

SHOREVEST PARTNERS, LTD.

**James Walter Francis Drive, Road Town, Tortola,
British Virgin Islands, VG1110**

**March 2020
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This brochure provides information about the qualifications and business practices of Shorevest Partners, Ltd. If you have any questions about the contents of this brochure, please contact us at +1 (408) 827-4060 or email at ben@shorevest.com. 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 Shorevest Partners, Ltd. is also available on the SEC's website at www.adviserinfo.sec.gov.

Item 2: Material Changes

There are no material changes to the Form ADV Part 2.

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Item 4: Advisory Business

Advisory Firm

ShoreVest Partners, Ltd was incorporated as Stellern Holdings Ltd. on Dec 30, 2005, and registered on Jan. 1, 2007 in the BVI. Subsequently it was renamed on August 24, 2018 as ShoreVest Partners, Ltd. The Adviser is principally owned by Mr. FANGER, Benjamin, W., the Managing Partner.

Types of Services Offered

Adviser is a specialist Chinese distressed debt and structured credit investment adviser with a specific focus on Chinese non-performing loans (“NPLs”) and structured credit investments (special situations) including bridge financings and asset-backed lending.

Adviser primarily provides investment advisory and management services to ShoreVest Distressed Credit, L.P., its feeder fund(s) and any related parallel funds (collectively, “**Distressed Credit Funds**” or “**Funds**”). The Distressed Credit Funds are typically Cayman Islands exempted limited partnerships and other investment vehicles that are exempt from registration under the Investment Company Act of 1940, as amended, and whose interests will not be registered under the United States Act of 1933, as amended (the “**Securities Act**”).

Adviser may, in its sole and absolute discretion, offer certain investors or other persons, including any limited partner (“LP”), strategic investor or related person, co-investment opportunities through limited partnerships or other entities formed to make such investments.

Adviser and its affiliates may establish, and serve as a partner, manager or in any other capacity for, one or more RMB Funds which have investment objectives and strategies substantially similar to those of the Fund and are formed to meet the needs of certain investors to make investments denominated exclusively in RMB (the “**RMB Funds**”).

Adviser or its affiliates may also sponsor and manage alternative investment vehicle(s) to address the legal, tax, regulatory, and/or economic constraints.

Adviser will manage the Distressed Credit Funds based on specific investment objective, strategies, investment guidelines and restrictions set forth in the offering documents, partnership agreement, and/or investment management agreements (as amended and supplemented from time to time) (collectively, the “**Governing Agreements**”). Such restrictions may be waived in certain cases with the consent of the advisory committee, if any, in accordance with the Governing Agreements.

Adviser has approximately US\$200,776,832 regulatory assets under management as of 31 December 2019, all of which it manages on a discretionary basis.

Ability to Tailor Services and Impose Restrictions

Adviser provides investment management services to the Funds as pooled investment vehicles based on the specific investment objectives and strategies of the Funds and not individually to LPs of the Funds. However, Adviser or its affiliates may from time to time enter into a side letter or similar agreement with certain LPs that may entitle such LP to

establish rights (including economic or other terms) under or altering or supplementing a Fund's Governing Agreements. Such agreements may provide more favourable terms with respect to (i) opting out of particular investments; (ii) reporting obligations of the Fund; (iii) transfers to affiliates; (iv) co-investment opportunities; (v) withdrawal rights due to adverse tax or regulatory events; (vi) consent rights to certain partnership agreement amendments.

Item 5: Fees and Compensation

The fees, compensation, and expenses applicable to the Funds are set forth in detail in the respective Governing Agreements.

Management Fee

Until the earlier of (i) the end of the investment period defined in the Governing Agreements; (ii) the first date that Adviser or any of its affiliates accrues an investment management fee from a subsequent fund, the management fee payable by the Fund (the "**Management Fee**") in respect of each LP, equal to a certain percentage of the such LPs' aggregated commitments and thereafter, a certain percentage of such LP's invested capital.

Adviser may, in its discretion, elect to waive all or any part of the Management Fee with respect to any LP. Affiliated Partners (including the General Partner of the Funds (the "GP"), its affiliates and their respective members, shareholders, partners, managers, employees and directors, and any such person's family members, in each such person's capacity as a LP) do not pay management fees.

Generally, the Management Fee will be payable quarterly in advance from disposition proceeds and income from investments, as well as fund-level reserves as set forth in the applicable Governing Agreements. Adviser may also elect, from time to time, to defer all or a portion of any payment of its Management Fee.

The Management Fee will be recalculated as of the last day of each quarter for which a Management Fee has been paid; provided a Management Fee offset in the event that the recalculated Management Fee is less than the amount of Management Fees actually paid for such quarterly period.

The Management Fee is prorated for partial periods. In the event of a termination of any client relationships, any portion of prepaid, unearned Management Fees will be returned to the Funds by Adviser; provided that however, if the termination is as a result of a removal without cause, Adviser shall be entitled to the Management Fee relating to the full quarter.

Performance Based Compensation

In addition to Management Fees, Adviser receives performance-based compensation in the form of an allocation of a profits interests from the Funds or a participation right in the profits of an investment vehicle (commonly referred to as "Carried Interest") based on the net cash proceeds attributable to Funds investments, subject to a preferred return to the Funds' investors. Adviser may, in its sole discretion, waive, reduce or defer the distributions of Carried Interest with respect to any LP.

Carried Interests for the Funds generally is paid out as distributable proceeds attributable to dispositions of Funds' investments. Generally, no payouts are made until the Fund's investors have first received invested capital together with a preferred return in accordance with the Funds' Governing Agreement.

Costs and Expenses

Subject to an organizational expense limit set forth in the applicable Governing Agreements, the Funds bear all costs and expenses relating to the organization of the Funds, the GP, the offer and sale of interests therein, and all other costs and expenses incurred in relation to the operation, business and investments. Such costs and expenses may include without limitation, legal, auditing, consulting, financing, administration, accounting and custodian fees and expenses; expenses associated with the preparation of financial statements and tax returns; the Management Fees; reimbursable costs and expenses of Adviser or its affiliates; Fund indebtedness; all costs and expenses related to indemnification obligations; expenses incurred in connection with (potential) transactions not consummated; expenses related to the members of the advisory committee; the costs and expenses associated with any litigation; director and officer liability or other insurance; all expenses incurred in liquidating the Funds; any taxes, fees or other governmental charges and all expenses incurred in connection with any tax return, audit, investigation, settlement or review; other expenses associated with the acquisition, holding and disposition of investments; and all other liabilities of the Funds whatsoever kind and nature subject to applicable laws and regulations.

Under certain circumstances specified in the Governing Agreements, the Funds are generally obligated to indemnify Adviser and its affiliates and other identified persons and entities as described in the relevant Governing Agreements (together, the “**Indemnified Persons**”), in each instance, for costs arising out of or in connection with the Funds’ business and affairs, except for any such costs that have resulted from Malfeasance of the Indemnified Person seeking indemnification.

In terms of co-investment opportunities, until a Co-Investor has irrevocably committed in writing to participate in an investment opportunity alongside the Funds, such Co-Investor may not be obligated to bear any portion of the due diligence or broken-deal expenses associated with a potential transaction. As a result, in some cases, despite the fact that a Co-Investor may be offered an opportunity to participate in a potential investment alongside the Funds, the Funds may ultimately bear all of the associated due diligence expenses and costs associated with such investment.

Adviser will pay all organizational expenses in excess of the limit set forth in the applicable Governing Agreements and placement compensation, to the extent not borne by the Funds, as well as the ordinary operating expenses incidental to the administration of the GP and Adviser, including rent, utilities, equipment and salaries of its personnel (but excluding travel, legal, accounting and similar expenses incurred in the discovery, investigation, development, negotiation, documentation, purchase, holding and disposition of possible investments).

Sales Compensation

Adviser and its supervised persons do not receive (directly or indirectly) any compensation from the purchase or sale of securities or investments for the Funds. Adviser and its supervised persons do not receive (directly or indirectly) sales commissions in connection with sales of interests in the Funds.

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

As discussed in Item 5 above, Adviser generally will be entitled to receive performance-based compensation in connection with advisory services provided.

Performance-based compensation may create potential conflicts of interest. Performance-based compensation may create an incentive for Adviser to make investments that are riskier than would necessary or to overstate their valuations which would benefit Adviser. However, Adviser believes that the equity commitment by the Affiliated Partners in the Funds themselves or alongside the Funds helps to align the interests of Adviser with those of Fund investors.

Carried interest and management fees payable by any RMB Fund to Adviser or any of its affiliates will be no more favourable to such person than the Management Fee and Carried Interests payable by the Funds.

With respect to co-investment opportunities, a Co-Investor shall generally invest on economic terms at the investment level substantially no more favorable than those on which the Funds invest; and neither the Funds nor the Co-Investor shall be entitled to a preference over the other in receipt of distributions at the investment level, or the ability to dispose of all or any portion of a jointly-held investment. Adviser and its affiliates may charge carried interest, management fees and other fees to such co-investors, with respect to any co-investment, which may be different than the Carried Interest, Management Fees and other economic terms applicable to the Funds.

To address potential conflicts of interest arising from differences in fee schedule, Adviser has adopted a policy to allocate portfolio transactions and investment opportunities across multiple clients on what Adviser believes to be a fair and equitable basis.

Adviser has also put in place a valuation policy and relevant procedures overseen by the Chief Financial Officer to ensure that investment valuations are documented and determined on a consistent basis, and to the extent appropriate, in accordance with U.S. Generally Accepted Accounting Principles ("GAAP") with respect to the Funds for which GAAP is applicable.

Item 7: Types of Clients

Adviser organizes and serves as investment manager to private pooled investment vehicles. Investment advice is provided to the Funds and not individually to investors of the Funds.

The Funds' Interests offered will not be registered under the Securities Act, in reliance upon an exemption for non-public offerings provided under Regulation D or Regulation S under the Securities Act.

Adviser generally requires the minimum investment by a Fund LP will be \$2,500,000; provided, that the investment threshold may be waived or modified by Adviser in its sole discretion.

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

Methods of Analysis and Investment Strategy

Adviser focuses on Chinese distressed debt, mainly NPLs and structured credit. Within this strategy, Adviser seeks out opportunities which it judges to have a low probability of capital loss and a high probability of generating mid to high-teens IRRs (net at the fund level).

The investment "alpha" can be attributed to Adviser's unique ability to source, price, and exit under-priced opportunities:

- **Sourcing** – Given the fragmented and inefficient nature of sourcing channels in China, Adviser has adopted a proactive sourcing strategy to secure opportunities not generally known to the market or with hidden value, by evaluating and leveraging the network in Chinese NPL markets and maintaining a proprietary database of NPL and distressed opportunities in China, which as of February 2018 includes over 430 portfolios totalling over \$50 billion of potential investment amount;
- **Pricing and Structuring** – Adviser adopts a fundamental bottom-up, asset and cash flow-based pricing approach and senior credit structures allow for consistency and predictability of investment returns with low volatility and considerably lower risk of capital loss. Adviser generally prices a portfolio based on its determination of the recoverability of the investment principal, plus a minimum return hurdle, from a subset of borrowers upon which it has conducted thorough due diligence, with the remainder of the portfolio given an option value pricing and viewed as upside potential. Adviser utilizes a debt pricing model tested over years that captures thousands of data points, conducts a comprehensive analysis of the intrinsic value of a given NPL portfolio, and projects discounted cash flows (taking into account legal, operational and government policy risks Adviser believes as key capital preservation factors through years of experience). Outside of the NPL space, Adviser only considers investments in companies with accessible physical assets or marketable securities (such as real estate, development projects, or other assets including public equity) that can be held as collateral.
- **Post-Investment Management and Exist** – Adviser delivers investment results through effective and innovative debt solutions (both in and out of court), such as legal actions, active marketing, negotiating, or further structuring and packaging. As of March 2020, Adviser is implementing a proprietary post-investment management system specific to China with a world-class provider of NPL solutions that it expects will enhance Adviser's underwriting and portfolio management capabilities and facilitate faster and better decision making.

Specific descriptions of aforesaid strategies and methods are included in the respective Governing Agreements of Funds.

There can be no assurance that the investment objectives of any client will be achieved, or that investors will receive a return of capital, or that Adviser can successfully find investment opportunities that meet these anticipated return parameters.

Prospective Fund investors should carefully read the applicable Governing Agreements, and consult with his, her or its own counsel and advisers as to all matters concerning an investment in the Funds. Investors should have the financial ability and willingness to accept the risks of an investment in the Funds.

Investment Strategy Risks

Acquiring interests in the Funds is intended for sophisticated experienced investors who can accept a high degree of risk in their portfolio, including the risk of losing a substantial portion or even all of the money they invest in the Fund. The Fund itself is not a balanced investment program for purposes of an investor's portfolio diversification needs and there is no guarantee of the Fund successful performance, that the Fund investment objective can be reached or that a positive return will be achieved. As a general rule, investors should expect that investments with higher return potential will also have higher potential of risk of loss to capital and/or income.

Investment risks specific to the investment strategy of the Funds are described in the respective Governing Agreements. Such risks may include (but are not limited to):

- **Long-Term Nature of Investment in Interests; No Assurance of Return.** Because of the nature of the Fund's investments that requires a long-term commitment, there can be no assurance that the Fund will be able to realize returns on such investments in a timely manner or at all, and there may be little or no near-term cash flow available to the investors. The return of capital and the realization of gains, if any, from an investment may not occur until a number of years after the respective investment is made, if at all.
- **No Market for Interests; Restrictions on Transferability; No Withdrawal Rights.** There is no public market for the interests in the Funds and none is expected to develop. An investor in the Funds may be subject to restrictions on transfer of his interests in the Funds or withdraw capital from the Fund. Consequently, LPs may not be able to liquidate their Interests prior to the termination of the Funds and must be prepared to bear the risks of owning Interests for an extended period of time.
- **Litigation.** Adviser anticipates that the Funds may be named as defendants in civil proceedings, though it is by no means unusual for distressed assets investment participants to use the threat of, as well as actual, litigation as a negotiating technique. The expense of defending against such claims and paying settlements or judgments will be borne by the Funds and this would reduce the Funds' net assets. The Indemnified Persons will be indemnified by the Funds in connection with such litigation, subject to certain conditions.
- **Liquidity Risk.** Given the liquidity crisis in the global credit markets, significant additional risks exist for the Funds and the LPs. Those risks include, among others, (i) the possibility that the prices at which the Funds' investments can be sold will have deteriorated from their effective purchase price, (ii) the possibility that opportunities for the Funds to sell their assets in an appropriate market may be impaired; and (iii) a decrease in the availability of financing for the acquisition of investments or acquisitions where the financing is materially different than originally expected. The Funds' ability to sell its assets may be impaired by a decrease in demand for such assets due to changes in global financial markets. Such factors include, among others, (x) the availability of alternative investments that offer higher yields or are perceived as being a better credit risk, having a less volatile market value or being more liquid, (y) investors' perceptions regarding the markets for the various asset classes in which the Funds participate, and (z) investors' perceptions regarding credit, liquidity and the capital markets in general, which may be adversely affected by political, social and economic events that may be completely unrelated to the commercial markets.
- **Reliance on Key Personnel.** The success of the Funds will depend in part upon the skill and expertise of the professionals comprising Adviser. There can be no assurance that these professionals will continue to be associated with Adviser throughout the term of the Funds.
- **No Right to Control the Fund's Operations.** Investors, as LPs, will have no right or powers to take part in the management of the Funds or any of their investments and will not receive detailed financial information issued by portfolio companies which is available to Adviser.

- **No Prior History.** Each of the Funds, the GP and Adviser has recently begun operations and has no operating history or track record and has not identified any specific investments. Although the members of Adviser had successful experiences in areas they believe to be relevant to the ultimate success of the Funds, the GP and Adviser are new entities and there can be no assurance that one or more investments made on behalf of the Fund will not result in losses.
- **Difficulty Locating Suitable Investments.** There can be no assurance that Adviser will be able to identify a sufficient number of suitable investment opportunities, acquire them for an appropriate level of consideration, achieve any particular rate of return, or fully invest its committed capital that satisfy the Fund's investment objectives, or that such investment opportunities will lead to completed investments by the Fund.
- **Recycling; Reinvestment.** During the Investment Period, certain proceeds distributed by the Funds constituting a return of capital may be recalled, redeployed or recycled in new investments by the Funds. To the extent such recalled or recycled amounts are reinvested, a LP will remain subject to investment and other risks associated with such investments.
- **Potential Shoreline Disputes.** Members of Adviser, including Adviser's senior management team, were recently partners in or employees of Shoreline Capital or its affiliates (collectively, "**Shoreline**"). Although Adviser is not aware of any pending or threatened litigation between Adviser and Shoreline, or their respective partners and personnel, that could reasonably be expected to adversely affect Adviser or the Fund it is possible that such disputes may arise in the future. Any such dispute could utilize Adviser's time and other resources, result in loss of investment opportunities for the Funds, and otherwise adversely affect the business and operations of Adviser or the Funds. In the event any such disputes arise in connection with the business and operations of the Funds, the Indemnified Persons may be entitled to be indemnified for any losses they incur in relation to such dispute, which further impact the Funds' returns.
- **Certain Tax Risks.** There can be no assurance that the structure of the Funds or any investments by the Funds will be tax efficient for any particular investor. There can be no assurance that the Funds will distribute sufficient cash to cover the full tax liabilities of a particular investor's *pro rata* share of the taxable income of the Funds. Furthermore, in general, tax laws, rules, and procedures are extremely complex and are subject to change, which in some cases may have retroactive effect. Prospective investors are urged to consult their own tax advisors with respect to their own tax situation and the effects of this investment.

Portfolio Investments Risks

The clients managed by Adviser invest primarily in distressed debt and special credit in Chinese market. Risks specific to this type of investments may include (but are not limited to):

- **Non-Performing Nature of Loans.** The Funds are expected to invest in distressed securities, assets and instruments. These securities, assets and instruments by their nature are issued by or relate to companies in unstable financial condition and entail substantial inherent risks. It is anticipated that the loans purchased by the Funds will be non-performing and possibly in default. Furthermore, the obligor and/or relevant

guarantor may also be involved in bankruptcy or in liquidation proceedings. There can be no assurance as to the amount and timing of payments with respect to the loans that the Fund's investments will increase in value or that the Funds will not incur significant losses.

- **Concentration Risk.** Virtually all of the Funds' investments will be focused on China and, at any given time, may be concentrated in certain industries. To the extent there is a downturn affecting China, a particular region or industry sector in which the Funds' portfolio is concentrated, this could increase the risk of defaults, reduce the amount of payments the Funds receive on their investments and, consequently, could have an adverse impact on the Funds' financial condition and results and their ability to make distributions.
- **Current Market Conditions and Valuation.** Certain of the Funds' investments will be investments for which there is no, or a limited, liquid market. The fair market value of such investments may not be readily determinable. Determination of fair values for such investments involves judgments that are not susceptible to substantiation by auditing procedures. The types of factors that may be considered in fair market value pricing of the Funds' investments include the nature and realizable value of any collateral, the obligor's ability to make payments and its earnings, the markets in which the obligor does business, comparisons to publicly traded companies, discounted cash flow and other relevant factors. Because such valuations, and particularly valuations with respect to loans and securities of private companies, are inherently uncertain, they may fluctuate over short periods of time and may be based on estimates. Values assigned to such investments may not accurately reflect values that may be actually realized. Also, determining the actual value of assets can be difficult in China because of deficiencies in accounting precision and standardization and there are relatively few historical transactions that can be used as reference for determining possible cash recovery rates as China has only recently begun selling its NPLs through quasigovernment "bad bank" entities. There are almost always deficiencies in the legal documentation of assets in NPL portfolios and other distressed assets. Instability in the securities market may also increase the risks inherent in the Funds' investments and the timing of its realization on investments. Financial condition and results of operations of the Funds could be adversely affected if the fair market value determinations were materially higher than the values that the Funds ultimately realize upon the realization of such investments.
- **Illiquidity and Volatility of the Fund's Investments.** It may take several years from the time a particular investment is made to exit, if at all, from such investment. The Funds will often be dependent on a process of litigation and protracted negotiation with borrowers, searches for potential buyers of the assets or other resolution strategies to achieve liquidity for the Funds' investments. Some of these resolution strategies may not provide liquidity for several years, if at all. Losses on unsuccessful investments may be realized before gains on successful investments are realized. Consequently, it is possible that no significant return from disposition of many of the Funds' investments will occur for a period of several years, if at all. There is currently no public market for the Funds' expected investments and a market is unlikely to develop during the term of the Funds.
- **Borrower Defaults Risk.** Income of the Funds will be derived in part from interest payments received from their portfolios. A wide range of factors may adversely affect an obligor's ability to make interest or other payments, including: adverse changes in the financial condition of such obligor, or the industries or regions in which it operates; the obligor's exposure to counterparty risk; systemic risk in the

financial system and settlement; changes in law or taxation; changes in governmental regulations or other policies; natural disasters; terrorism; social unrest, civil disturbances; or general economic conditions. Default rates tend to accelerate during economic downturns.

Any defaults will have a negative impact on the value of the Funds' investments and may reduce the income that the Funds receive from the investments in certain circumstances.

In the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of an obligor, holders of debt instruments ranking senior to the Funds' investment would typically be entitled to receive payment in full before the Funds and such obligor, after repaying the senior creditors, may not have any remaining assets to repay its obligations to the Funds. In the case of debt ranking equally with the loans or debt securities in which the Fund invests, the Fund would have to share on an equal basis any distributions with other creditors holding such debt in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant investee company.

- ***Investments in Financially Distressed Entities and Restructurings.*** The Funds may acquire interests in the securities and other obligations of financially distressed entities. Although such positions may bring high returns to the Funds, they involve varying degrees of risk. The financial difficulties of such entities may never be overcome and may cause such entities to become subject to bankruptcy proceedings. The timing and outcome of any bankruptcy or restructuring is unpredictable. Any one or all of the entities in which the Funds acquire interests may be unsuccessful in its attempts to restructure and become profitable or the positions may not show any return for a considerable period of time. In any bankruptcy or restructuring, the Funds may lose the entire investment, may be required to accept cash or securities with a value less than the Funds' original investment, or may be forced to liquidate the investment at a substantial loss. Under certain circumstances, payments to the Funds and distributions by the Funds to the LPs may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance, a preferential payment or similar transaction under applicable bankruptcy and insolvency laws. Furthermore, investments in restructurings may be adversely affected by statutes related to, among other things, fraudulent conveyances, voidable preferences, lender liability, and the bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims or re-characterize investments made in the form of debt as equity contributions.
- ***Common Deficiencies in NPL Portfolios.*** NPL portfolios offered for auction typically suffer from a range of defects. Among other things, creditors' rights are often inadequately documented and the validity of security interests is frequently questionable. The resulting difficulty in underwriting investments in NPLs is further compounded by the limited due diligence rights typically granted to NPL investors. Such issues may adversely affect the ability of the Funds to evaluate NPL investments and to seek satisfactory resolution of NPLs it may acquire.
- ***Investment in Loans to Private Companies.*** Loans to private companies involve a number of particular risks, including:
 - these companies may have limited financial resources and limited access to additional financing, which may increase the risk of their defaulting on their obligations, leaving

creditors such as the Fund dependent on any guarantees or collateral they may have obtained;

- these companies frequently have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns;
 - there may not be as much information publicly available about these companies as would be available for public companies and such information may not be of the same quality; and
 - these companies are more likely to depend on the management talents and efforts of a small group of persons; as a result, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on these companies' ability to meet their obligations.
- **Special Situation Transactions.** The Funds may invest and trade in situations that Advisor believes offer opportunity due to some identifiable dislocation, such as lack of market transparency or liquidity. Risks to the Funds in this type of investing and trading include misjudging the nature or magnitude of the factors that have caused this dislocation, the quality of the position's fundamental assets, the scope of the position's liabilities and the Funds' ability to exit the position in a timely and profitable fashion.
 - **Bridge Financings.** From time to time, the Funds may lend to portfolio companies on a short-term, secured or unsecured basis in anticipation of a future issuance of equity or long-term debt securities or other refinancing or syndication. Such bridge loans would typically be convertible into a more permanent, long-term security; however, for reasons not always in the control of the Funds, such long-term securities issuance or other refinancing or syndication may not occur and such bridge loans may remain outstanding. In such event, the interest rate on such loans may not adequately reflect the risk associated with the position taken by the Funds.
 - **Public and Private Equity.** The Funds may invest in the securities of public or private companies, often with smaller capitalizations. Investments in such securities involves greater risk than is customarily associated with larger, more established companies. These securities may have limited marketability and may be subject to more abrupt or erratic movements in price than securities of larger companies or the market averages in general.
 - **Real Estate Risks and Real Estate-Backed Financing Risks.** Real estate investments of the Funds will be also subject to the risks incident to the ownership and operation of real estate, including risks associated with the general economic climate, local real estate conditions, geographic or market concentration, the ability of the Funds to manage the real properties, fluctuations in interest rates, and government regulations, especially given that real estate is a heavily regulated industry in China and the relevant laws and regulations are constantly evolving. There can be no assurance that the Chinese government will not exert further control over real estate development and investment activities in China by foreign investors. The Funds will also incur the burdens of ownership of real property and face substantial risk of loss from environmental claims based on environmental problems associated with the Funds' real estate investments.

- **Development Risks and Redevelopment Risks.** To the extent consistent with the investment strategy, the Funds may acquire investments that provide development and redevelopment opportunities. Development and redevelopment activities require additional time, which may delay the realization of the Funds' investment objectives for such investment. During such delay, an investment may suffer a significant decline in value due to adverse economic and markets changes or other conditions affecting such investment. In addition, development and redevelopment activities may not be completed within budget or on schedule because of cost overruns, work stoppages, shortages of building materials, the inability of contractors to perform their obligations, defects in plans and specifications or other factors. Any delay in completing the development or redevelopment of an investment may adversely affect the Funds and investors.
- **Uncertain Exit Strategies.** Exit strategy that will ultimately be available for any given core position is unable to be predicted with certainty. Exit strategies which appear to be viable when an investment is initiated may be precluded by the time the investment is ready to be realized due to economic, legal, political or other factors.
- **Follow-On Investments.** Following its initial investment in an asset or portfolio, the Funds may be required to make additional investments in such asset or portfolio. While such additional investments may have the result of maintaining or increasing the Funds' expected recovery from an investment, they may also be necessary to protect the Funds' initial investment. There is no assurance that the Funds will make such additional investments or that it will have the ability to do so. The failure to make additional investments may impact the ability of the Funds to recover or realize a return on the initial investment.
- **Control Position.** The Funds may obtain a controlling or other substantial position in a public or private company. Such positions may or may not be obtained intentionally as the rights of the various classes of a company's securities may be affected by reorganization, bankruptcy, restructuring or liquidation, which could result in holders of debt securities owning a controlling or substantial equity position in a company. Should the Funds obtain such a position, the Funds may be required to make filings concerning its holdings with various governmental and regulatory agencies and it may become subject to other regulatory restrictions that could limit the ability of the Funds to dispose of the holdings at the times and in the manner the Funds would prefer. Violations of these regulatory requirements could subject the Funds to significant liabilities. Additionally, such control could impose additional risks of liability for environmental damage, product defects, failure to supervise management, violation of governmental regulations and other types of liability in which the limited liability generally characteristic of business operations may be ignored.
- **Minority Investments.** In certain circumstances, the Funds may hold non-controlling interests in certain portfolio companies and, therefore, may have limited ability to protect its position in such portfolio companies. The laws of China differ from those in the United States or other countries and may offer limited protection to minority shareholders. As a result, management or controlling shareholders may be able to take action against the interests of minority shareholders, which could adversely affect the Fund. Under certain circumstances, it is expected that appropriate rights generally will be sought to protect the Funds' interests to the extent possible, but there can be no assurance that such rights will be available.

- **Leverage of Portfolio Companies.** The Funds may invest in portfolio companies with leveraged capital structures, in which case, such investments will be subject to increased exposure to adverse economic factors such as a rise in interest rates, a downturn in the economy or further deterioration in the condition of such portfolio company or its industry. Similarly, the Funds are expected to invest in portfolio companies that are unable to generate sufficient cash flow to meet principal and interest payments on their indebtedness. Accordingly, the value of the Funds' investment in such a portfolio company could be significantly reduced or even eliminated due to further credit deterioration.
- **Investments Longer than the Term of the Fund.** The Funds may make investments which may not be advantageously disposed of prior to the date that the Funds will be dissolved, either by expiration of the term of the Funds or otherwise. Although Adviser expects that investments will be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution, the Funds may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution. In addition, all assets of the Funds may not be liquidated or distributed in kind for a significant period of time following the Funds' respective dissolution date, which would delay the investors' receipt of their final liquidating distributions from the Funds.
- **Acquisitions of Portfolios of Investments.** The Funds may seek to purchase entire portfolios or substantial portions of portfolios from market participants in need of liquidity or suffering from adverse valuations. The Funds may be required to bid on such portfolios in a very short time frame and may not be able to perform normal due diligence on the portfolio. Such a portfolio may contain instruments or complex arrangements of multiple instruments that are difficult to understand or evaluate. Such a portfolio may suffer further deterioration after purchase by the Funds before it is possible to ameliorate such risk. As a consequence, there is substantial risk that Adviser will not be able to adequately evaluate particular risks or that market movements or other adverse developments will cause the Funds to incur substantial losses on such transactions.
- **Risks Related to Investing in China.** Many of China's reform-oriented policies and measures are unprecedented or experimental, which may cause fiscal deficits, inflation, or other economic imbalances, and may or may not be reversed, suspended, delayed or improved over time. The Chinese legal system is a civil law system based on written statutes and remains incomplete. Lots of areas, including but not limited to, the legal frameworks governing the NPL transactions and real estate-oriented investment in China, the Chinese bankruptcy law are still underdeveloped as to the rules applicable to the transfer, holding and servicing of NPLs, together with the taxation of such transactions, continue to evolve. These factors, together with the lack of transparency in China's judicial system and local protectionism, could limit the legal protections available to the Funds and the portfolio companies in China, adversely affect the Funds' ability to participate in auctions of NPLs and to hold and service NPLs, and could make it difficult for the Funds to predict the outcome of bankruptcy proceedings and limit the usefulness of bankruptcy as a means to seek resolution of NPLs.
- **Foreclosure.** The Chinese law imposes a number of limitations on the ability of creditors to foreclose on collateral securing a debt. Self-help is generally unavailable to creditors, and unless a defaulting debtor is willing to settle with a creditor, enforcement of a security interest requires the creditor to litigate in court. Litigation in China can be time-consuming, expensive and highly unpredictable. As a

result, many NPL investors in China have not generally relied on foreclosure as a strategy to realize value on their investments. The limited availability of foreclosure as a remedy may limit the ability of the Fund to secure a satisfactory return on NPL investments and reduce the number of NPL investments that are attractive to the Funds in China.

- **Risks Relating to PRC Taxation.** There is a risk that the Funds could be treated as having a taxable presence or constituting a resident enterprise in the PRC, which could result in adverse tax consequences to the Funds and the investors, including withholding taxes on investors.

Item 9: Disciplinary Information

Adviser has not been subject to any disciplinary action, whether criminal, civil or administrative (including regulatory) in any jurisdiction. Likewise, no persons involved in the management of Adviser have been subject to such action.

Item 10: Other Financial Industry Activities and Affiliations

Neither Adviser or any member of its management is registered, or has an application pending to register, as a broker-dealer, a registered representative of a broker-dealer, a futures commission merchant ("FCM"), a commodity pool operator ("CPO"), a commodity trading advisor ("CTA"), or an associated person of a registered FMC, CPO or CTA.

Adviser is affiliated by common ownership with the GP of the Funds.

Guangzhou Shuowan Investment Consulting, Co., Ltd. ("Shuowan"), a company incorporated in the People's Republic of China, is controlled by the Adviser. Adviser and Shuowan may provide certain services to each other as agreed, including (but not limited to) research, product structuring and investment advisory.

ShoreVest Assets Solutions, Ltd. ("SAS"), a company incorporated in the British Virgin Islands, is controlled by the Adviser. SAS, as determined by Adviser being in the best interests of the Funds and pursuant to respective service agreements, may provide due diligence and analysis services with respect to potential Fund investments to support evaluation and execution of such investments, and also various ancillary services to the Funds and their investments, including hedging, accounting, administration and periodic reporting, legal, compliance, tax, audit, cash management, risk management advice, information technology development and other similar and related services. Adviser will confirm that SAS is qualified to provide the applicable services and that the costs of such services are fair and reasonable to the Funds and shall not be less favourable than could be obtained in arm's length negotiations with unrelated third-parties for similar services. Adviser will annually summarize all such service agreements to the advisory committee.

In addition to conflicts addressed in other items, in general, Adviser's policies, including the Code of Ethics identified further in Item 11 below, and procedures for avoiding conflicts of interest involves (1) communication of policies to all employees by Adviser's investment committee, (2) close scrutiny by Adviser's investment committee to ensure the policies are adhered to and (3) disclosure to the advisory committee of the Funds of certain potential or actual conflicts of interest and valuation issues, as well as matters requiring its prior consent or approval.

In order to avoid opportunities for employees or partners of Adviser to engage in inappropriate dealing, Adviser maintains a policy that all investments and significant resolutions must be approved by the investment committee and assets in the Fund's portfolio that Adviser or related parties are servicing are to be co-serviced by at least two employees. This means that significant meetings with borrowers, potential buyers, judges and other relevant third parties may only be undertaken in the presence of at least two Adviser representatives.

Except as otherwise permitted by the Funds' advisory committee, until the termination of the investment period or the dissolution of the Funds or the date on which a certain percentage of the commitments to the Funds have been invested, committed to investments or used or reserved to pay Fund expenses, whichever is earliest, none of Adviser, their respective affiliates or any employees (for so long as they remain employed by Adviser or its affiliates) will advise or serve, directly or indirectly, as a primary source of transactions or a principal of any subsequent fund with investment objectives and strategies substantially similar to those of the Distressed Credit Funds.

Adviser does not recommend or select other investment advisers for its clients in return for compensation directly or indirectly from those advisers.

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

Code of Ethics

In order to address conflicts of interest, Adviser has adopted a code of ethics (the "**Code**") pursuant to Rule 204A-1 under the Advisers Act which is applicable to all of Adviser's partners, officers, managers, members, and employees (collectively, "**Employees**"). The Code generally sets the standard of ethical and professional business conduct that Adviser requires of its Employees, requires Employees to comply with applicable federal securities laws and regulations, and sets forth provisions regarding personal securities transactions by Employees. Additionally, the Code sets forth Adviser's policies and procedures with respect to material, non-public information and other confidential information, and the fiduciary obligations that Adviser and each of its Employees owe to each client. The Code is circulated at least annually to all Employees, and each Employee at least annually must certify in writing that he or she has received and followed the Code and any amendments thereto. Adviser will provide a copy of the Code to any client or prospective client, free of charge, upon request.

Participation or Interest in Client Transactions and Personal Account Dealing

Adviser's Code requires that all Employee personal investment transactions comply with all applicable laws and regulations and do not endanger the interest of any client. The Code establishes certain pre-clearance procedures and a securities transaction reporting system that is designed to monitor transactions in Employees' personal accounts and seeks to prevent any conflicts that may arise between Employees' personal securities transactions and transactions for clients of Adviser.

Adviser maintains a Restricted Trading List ("RTL") and review it at least on a monthly basis. Adviser requires all employees to notify in writing if they come into possession of material non-public information, in which case the RTL may be updated accordingly. Employees are generally prohibited from investment in securities listed in the RTL and required to report the holdings of RTL related securities (if any upon commencing employment). Employees are

required to obtain prior approval for all securities transactions (including, but not limited to, private placements).

Adviser generally prohibits investment by its Employees in assets that could, will or have been invested by the Funds, unless such investment is fully disclosed to the advisory committee and satisfies certain criteria. Adviser's Code also requires prior approval for any outside business activities and Adviser will adopt a pro-active approach in identifying potential conflicts of interest to collect relevant information from investment professionals on a semi-annual basis.

Employees of Adviser may be permitted to co-invest with the Fund, but only where the Fund's interest is not in jeopardy. All investments by the Fund in which an Employee of Adviser has an interest (other than through the Funds or another client), or is related to the other party to the investment, must be disclosed to the advisory committee. Such transactions would only be undertaken where Adviser's investment committee determines that the transaction is fair to the Fund (i.e., provides fair market value or greater to the Fund) and where the nature of the insider interest is known to the investment committee.

Adviser does not anticipate engaging in principal and cross trades.

Item 12: Brokerage Practices

Investments made by Adviser, given its nature, do not involve execution through brokers.

Item 13: Review of Accounts

Periodic and Non-Periodic Account Review

The investments made by the clients are generally private, illiquid and long-term in nature. Accordingly, the review process is not directed toward a short-term decision to dispose of securities. Adviser, through a team of investment professionals, closely monitors portfolio investments on an ongoing basis.

Adviser has an internal structure which allocates responsibilities for oversight of the portfolio investment of the clients to appropriate senior investment professionals. All client portfolio holdings are reviewed on a regular basis, both informally and formally, through scheduled periodic meetings of the relevant investment professionals and investment committees.

A review of client accounts may also be triggered by any significant unexpected event, which may include market or liquidity events.

Reporting to Clients

Statements of accounts are provided quarterly. Financial statements of the Funds are audited annually by an independent certified public accountant registered with, and subject to inspection by, the Public Company Accounting Oversight Board. The audited financial statements are distributed to all Fund investors within 120 days of the end of the fiscal year.

Item 14: Client Referrals and Other Compensation

Compensation For Client Referrals

Adviser notes that from time to time it will engage, or cause the Funds to engage, one or more persons to act as a placement agent in connection with the offer and sale of interests to certain prospective investors. Adviser bears such fees or elects to reduce its Management Fees, or to the extent applicable, Carried Interest payments otherwise payable by the Funds to Adviser.

Adviser may enter into solicitation arrangements pursuant to which it compensates a third-party intermediary for client referrals that result in the provision of investment advisory services by Adviser. Any cash solicitation arrangements will comply with Rule 206(4)-3 under the Adviser's Act. Solicitors introducing clients to Adviser may receive compensation from Adviser, such as a retainer and/or a percentage of introduced capital. Such compensation will be paid pursuant to a written agreement with the solicitor and generally may be terminated by either party from time to time, any such compensation generally will be borne entirely by Adviser and not by any affected client.

Item 15: Custody

To the extent cash and assets of the Funds are held by custodians as may be retained by the Funds, Adviser does not have physical possession or maintain direct custody of such cash or Fund assets (other than certain privately offered securities). However, Adviser is deemed to have "constructive" custody of the Fund assets by virtue of Adviser's relationship with the Funds, pursuant to Rule 206(4) -2 under the Advisers Act.

Item 16: Investment Discretion

Adviser's discretionary authority is derived from its authority as the investment manager of the Funds pursuant to a management agreement entered into among Adviser, the GP and the Funds.

Adviser will supervise and direct the investment and reinvestment of the assets of the Funds, exercise the rights and perform the duties that are expressly given to it and otherwise carry out and perform all of the purposes and powers of the Funds, without obtaining the consent of any Fund investor before the transactions are effected.

Item 17: Voting Client Securities

Adviser does not anticipate purchasing for the Funds or causing the Funds to purchase securities for which proxies would generally be voted. If Adviser were to do so, however, and to the extent the clients did not enter into an agreement directing the voting of the applicable securities, Adviser would follow its Proxy Voting policies and procedures adopted pursuant to Rule 206(4)-6 of the Advisers Act.

Item 18: Financial Information

At this time, Adviser is not aware of any financial condition that could impair its ability to meet its contractual obligations to its clients. Adviser has not been the subject to any bankruptcy petitions, including in the past ten years.

Item 19: Requirements for State-Registered Advisers

Not applicable.