creditor Risks.** Most, if not all, of the CRE Funds' investments are expected to be characterized as debt and as such will generally be subject to various creditor risks, including: (1) the possible invalidation of an investment as a "fraudulent conveyance" under relevant creditors' rights laws; (2) so-called lender liability claims by the issuer of the obligations; and (3) environmental liabilities that may arise with respect to collateral securing the obligations. Additionally, adverse credit events with respect to any borrower to which the CRE Fund (directly or indirectly) lends, such as missed or delayed payment of interest and/or principal, bankruptcy, receivership or distressed exchange, can significantly diminish the value of the investments with respect to any such borrower.

**Loans to Less Established Borrowers.** The CRE Fund may make loans to smaller, less established or unquoted borrowers, which may involve greater risks than those associated with loans to more established borrowers.

**Refinancing Market.** The CRE Fund anticipate utilizing the refinancing of loans as an exit strategy. The ability of the Fund to successfully utilize loan refinancings as an exit strategy will depend on a number of factors beyond the control of the Fund such as market interest rates, mortgage spreads, underwriting standards, investor appetite for commercial mortgage securitizations, etc. Should it become more difficult to facilitate mortgage refinancings as a result of increased mortgage rates, tightening underwriting and lending standards, etc. such an event could have an adverse effect on the ability of the Fund to realize their return and liquidity objectives.

**Fees to Sponsor Affiliates.** Sponsor Affiliates are engaged in, or may become engaged in a number of businesses related to CRE Fund investments, including sourcing, evaluating, underwriting, originating, acquiring, disposing, managing and servicing real estate investments. In the instances set forth in the Partnership Agreement, the Fund has engaged and may in the future engage and pay fees to certain Affiliates in connection with the investments. Any such fee is not expected to be offset against the Management Fee and the interests of such engaged affiliates may conflict with the interests of the Fund and its Limited Partners. Arrangements for the Fund to pay fees to Sponsor Affiliates that do not accrue to the benefit of Limited Partners, particularly fees that may be variable based on the Fund's activities may also create incentives for the General Partner, the Manager or such Sponsor Affiliates to take actions that generate increased revenue for such Sponsor Affiliates even if such actions may not be in the best interests of the Fund and its Limited Partners.

The Fund may, from time to time, (i) originate a loan and then sell a portion of such loan to a third party and/or (ii) originate a portion of a loan with a third party originating the other portion of such loan as a co-lender, and in each case, such third party or the Fund may pay an affiliate of the Manager a fee for introducing such third party to the Fund. Although each loan will be subject to the Manager's investment process and related approval process described in the Funds' governing documents, the opportunity to earn these fees creates a conflict of interest because better economic terms may have been available to the Fund from third parties that were not identified by the Manager or such affiliate.

**Servicing Fees for Syndicated Loans.** Amherst Capital may service commercial real estate loans that have been syndicated or otherwise sold to third parties and, in return, is expected to receive a servicing fee from the respective third parties. Such fees will not be shared with the Fund and its investors, but rather earned by Amherst Capital alone. Therefore, Amherst Capital or its affiliates may have an incentive to cause investments to be made, managed or syndicated with a view to earning such compensation, even if such investment decisions are not in the best interests of the Fund and its limited partners.

**CLO Risks Generally.** There are numerous risks associated with an investment in a CLO, including that interests issued by a CLO have limited liquidity and that there are restrictions on their transfer; a CLO could have limited assets to make payment on the interests issued by the CLO; certain instruments issued by a CLO are subject to greater risk of nonpayment than more senior tranches; and the holders of interests have limited rights with respect to underlying collateral. Holders of interests issued by a CLO are also exposed to the risks of the underlying assets in which the CLO invests, which will consist primarily of commercial real estate loans and participation interests therein.

**Terms of Governing Indentures.** The ability of CLO to make distributions or pay dividends will depend on the extent to which payments are made on their portfolio assets and, among other things, on the terms and conditions of the indentures governing the relevant CLO Securities. For example, tests based on overcollateralization, interest coverage or other financial ratios may restrict the ability of certain classes of CLO Securities to receive cash flow from these investments. Also, such vehicles may take actions that prioritize distributions to certain classes of securities and delay distributions to other classes of securities in order to preserve ratings. Holders of the more senior debt tranches of such a vehicle will often receive current payments of principal and interest at times when the factors enumerated above preclude payments and distributions to some or all of the more junior debt and equity tranches of such CLO. In addition, a decline in the credit quality of an asset due to poor operating results of the relevant borrower or issuer, declines in the value of the collateral supporting such asset and increases in defaults, among other things, may force such vehicles to sell certain assets at a loss, reducing their earnings and, in turn, cash potentially available for payment or distribution.

**Default Risk.** If there is a default on a loan in a CLO portfolio, the defaulted borrower often ceases to fund its obligations as they become due. The defaulting borrower usually becomes subject to lengthy and substantial workout negotiations or restructuring, often resulting in a reduction in interest rates on obligations, a write-down of principal and/or change in the terms, conditions or covenants with respect to the defaulted obligation, all of which can be substantial, including the possibility that equity of the borrower will be issued in exchange for the original obligation, in whole or in part. While loans are often secured by collateral, losses can result from default and foreclosure. The value of the underlying collateral, the creditworthiness of the obligor and the priority of the lien will have a significant impact on the potential recovery of a defaulted asset. There is no assurance that the liquidation proceeds of collateral will be sufficient to satisfy the entire outstanding balance of principal and interest on a defaulted loan, resulting in a possible loss of all or part of an investment in a CLO portfolio.

**Subordinated Interests.** CRE Fund subsidiaries may invest in a significant portion of the subordinated debt or preferred equity tranche, commonly known as the “equity,” of a CLO whose investment portfolio is managed by Amherst Capital. Amherst Capital may also invest in various tranches of more senior debt securities issued by the CLO managed by the Adviser or its affiliates. Investing in CLOs or financing vehicles sponsored by the Adviser or its affiliates would result in certain conflicts of interest.

**Regulatory Risk Related to Risk Retention.** As collateral manager or sponsor of the CLO, an affiliate of the CRE Fund expects to retain interests in the CLO, which consist of securities issued by the CLO, in order to comply with applicable risk retention requirements (so long as required thereunder). There has been no explicit guidance regarding how entities should be structured for this purpose and therefore the regulatory environment in which the CLO intends to operate is highly uncertain. There can be no assurance that applicable governmental authorities will agree that any of the transactions, structures or arrangements entered into by Starwood, and the manner in which it expects to hold risk retention interests, will satisfy the risk retention requirements. If such transactions, structures or arrangements are determined not to comply with the risk retention requirements, Starwood could become subject to regulatory action that could result in adverse consequences.

## **PUBLIC MORTGAGE STRATEGY**

**Certain Risks Relating to Mortgage-Related and Other Asset-Backed Securities.** Mortgage-related and other asset-backed securities often involve risks that are different from or more acute than risks associated with other types of debt instruments. Such risks may include credit risk, interest rate risk and prepayment and extension risk, as further described below. In addition, the creditworthiness, servicing practices, and financial viability of the servicers of the underlying mortgage pools present significant risks. For instance, a servicer may be required to make advances in respect of delinquent loans underlying the mortgage-related securities; however, servicers experiencing financial difficulties may not be able to perform these obligations. Additionally, both mortgage-related securities and asset-backed securities are subject to risks associated with fraud or negligence by, or defalcation of, their servicers. These securities are also subject to the risks of the underlying loans. In some circumstances, a servicer’s or originator’s mishandling of documentation related to the underlying collateral (e.g., failure to properly document a security interest in the underlying collateral) may affect the rights of security holders in and to the underlying collateral. In addition, the underlying loans may have been extended pursuant to inappropriate underwriting guidelines, to no underwriting guidelines at all, or to fraudulent origination practices. The owner of a mortgage-backed security’s ability to recover against the sponsor, servicer or originator is uncertain and is often limited. An account’s investments in other asset-backed securities are subject to risks similar to those associated with mortgage-related securities, as well as additional risks associated with the nature of the assets and the servicing of those assets.

**Credit Risk.** An account could lose money if the issuer or guarantor of a security (including a security purchased with securities lending collateral), the counterparty to a derivatives contract, repurchase agreement or a loan of portfolio securities, or the issuer or guarantor of collateral, is unable or unwilling, or is perceived (whether by market participants, rating agencies, pricing

services or otherwise) as unable or unwilling, to honor its obligations. The downgrade of the credit of a security or of the issuer of security held by the account may decrease its value. Securities are subject to varying degrees of credit risk, which are often reflected in credit ratings. A portfolio's average credit quality may not accurately reflect the risk of the portfolio, especially if the portfolio consists of securities with widely varying credit ratings.

**Interest Rate Risk.** Generally, the value of fixed income securities will change inversely with changes in interest rates. As interest rates rise, the market value of fixed income securities tends to decrease. Conversely, as interest rates fall, the market value of fixed income securities tends to increase. This risk will be greater for long-term securities than for short-term securities. Amherst Capital may attempt to minimize the exposure of the portfolios to interest rate changes through the use of interest rate swaps, interest rate futures and/or interest rate options. However, there can be no expectation nor guarantee that Amherst Capital will be successful in fully mitigating the impact of interest rate changes on the portfolios.

**Prepayment and Extension Risk.** When interest rates fall, the principal on mortgage-backed and certain asset-backed securities may be prepaid. The loss of higher yielding underlying mortgages and the reinvestment of proceeds at lower interest rates can reduce the strategy's potential price gain in response to falling interest rates, reduce the value of your investment. When interest rates rise, the effective duration of the strategy's mortgage-related and other asset-backed securities may lengthen due to a drop in prepayments of the underlying mortgages or other assets. This is known as extension risk and would increase the strategy's sensitivity to rising interest rates and its potential for price declines.

**Mortgage-Backed Securities ("MBS").** Certain MBS have become difficult to value, and the markets for some securities have become very illiquid. In some cases the market has severely underestimated the risks inherent in these instruments, including the risks of homeowner default and risks relating to declining real estate values. MBS that are issued by U.S. government-sponsored agencies are less exposed to credit risk and the risk of decreasing collateral values. These securities have not suffered the same volatility or illiquidity suffered by some other MBS, but there can be no assurance that this will continue to be the case. The rate of prepayments on underlying mortgages affects the price and volatility of a mortgage-backed security, may have the effect of shortening or extending the effective maturity beyond what was anticipated, and may require the reinvestment of assets at an inopportune time, which may result in a lower rate of return.

**Residential Mortgage Backed Securities ("RMBS").** Holders of RMBS bear various risks, including credit, market, interest rate, structural and legal risks. RMBS represent interests in pools of residential mortgage loans secured by one to four family residential mortgage loans. Such loans may be prepaid at any time. Residential mortgage loans are obligations of the borrowers thereunder only and are not typically insured or guaranteed by any other person or entity, although such loans may be securitized by government agencies and such securities issued may be guaranteed. The rate of defaults and losses on residential mortgage loans will be affected by a number of factors, including general economic conditions and those in the geographic area where the related mortgaged property is located, the terms of the loan, the borrower's "equity" in the mortgaged property and the financial circumstances of the borrower. If a residential mortgage



loan is in default, foreclosure of such residential mortgage loan may be a lengthy and difficult process, and may involve significant expenses. Furthermore, the market for defaulted residential mortgage loans or foreclosed properties may be very limited.

**Commercial Mortgage Backed Securities (“CMBS”).** Collateral underlying CMBS generally consists of mortgage loans secured by income producing property, such as regional malls, other retail space, office buildings, industrial or warehouse properties, hotels, rental apartments, nursing homes, senior living centers, self-storage properties and other income producing commercial real estate. Investments may be made directly in CMBS as well as derivatives referencing CMBS as well as other structured securities. Performance of a commercial mortgage loan depends primarily on the net income generated by the underlying mortgaged property. The market value of a commercial property similarly depends on its income-generating ability. As a result, income generation will affect both the likelihood of default and the severity of losses with respect to a commercial mortgage loan. Any decrease in income or value of the commercial real estate underlying an issue of CMBS could result in cash flow delays and losses on the related issue of CMBS. The owner of CMBS does not have a contractual relationship with the borrowers of the underlying commercial mortgage loans. The CMBS holder typically has no right directly to enforce compliance by the borrowers with the terms of the loan agreement, nor any rights of set-off against the borrower, nor will it have the right to object to certain changes to the underlying loan agreements, nor to move directly against the collateral supporting the related loans.

**Asset-Backed Securities (“ABS”).** ABS are subject to interest rate risk and, to a lesser degree, prepayment risk. ABS are subject to additional risks in that, unlike MBS, ABS may not have the benefit of a security interest in the related collateral. Therefore, there is the possibility that recoveries on the underlying collateral may not, in some cases, be available to support payments on these securities. Each type of ABS also entails unique risks depending on the type of assets involved and the legal structure used. ABS typically experience credit risk. There is also the possibility that recoveries on repossessed collateral may not, in some cases, be available to support payments on these securities because of the inability to perfect a security interest in such collateral. General downturns in the economy could cause the value of ABS to fall.

**Collateralized Mortgage Obligations (“CMOs”) and MBS Derivatives.** The CMO and stripped MBS markets were developed specifically to reallocate the various risks inherent in MBS across various bond classes ("tranches"). For example, CMO "companion" classes typically experience much greater average life variability than other CMO classes or MBS pass-throughs. Interest only pass-through securities experience greater yield variability relative to changes in prepayments. "Inverse floaters" experience greater variability of returns relative to changes in interest rates. To the extent that Amherst Capital concentrates investments in these or other "derivative" securities, the prepayment risks, interest rate risks and hedging risks associated with such securities will be severely magnified.

## **Item 9. Disciplinary Information**

From time to time, Amherst Capital and/or Amherst Holdings may be involved in regulatory examinations or litigation that arise in the ordinary course of Amherst Capital's business. At this time Amherst Capital is not aware of any regulatory matters or litigation that Amherst Capital

believes would be material to an evaluation of Amherst Capital's advisory business or integrity of Amherst Capital's management.

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

##### **Amherst Holdings is a Financial Services Holding Company:**

Amherst Holdings is a financial services holding company that provides advice and services to institutional investors, issuers and financial companies. Amherst Capital is a subsidiary of Amherst Holdings. Amherst Holdings has expertise in the real estate and related structured finance markets including sales and trading, investment banking, advisory services and asset management programs.

Amherst Capital may enter into transactions with unaffiliated counterparties or third party service providers who then use affiliates to execute such transactions. Although one of Amherst Capital's affiliates may receive compensation for engaging in these transactions, the decision to use or not use an affiliate of ours is made by the unaffiliated counterparty or third party service provider. Further, Amherst Capital may be unaware that the affiliate is being used to enter into such transaction.

##### **Outside Business Activities:**

Certain of Amherst Capital's officers/directors may also hold management or board of director positions with the affiliates listed in Item 7.A. of Part 1A of Form ADV ("Affiliate Parties"). For example, Sean Dobson is the Chief Executive Office ("CEO") of Amherst Capital. He also serves as the CEO and Chairman of the Board of Managers of Amherst Holdings and the CEO of various other subsidiaries and affiliates of Amherst Holdings including a registered investment adviser and a non-executive board member of a broker dealer holding company, Pierpont Capital Holdings. In these positions, such persons may have some responsibility with respect to the Affiliate Parties and the compensation of these persons may be based, in part, upon the profitability of both Amherst Capital and such Affiliate Parties. Consequently, in carrying out their dual roles, these persons may be subject to conflicts of interest. None of the Affiliate Parties is under any obligation to offer investment opportunities of which they become aware to Amherst Capital or its Clients or share with Amherst Capital or inform Amherst Capital of any such transaction or any benefit received by them from any such transaction or to inform Amherst Capital of any investments before offering any investments to Affiliate Parties' clients.

As a result of the foregoing, the Affiliate Parties may have conflicts of interest in allocating their time and activity between, allocating investments among and effecting transactions for Amherst Capital or its Clients or Affiliate Parties.

##### **Dual Officers and Employees:**

Certain employees of Amherst Capital are also officers or employees of one or more affiliates of Amherst Capital ("dual officers") for the purpose of performing investment management and non-investment management related functions including oversight of derivatives.

Additionally, certain employees of Amherst Holdings or its affiliated entities act as dual officers or employees of Amherst Capital for the purpose of performing investment management, accounting, administrative, investor relations and other related functions.

When Amherst Capital shares personnel with our affiliates pursuant to these arrangements, such personnel will be subject to Amherst Capital's compliance policies and procedures when acting on behalf of Amherst Capital, and subject to the policies and procedures of the affiliate when acting on behalf of that affiliate.

### **Affiliated Placement Agents and Solicitors:**

Amherst Capital will utilize affiliated "placement agents" and solicitors, including Amherst Pierpont Securities LLC ("APS") who will solicit persons to invest in various CLOs and private funds, including Amherst Capital's Funds. The General Partner and/or the Manager, as applicable have entered into agreements with these placement agents to pay them commissions or fees for such solicitations. Amherst Capital or its affiliates will be solely responsible for the payment of these commissions and fees – they will not be borne by the Fund and their investors (to the extent borne by the Fund such amount will be offset by a reduction in management fees paid to Amherst Capital). Amherst Capital and its affiliates will pay these commissions and fees out of Amherst Capital's profits, and these payments will not increase the fees paid by the Funds' investors. These financial incentives may cause the placement agents and their employees and/or salespersons to steer investors toward those Funds that will generate higher commissions and fees.

In addition, the CLO selects certain placement agents to act as manager and/or bookrunner with respect to the CLO Securities. In this capacity, the placement agent will generally place or purchase the CLO Securities, place or sell such securities to the ultimate CLO investors in individually negotiated transactions at varying prices to be determined in each case at the time of sale, and deliver or arrange for the delivery of such securities. The placement agent will receive from the applicable CLO Client certain fees and reimbursement of certain expenses (including legal expenses) for its services as placement agent.

Please see Item 14 of this Brochure for more information on the compensation arrangements related to client referrals.

### **Affiliated Service Providers:**

Amherst Capital has entered into a license agreement with Amherst InsightLabs, LLC ("AIL") an affiliate of Amherst Holdings. AIL provides Amherst Capital access to its mortgage related data and analytics which Amherst Capital uses in connection with services to its Clients. AIL also provides a commercial real estate pipeline management system.

### **Affiliated Broker-Dealers and Investment Advisers:**

Amherst Capital is affiliated with advisers and broker/dealers. Please see Form ADV, Part 1A – Schedule D, Section 7.A for a list of Amherst Capital's affiliated advisers and broker-dealers. Amherst Capital's investment adviser affiliate has investment-related private funds for which a related person serves as sponsor, general partner or managing member (or equivalent),

respectively. Please refer to the Form ADV, Part 1A – Schedule D, Section 7.B for each of Amherst Capital’s affiliated investment advisers for information regarding such firm’s private funds (if applicable) and such firm’s Form ADV, Part 1A – Schedule D, Section 7.A for information regarding related persons that serve in a sponsor, general partner or managing member capacity, if applicable).

Where Amherst Capital selects the broker to effect transactions for Client accounts, Amherst Capital may use either an affiliated or unaffiliated broker (unless otherwise restricted by an agreement, law or regulation). Amherst Capital may have an incentive to enter into transactions with an affiliated broker-dealer in an effort to direct more commission dollars to the affiliate.

APS, an affiliate of Amherst Capital and Amherst Holdings, is a registered broker dealer focused on mortgage-related securities and securitized products. Amherst Capital currently does not direct Client securities transactions to APS but may engage APS for certain private market transactions including, but not limited to, sourcing third parties associated with syndicated loan transactions for which APS receives a fee. Amherst Capital or the Fund may be responsible for the payment of these fees. To the extent the fees are borne by the Fund, Amherst Capital will seek to offset such amount by any income received by the Fund as a result of the syndicated loan transaction. For more information, please see “CRE Fund” risks in Item 8.

Amherst Capital has broker selection policies in place that require Amherst Capital’s selection of a broker-dealer to be consistent with its duties of best execution, and subject to any Client and regulatory proscriptions. Please see Item 12 of this Brochure for more information on Amherst Capital’s broker selection process.

Amherst Capital may be prohibited or limited from effecting transactions for Clients because of rules in the marketplace, foreign laws or Amherst Capital’s own policies and procedures. Additionally, Amherst Capital may face limitations because of broker selection or holdings restrictions imposed by a Client. Such Client may not receive an investment or an allocation of an investment that it would have received but for such broker selection or holdings restrictions. Please also refer to Item 12 of this Brochure for a discussion of trade aggregation issues.

### **Affiliated Private Funds and Sponsors:**

As discussed in Items 4-8 above, Amherst Capital acts as investment adviser to various private real estate funds. Affiliated Parties, owned by Amherst Capital sponsor and/or act as the general partner of such private funds. Please see Form ADV, Part 1 - Schedule D, Section 7.A for a list of Amherst Capital’s affiliated sponsors. Amherst Capital’s management persons' relationship to these funds, the affiliated general partner and other affiliates as well as the related conflicts of interest are disclosed to underlying investors in the fund’s offering materials before they invest. For example, the general partner receives performance-based compensation (i.e. carried interest) from certain private funds, which may create an incentive for Amherst Capital’s management persons to recommend investments that are riskier than might otherwise be the case. Also, such management persons may have conflicts of interest in allocating their time and service among such funds, Amherst Capital and certain other Amherst Holdings’ entities. Please see the applicable fund’s offering materials for further information regarding such conflicts.

### **Affiliated Underwriters:**

Amherst Capital's broker-dealer affiliate occasionally act as underwriter or as a member of the underwriting syndicate for certain new issue securities, which may create an incentive for Amherst Capital to purchase these new issue securities, in an effort to provide additional fees to the broker-dealer affiliate. Amherst Capital has established a policy regarding purchases of securities in an offering in which an affiliate acts as an underwriter or as a member of the underwriting syndicate. The policy prohibits direct purchases from an affiliate for any fiduciary account under any circumstances.

**Fees to Sponsor Affiliates.** Sponsor Affiliates are engaged in, or may become engaged in a number of businesses related to CRE Fund investments, including sourcing, evaluating, underwriting, originating, acquiring, disposing, managing and servicing real estate investments and the placement of CRE interests or CLO Securities.

For more information, please see "CRE Fund" risks in Item 8.

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

Amherst Capital has adopted a code of ethics (the "Code"), which includes, among other things, standards of conduct and insider trading policies and procedures. Amherst Capital's Code requires, among other things, that Amherst Capital's personnel must not act or behave in any manner or engage in any activity that could cause even the appearance of unfairness or impropriety, including the misuse of material, nonpublic information by Amherst Capital or any employee or gives rise to, or appears to give rise to, any breach of fiduciary duty owed to any client or investor. In addition, the Code states that all employees are required to comply with the federal securities laws.

Amherst Capital's Code also includes the Personal Securities Trading Policy (the "PSTP"). The PSTP is designed to reinforce Amherst Capital's reputation for integrity by avoiding even the appearance of impropriety and to ensure compliance with applicable laws in the conduct of Amherst Capital's business. The PSTP sets forth procedures and limitations that govern the personal securities transactions of Amherst Capital's employees in accounts held in their own names as well as accounts in which they have indirect ownership. Amherst Capital, and Amherst Capital's related persons and employees, may, under certain circumstances and consistent with the PSTP, purchase or sell for their own accounts securities that Amherst Capital also recommend to Clients.

The PSTP imposes different requirements and limitations on employees based on the nature of their business activities for Amherst Capital. Each of Amherst Capital's employees is classified as one of the following:

- (i) Access Person ("AE"): AEs are employees who, as part of their responsibilities, have access to nonpublic information regarding any advisory client's purchase or sale of securities or nonpublic information regarding the portfolio holdings of any Proprietary Account, or are involved in making securities recommendations to advisory clients or have access to such recommendations before they are public.

- (ii) Investment Employees (“IEs”): IEs (generally portfolio managers and research analysts who make recommendations or decisions regarding the purchase or sale of securities for mutual funds and other managed accounts) are subject to the most extensive procedures under the PSTP.

#### PSTP Overview:

- (i) APs and IEs are subject to preclearance and personal securities reporting requirements, with respect to discretionary accounts in which they have direct or indirect ownership;
- (ii) Transaction reporting is not required for non-discretionary accounts, transactions in exempt securities or certain other transactions that are not deemed to present any potential conflicts of interest;
- (iii) Preclearance is not required for transactions involving certain exempt securities (such as open-end investment company securities that are not managed, advised or sponsored by an affiliate, or money market funds and short-term instruments, non-financial commodities; transactions in non-discretionary accounts (approved accounts over which the employee has no direct or indirect influence or control over the investment decision-making process); transactions done pursuant to automatic investment plans; and certain other transactions detailed in the PSTP which are either involuntary or deemed not to present any potential conflict of interest;
- (iv) Amherst Capital maintains a “restricted list” of companies whose securities are subject to trading restrictions. This list is used by compliance to determine whether or not to grant trading authorization;
- (v) The acquisition of any securities in a private placement requires prior written approvals;
- (vi) No covered employee should knowingly participate in or facilitate late trading, market timing or any other activity with respect to any fund in violation of applicable law or the provisions of such fund’s disclosure documents; and
- (vii) A copy of Amherst Capital’s Code of Ethics will be provided upon request.

#### **Interest in Client Transactions:**

Note that while each of the following types of transactions present conflicts of interest for Amherst Capital, as described below, Amherst Capital manages its accounts consistent with applicable law, and Amherst Capital follows procedures that are reasonably designed to treat Amherst Capital’s Clients fairly and to prevent any Client or group of Clients from being systematically favored or disadvantaged over time.

Principal Transactions. “Principal transactions” are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys any security from or sells any security to any client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated pooled investment vehicle and another client account. Amherst Capital may engage in principal transactions subject to the consent requirements under the Advisers Act and as permitted under applicable law. When Amherst Capital engages in a principal transaction, Amherst Capital may have an incentive to favor Amherst Capital’s own interests (and those of Amherst Capital’s affected affiliates) over the interests of Amherst Capital’s Client. Amherst Capital has adopted policies to seek any necessary consent to such transactions, which may include the consent of the Fund board of directors or investor advisory committee of the certain Fund in accordance with the Governing Documents and consent of each Client for SMA accounts.

Cross Transactions. Amherst Capital generally does not seek to effect cross transactions between Client accounts. In the event that Amherst Capital effects cross transactions between Client accounts, Amherst Capital will seek to ensure that such transactions and any related disclosures are made consistent with applicable laws and agreements (including obtaining any requisite approvals thereunder) and Amherst Capital’s policies and procedures. In particular, Amherst Capital will seek to ensure that each transaction is (i) in Amherst Capital’s judgment, in the best interests of each Client account involved in the transaction; and (ii) in compliance with any investment guidelines or restrictions for these Client accounts.

In effecting these transactions, Amherst Capital will seek to ensure that the purchase or sale is affected at a price that is comparable to the price that could be obtained through an arm’s-length transaction with a third party and that is otherwise fair to both parties. Documentation will be maintained to memorialize the basis for determining fairness in pricing. Neither Amherst Capital nor any of its affiliates may receive any compensation for effecting a cross-fund transaction.

Transactions in Same Securities. Amherst Capital or Amherst Capital’s affiliates may make the same investments that Amherst Capital or Amherst Capital’s affiliates recommend to clients, and in particular may invest through one or more Funds or SMAs. When Amherst Capital or an affiliate hold, for Amherst Capital’s own benefit, the same investment as a Client, Amherst Capital could be viewed as having a potential conflict of interest. For example, Amherst Capital or Amherst Capital’s affiliate could be seen as harming the performance of the Client’s account for Amherst Capital’s own benefit if Amherst Capital short-sell the securities in Amherst Capital’s own account while holding the same securities long in the Client account, causing the market value of the securities to move lower. If Amherst Capital’s portfolio managers make inconsistent trading decisions, the basis for those decisions must be documented, and may be reviewed periodically by Amherst Capital’s compliance department to determine whether they were made on an appropriate basis.

Interests in Recommended Securities/Products. Amherst Capital or Amherst Capital’s affiliates may recommend investments to clients, or buy or sell assets for Client accounts, at or about the same time that Amherst Capital or one of Amherst Capital’s affiliates buys or sells the same assets for Amherst Capital’s (or the affiliate’s) own account. This practice may give rise to a variety of potential conflicts of interest, particularly with respect to aggregating, allocating and sequencing assets being purchased on both Amherst Capital’s (or its affiliate’s) behalf and Amherst Capital’s

Clients' behalf. Allocation and sequencing of investment opportunities might likewise raise a potential conflict of interest as Amherst Capital may have an incentive to allocate investment opportunities that are expected to increase in value to Amherst Capital's self. See Item 12 of this Brochure for a discussion of Amherst Capital's brokerage and allocations practices and policies. Further, a potential conflict of interest could be viewed as arising if a transaction in Amherst Capital's own account closely precedes a transaction in related securities in a Client account, such as when a subsequent purchase by a Client account increases the value of securities that were previously purchased for Amherst Capital's self.

Investments by Related Persons and Employees. Amherst Capital and Amherst Capital's existing and future employees, Amherst Capital's board members, and Amherst Capital's affiliates and their employees may from time to time subject to applicable law and regulations invest in products managed by Amherst Capital. Amherst Capital will develop policies and procedures to address any conflicts of interest created by such investment. Amherst Capital is part of a large diversified financial organization that includes advisers and broker-dealers. As a result, it is possible that a related person may, as principal, purchase securities or sell securities for itself that Amherst Capital also recommend to Clients. Amherst Capital does permit Amherst Capital's employees to invest for their own account within the guidelines and restrictions of the Code of Ethics, as described above. For more information, please see "Interests in Recommended Securities/Products" in this Item 11, and "Dual Officers and Employees" and "Affiliated Underwriters/Trustees" in Item 10 with regard to purchases of securities in an offering where an affiliate acts as underwriter or a member of the underwriting syndicate.

Agency Transactions Involving Affiliated Brokers. Neither Amherst Capital nor any of Amherst Capital's officers or directors, acting as broker or agent, effects securities transactions for compensation for any Client. Amherst Capital is part of a large diversified financial organization that includes broker-dealers. Please also see Schedule D, Section 7A of Amherst Capital's Form ADV Part 1 for a list of broker-dealers which are Amherst Capital's affiliates.

## **Item 12. Brokerage Practices**

Broker-Dealer Selection. On behalf of Amherst Capital's discretionary Clients, Amherst Capital subject to any restrictions or instructions imposed by a particular client has full discretion over the purchase and sale of investments (including the size of such transactions) and the authority to direct transactions on behalf of Amherst Capital's Clients to broker-dealers, banks and other intermediaries Amherst Capital selects. In doing so, Amherst Capital seeks best execution of such transactions. When seeking best execution, Amherst Capital will consider the full range and quality of a broker-dealer's services including, among other things, competitive commission rates, expertise, reputation and integrity, facilities, financial services offered, willingness and ability to commit capital, access to under-written offerings and secondary markets, reliability both in executing trades and keeping records, fairness in resolving disputes, value provided, execution capability, financial responsibility and responsiveness to Amherst Capital.

Soft Dollar Arrangements. Section 28(e) of the Exchange Act provides a safe harbor that allows an adviser to use dollars generated from brokerage commissions from client transactions ("soft dollars") to pay for brokerage and research services provided by broker-dealers or third parties. In the selection of qualified brokers to execute certain transactions, a broker or dealer may be selected



that provides, along with trade execution services, proprietary or third party brokerage and research services and products. Such services and products may include: (i) models and research databases; (ii) company, industry and market analysis; (iii) market data; (iv) security exchange pricing and news services; and (v) independent or proprietary research.

Amherst Capital has no formal arrangements with specific brokers or dealers to receive research or other services beyond transaction execution in exchange for brokerage commissions from Client transactions (so-called “soft dollar” arrangements). However, brokers or dealers may be selected who provide research reports and services to Amherst Capital, including: proprietary broker-dealer company research and analyses; oral and written reports, statistics and advice about the economy, industries and individual securities’ or company investment opportunities; and reports on underwriting activity, bank rates, loan defaults, loan new issuance volumes and other capital markets statistics, both of which may be attractive for one or more Funds or to Amherst Capital; and opportunities to confer with company management. In accordance with Section 28(e) of the Exchange Act, broker-dealers providing such services may be paid commissions on transactions for the Funds in excess of those that other broker-dealers not providing such services might charge so long as Amherst Capital determines in good faith the amount of commissions is reasonable in relation to the value of the brokerage and research services provided, taking into account all of the accounts over which Amherst Capital exercises investment discretion. Recognizing the value of the brokerage and research services provided, Amherst Capital may allow a brokerage commission or negotiated term in excess of that which another broker might have charged for effecting the same transaction.

Amherst Capital will periodically evaluate the overall reasonableness of the brokerage commissions and negotiated terms paid to or made with broker-dealers with respect to Client transactions by, among other things, seeking to compare such commissions and terms with the commission rates and negotiated terms being charged by and entered into with other comparable broker-dealers. Amherst Capital will also periodically review the past performance of the broker-dealers with whom it has placed orders to execute transactions in light of the factors discussed above.

The use of Client commissions to obtain research services and products benefits Amherst Capital because Amherst Capital will not have to produce or pay for the research itself.

Other Brokerage Practices Conflicts of Interest. The following brokerage practices may lead to an actual or potential conflict of interest when selecting broker-dealers to execute client trades:

- (i) receiving client referrals from a broker-dealer;
- (ii) acting on a client’s direction to use a particular broker-dealer; and
- (iii) using affiliated broker-dealers.

Compensation for Client Referrals: We do not provide compensation to any broker-dealer in exchange for referral of investment management clients.

Brokerage for Client Referrals. Amherst Capital does not direct securities transactions to any broker-dealer in exchange for referral of investment management clients.

Directed Brokerage. Amherst Capital may accept direction from a Client to place trades for a Client's account with a particular broker-dealer. At times, a Client will instruct Amherst Capital to execute certain trades in their portfolio with a specified broker-dealer. In the event that such direction occurs, Amherst Capital may have limited capability to negotiate prices or obtain volume discounts. In addition, in meeting the Client's brokerage directive, Amherst Capital may not be able to aggregate these transactions with transactions Amherst Capital effects for other accounts Amherst Capital manages and Amherst Capital may delay placing the orders for directed accounts until Amherst Capital's orders for other accounts have been completed. As a result, the net price paid or received by the directed account may be different than the price paid or received by Amherst Capital's other accounts, as Amherst Capital may be unable to achieve the most favorable execution. Directing brokerage may cost Clients more money.

Trade Aggregation. When a trade is placed for more than one SMA Client, Amherst Capital may, in its discretion, aggregate orders or block trades when Amherst Capital believes this will result in more favorable execution. Trade aggregation and allocation will be conducted in accordance with Amherst Capital's Trade Allocation Policies. These Trade Allocation Policies are intended to provide fair and equitable treatment of all Client accounts over time with respect to the priority of order execution, allocation of instruments, prices obtained in aggregated trades and the timeliness and efficiency trade executions.

All of Amherst Capital's SMA Clients may participate in block trades to the extent it is consistent with the accounts' investment policy, guidelines and restrictions. Amherst Capital Client(s) transactions may be aggregated with Client(s) transactions of affiliates for which Amherst Capital's officers are also officers of such affiliates. When trades are aggregated, each account within the block will receive the same price. Amherst Capital is not permitted to receive any additional compensation or remuneration of any kind as a result of aggregating trades.

Amherst Capital's general policy is to aggregate and allocate among all accounts having demand for a particular trade. In certain cases, Amherst Capital may execute trades to meet the specific needs of an individual account.

Trade Allocation. If a block order is filled in its entirety, the order will be allocated in accordance with the pre-trade allocation specified. If a block order is partially filled, the order is allocated among the accounts specified on the trade ticket on a pro rata basis in proportion to the intended pre-trade allocation. When trades are aggregated, each account within the block will receive the same price and execution. Any deviation from the pro rata allocation policy must be for good cause. On a daily basis when an order remains open the Head of Investment Operations checks the partial fill report which shows any deviations from pro-rata allocation policy. Deviations are usually due to a cash flow in an account, minimum denomination increments or de minimis allocations.

Trade Error Procedures. Trade errors occur when intended securities transactions are incorrectly executed or processed or not executed or processed when or as intended. Amherst Capital takes an active role in all error corrections, and requires that all errors must be promptly corrected. Amherst Capital's policy is that Amherst Capital may not use other Client accounts, a Client's brokerage account, or any proprietary account of Amherst Capital or of its affiliates to correct a

trade error. In addition, Amherst Capital requires that no Client be disadvantaged as the result of a trade error Amherst Capital has caused.

Pursuant to this policy, Clients retain any gain associated with a trade error caused by Amherst Capital and are reimbursed for any losses resulting from a trade error caused by Amherst Capital. Gains from one error may not be netted against losses created by another error; netting is permitted only if gains and losses are attributable to the same investment decision and if the account involved is not subject to ERISA.

Amherst Capital's goal is to avoid errors by taking preventive measures. After errors have been corrected, Amherst Capital's practice is to examine its order management and trading procedures and implement any revisions needed to limit the likelihood of recurrence.

Amherst Capital is responsible for its own errors and not the errors of other persons, including third party brokers and custodians, unless otherwise expressly agreed to by Amherst Capital. Amherst Capital, in its sole discretion, may assist, to the extent possible, with the appropriate correction of errors committed by third parties.

### **Item 13. Review of Accounts**

CRE Fund: The investment portfolio of the CRE Fund will be generally private, illiquid and long-term in nature; accordingly, Amherst Capital's review of them is not directed toward a short-term decision to dispose of investments. With respect to investments such as bank and other loans, financings, originations and related credit, fixed income and other instruments and claims, Amherst Capital and its affiliates' professionals will continually review and analyze existing investment positions to attempt to identify issues early on and to take action when necessary.

CLOs: Amherst Capital's investment team will perform ongoing reviews of the CLO portfolio to monitor performance and adherence with investment objectives and guidelines, credit risk requirements and investment strategy set forth in the CLO governing documents. Amherst Capital will perform these reviews no less frequently than quarterly.

The related servicer and special servicer will prepare period statements regarding the collateral assets, and the related note administrator prepares periodic statements regarding distributions to noteholders.

SMA: Management of each SMA account requires that portfolio managers implement strategies and investment decisions in accordance with the client's stated guidelines and applicable regulatory requirements. Amherst Capital has adopted and implemented a number of policies, procedures and practices designed to facilitate both ongoing and periodic review of Amherst Capital's various portfolios and strategies. A summary of the account review procedures implemented by Amherst Capital is provided below.

Portfolio managers are primarily responsible for reviewing each of their accounts on a continuous basis. All portfolios are reviewed continuously by members of the portfolio management team. Additional in-depth reviews by the portfolio managers may be triggered by factors such as contributions to and distributions from the account and market and economic changes.

Amherst Capital's compliance department monitors the Fund and SMAs on a continuous basis, including where available, through the use of an automated third party pre-trade and post-trade compliance system to ensure that new orders as well as existing holdings are in accordance with Client investment guidelines and restrictions. In addition, periodic internal and external audits are conducted to ensure that portfolios are managed in accordance with client guidelines and restrictions. Any guideline breaches, including those that occur as a result of market movements, are promptly communicated and followed up on. Corrective action is taken where appropriate.

Amherst Capital will make available the books and records of the Fund and SMAs as and to the extent provided in the Funds' Governing Documents or SMA Agreement. Generally, Amherst Capital will provide annual audited reports and audited financial statements to the investors in the Fund, and investors may receive other reports pursuant to the terms of the applicable Governing Documents of the Fund. Each year, Amherst Capital will assist the Fund in the preparation of reports setting forth information necessary for the Fund investors to complete their tax returns.

Certain investors, including investors that are affiliated with Amherst Capital, may have access to information regarding the Fund and SMAs and their investments that may not be known to other investors. As a result, certain investors may be able to take actions on the basis of such information which, in the absence of such information, other investors do not take.

Generally, each SMA Client receives periodic performance and holdings reports according to the contractual requirements of such SMA Client's investment management agreement.

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

Unaffiliated Solicitors and Placement Agents. Amherst Capital may hire third parties to solicit new investment advisory clients. The commissions or fees, if any, payable to such solicitors (also referred to as placement agents) with respect to solicitation of investments with Amherst Capital will be paid solely by Amherst Capital. Clients will not pay fees for these solicitations. These solicitors have an incentive for the client to hire Amherst Capital because Amherst Capital will pay the solicitor for the referral. The prospect of receiving solicitation/placement fees may provide such placement agents and/or their salespersons with an incentive to favor these sales over the sale of other investments with respect to which the placement agent does not receive such compensation, or receives lower levels of compensation. In addition, to the extent permitted by law, certain placement agents and their respective affiliates may provide brokerage and certain other financial and securities services to Amherst Capital or Amherst Capital's affiliates. Such services, if any, will be provided at competitive rates.

From time to time, Amherst Capital may enter into agreements with third parties, providing cash compensation to solicitors who secure clients for Amherst Capital. These agreements require that the solicitor meet the disclosure and other requirements of Rule 206(4)-3 under the Advisers Act, and are in compliance with the requirement that each client subject to a referral arrangement receive a copy of the referral agreement prior to or at the time of entering into an agreement with Amherst Capital. They generally provide either for compensation equal to a specified percentage of fees received by Amherst Capital from clients referred by the solicitor, or for fixed compensation payable monthly or quarterly.

Affiliated Solicitors and Placement Agents. Amherst Capital may pay referral fees to certain entities, including Amherst Capital's affiliates (and/or their employees), for referrals that result in additional investment management business. Please see the discussion of affiliated placement agents in Item 10 of this Brochure.

Amherst Capital's parent company, Amherst Holdings, has organized its capital formation business into one group focused on developing new customer relationships and developing and coordinating large customer relationships across Amherst Holdings' subsidiaries within this group.

In certain circumstances, Amherst Holdings sales representatives may be paid fees for sales. The fees may be based on revenues and may be a one-time payment or paid out over a number of years.

Sales of any alternative investment products (such as private funds) may be made through a broker-dealer affiliate. Only registered representatives of such broker-dealer may receive compensation for sales of alternative investments.

### **Item 15. Custody**

Rule 206(4)-2 under the Advisers Act (the "Custody Rule") defines "custody" to include a situation in which an adviser or a related person holds, directly or indirectly, client funds or securities or has any authority to obtain possession of them, in connection with advisory services provided by the adviser.

While Amherst Capital generally will not have physical custody of Client assets (except with respect to certain privately offered securities), Amherst Capital may be deemed to have custody of Clients' accounts for purposes of the Custody Rule. SMA Clients for which Amherst Capital is deemed to have custody, will receive quarterly account statements from their qualified custodian(s).

Such Clients should carefully review the custodian statements and, to the extent such Clients also receive account statements from Amherst Capital, should compare the Amherst Capital statements with those received from the qualified custodian. Clients who fail to receive statements from the qualified custodian or who have any questions about the statements they receive should promptly contact Amherst Capital using the contact information provided on the cover of this Brochure.

Amherst Capital may also be deemed to have custody of the assets of any Fund for which Amherst Capital or an affiliate acts as general partner or managing member. For Funds, Amherst Capital will comply with the Custody Rule through the provision, on an annual basis, of audited financial statements to the applicable Funds' investors.

Investors that do not receive such financial statements timely within 120 days after the relevant Fund's fiscal year end or who have questions about the financial statements should promptly contact Amherst Capital using the contact information provided on the cover of this Brochure.

Further Amherst Capital serves as the administrative agent for certain loans in which our clients invest. Funds related to such loans and attributable to such Clients ("Client Funds" related to ("Client Loans")) are commingled in an account established by Amherst Capital for that purpose

(the “Agent Account”) with funds attributable to other lenders (including the Amherst Capital (and affiliate clients) and/or related to other loans (“Other Funds” and “Other Loans”). The Agent Account is held with a Qualified Custodian in Amherst Capital’s name for the benefit of lenders which would include clients who are lenders under various loans and holds only cash and not loans. No account statements for the Agent Account are provided to our Clients.

In its role as administrative agent, Amherst Capital performs a variety of traditional services pursuant to credit agreements in accordance with negotiated guidelines regarding the movement of cash into and out of the Agent Account for such purposes as collecting and distributing loan proceeds or payments. As administrative agent, Amherst Capital must apply the terms of the credit agreement in dealing with funds in the Agent Account and has no authority to determine how such funds are used, allocated or disbursed; however, other than the terms of the credit agreements, nothing prevents an administrative agent from withdrawing cash from the Agent Account for unrelated purposes. Therefore, and in light of recent SEC Staff guidance, we are now considered our self to have custody over the Client Funds in the Agent Account for purposes of Rule 206(4)-2 under the Advisers Act.

#### **Item 16. Investment Discretion**

With respect to the SMAs, Amherst Capital typically accepts discretionary investment authority over SMA Client assets, and SMA Clients must grant this discretionary authority to Amherst Capital in writing via the applicable SMA Agreement. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives and guidelines imposed by the Client and accepted by Amherst Capital in the applicable SMA Agreement.

Pursuant to the Investment Management Agreement of the Fund, and subject to the direction and control of each General Partner of the Fund, Amherst Capital will perform the day-to-day investment operations of the Fund in accordance with the terms and conditions of the Governing Documents of the Fund. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives and guidelines of the Fund. See Item 4 of this Brochure for more information.

#### **Item 17. Voting Client Securities**

As a result of the investment strategies employed by the Fund and SMAs, Amherst Capital generally does not expect to vote proxies except in unusual circumstances. To the extent Amherst Capital votes proxies, Amherst Capital understands and appreciates the importance of proxy voting. Where Amherst Capital has discretion to vote the proxies of the Fund and/or SMA, Amherst Capital will vote any such proxies in the best interests of the Fund or the SMA as applicable and in accordance with written proxy voting policies and procedures (“Proxy Voting Procedures”). These Proxy Voting Procedures also include how Amherst Capital seeks to address material conflicts that may arise between its interests and those of its Clients. Pursuant to the Proxy Voting Procedures, if a material conflict of interest is found to exist, the Chief Compliance Officer will be consulted to ensure that the vote is cast in a manner that is in the best interest of the Client. Amherst Capital may seek an independent third party to recommend how to vote the proposal.

The complete proxy voting policy and procedures are available for review upon request at the address on the cover of this document. In addition, Amherst Capital will maintain a record of all of the proxy votes cast on behalf of each Client or consent rights exercised on behalf of each Client and such records may be reviewed upon request.

**Item 18. Financial Information**

Not applicable.