



**Item 1 – Cover Page**

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This Brochure provides information about the qualifications and business practices of Advent Capital Management, LLC (“Advent”). If you have any questions about the contents of this Brochure, please contact us at 212-482-1600. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Advent is registered with the SEC as an investment adviser. Registration as an investment adviser does not imply any level of skill or training.

Additional information about Advent is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

Advent is required to identify and discuss any material changes since its last annual update of this Brochure on March 28, 2019. In our opinion, material information in this Brochure that was not present in last year's Brochure appears in the following sections:

- Item 4: Updated information regarding the advisory business;
- Item 5: Updated information regarding fees and compensation;
- Item 6: Updated information regarding performance-based fees and side-by-side management;
- Item 7: Updated information regarding types of clients;
- Item 8: Updated information regarding investment strategies and risk of loss;
- Item 10: New and updated information regarding other financial industry activities and affiliations;
- Item 11: Updated information regarding code of ethics, participation or interest in client transactions and personal trading;
- Item 12: Updated information regarding brokerage practices; and
- Item 14: Updated information regarding client referrals and other compensation.

Our Brochure and additional information may be requested by contacting our Client Advisory Group at 212-497-0649 or [ClientAdvisory@adventcap.com](mailto:ClientAdvisory@adventcap.com).

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#### **Item 4 – Advisory Business**

Advent is a Delaware limited liability company that was founded in 1995 as a division of Utendahl Capital Management L.P. Advent became independent in 2001. As of December 31, 2019, Advent managed approximately \$9.8 billion in regulatory assets under management, all on a discretionary basis. Tracy V. Maitland is the principal owner of Advent.

Advent invests primarily in convertible bonds, but its focus on capital structure research enables it to implement investment strategies that incorporate equities, preferred stock, high yield securities, corporate bonds, secured debt, and other investments. Advent’s proficiency in investing across the entire capital structure is driven by the strength of our proprietary fundamental, bottom-up credit and equity research.

Advent manages investment advisory accounts for clients (“clients”) that include high net worth individuals, individuals other than high net worth individuals, banking and thrift institutions, registered investment companies, pooled investment vehicles other than registered investment companies (“private funds”), pension and profit sharing plans, charitable organizations, state and municipal government entities (including government pension plans), insurance companies, sovereign wealth funds and foreign official institutions, other corporations and businesses, non-U.S. entities such as UCITS and SICAVs, and other U.S. and non-U.S. investors. Advent’s investment advisory arrangements are further described in Item 7 of this Brochure. Advent will typically exercise investment discretion over client accounts, including the type and amount of securities and other financial instruments purchased and sold for the client. Advent’s investment advisory services are tailored to the individual needs of each client as expressed in the written investment objectives, policies, limitations, risk constraints and other portfolio management guidelines (collectively, “investment guidelines”) that apply under the client’s investment management agreement with Advent. Advent may invest client assets in any type of company (each, a “portfolio company”) or other issuer and in any combination of the following (and other) types of investments on a long or short basis in accordance with applicable investment guidelines: U.S. and non-U.S. securities; convertible securities; high yield and other debt securities; common stock; preferred stock; warrants; bank loans and loan participations; equity options; swaps; futures contracts and options on futures contracts; other derivatives; when-issued, delayed-delivery and forward-commitment transactions; restricted, illiquid and other private securities; and special opportunity investments. Clients may impose restrictions on the types of securities, as well as specific companies, in which their assets will be invested by Advent.

Advent also acts as a subadviser in wrap fee programs. Advent’s portion of the fees paid by wrap program participants is negotiated between Advent and the sponsor of the wrap fee program, and is paid to Advent directly by the sponsor. Advent will seek best execution of all fixed income securities transactions for wrap accounts using the same price discovery process it uses when transacting fixed income securities for other clients. In some cases, however, wrap program sponsors prohibit Advent from executing transactions with the sponsor or its affiliates.

Wrap program accounts may trade less frequently than Advent's other client accounts and therefore may not participate in certain aggregated orders in which other Advent clients participate. This may result in wrap program transactions being executed at different prices and in different amounts than aggregated orders transacted for other Advent clients.

Advent manages long-only and alternative investment strategies. These strategies are described in Item 5 of this Brochure.

## **Item 5 – Fees and Compensation**

### **Standard Fee Arrangements**

Advent's investment advisory fee arrangements vary by client and are based on a number of different factors, including the services performed, type of investment mandate and account/relationship size. A client may pay Advent (1) an asset-based fee and/or (2) a performance fee ("performance fee") consisting of compensation that is determined on the basis of a share of the capital gains upon, or the capital appreciation of, the funds (or a portion of the funds) of such client. Advent's investment advisory fee arrangements are structured in compliance with applicable provisions of (or rules under) the Investment Advisers Act of 1940, as amended (the "Advisers Act") and the Investment Company Act of 1940, as amended (the "Investment Company Act"). Please refer to Item 6 of this Brochure for additional information about Advent's performance fee arrangements. Advent negotiates its investment advisory fee arrangements directly with clients in the case of separately managed accounts, private funds and most other clients. Advent negotiates its investment advisory fee arrangements with the board of directors or board of trustees of the client in the case of companies that are registered as investment companies under the Investment Company Act ("Registered Fund Clients"). Advent negotiates its investment advisory fee arrangements with the program sponsor in the case of wrap fee programs. The wrap fee programs in which Advent participates generally have a minimum account size of \$500,000 and are subject to fees established by the wrap plan sponsor. Investment advisory fee arrangements are documented in a client's investment management agreement with Advent or, in the case of private funds and certain other clients, in the limited partnership agreement, limited liability company agreement or other organizational and governing documents of the client (collectively, the "governing documents"). Generally speaking, Advent bills its fees to clients for separate payment by the client, except in the case of certain performance fees charged to private funds in the form of a "carried interest" allocation. Advent bills its fees in arrears on a quarterly basis or to a very limited degree on a monthly basis. Asset-based fees are prorated for each capital contribution and withdrawal made during the applicable calendar quarter (with the exception of de minimis contributions and withdrawals). Client accounts that commence or end during a calendar quarter will be charged a prorated fee.

The following table sets forth a basic description of standard investment advisory fee arrangements. Advent's investment advisory fees, however, are generally negotiated with each client based on its particular facts and circumstances and therefore are likely to vary from the compensation described in the table. Investment advisory fees may occasionally be reduced, waived or rebated, and minimum account size may be waived.

	Strategy	Vehicle(s)	Securities	Mgt Fee	Perf Fee	Min.
<b>Hedge Fund Strategies</b>	<b>Advent Global Partners</b>	Separate Accounts	Convertibles, Derivatives, Short Equities	1.00%	20%	\$25MM
		Onshore/ Offshore Feeders				\$3MM
		UCITS		Varies from 1.25% to 2.00% based on share class	20%	Varies by share class
	<b>Global Opportunity Strategy</b>	Separate Accounts	High Yield, Convertibles, Bank Loans, Derivatives, Equities	2.00%	20%	\$25MM
<b>Long Only Strategies</b>	<b>Global Event Driven</b>	US Mutual Fund	Convertibles, Derivatives, Equities, High Yield	0.75% on 1 <sup>st</sup> \$50MM 0.65% over \$50MM up to 300MM 0.60% in excess of \$300MM	N/A	Varies by share class
	<b>Advent Vega</b>	Separate Accounts	Convertibles, Derivatives, Bank Loans, Short Equities	1.00%	20%	Sep Accts: \$50 MM
		Onshore/ Offshore Feeders				Fund: \$3 MM
	<b>Balanced Convertible Strategy</b>	Separate Accounts	Convertibles	Sep Accts: 0.80% <25MM; 0.65% Next 25MM; 0.55% Next 50MM; 0.50% Next 100MM+	N/A	\$10MM
	<b>Investment Grade Convertible Strategy</b>	Separate Accounts	Convertibles	Sep Accts: 0.65% <25MM; 0.55% Next 25MM; 0.50% Next 50MM; 0.45% Next 100MM+	N/A	\$10MM
	<b>Global Balanced Convertible Strategy</b>	Separate Accounts	Global Convertibles	Sep Accts: 0.90% <25MM; 0.75% Next 25MM; 0.60% Next 50MM; 0.50% Next 100MM+	N/A	\$25MM
	<b>Phoenix Convertible Income Strategy</b>	Separate Accounts	Income Convertibles	Sep Accts: 1.00% < 25MM; 0.80% Next 25MM; 0.65% Next 50MM; 0.55% Next 100MM+	N/A	Sep Accts: \$10MM
		Wrap Fee Accounts		Wrap fees vary by sponsor		Wrap: \$250k
	<b>Global Phoenix Convertible Income Strategy</b>	Separate Accounts	Income Convertibles	Sep Accts: 1.00% < 25MM; 0.80% Next 25MM; 0.65% Next 50MM; 0.55% Next 100MM+	N/A	Sep Accts: \$25MM
		UCITS		Fund: 0.90%		Fund: \$5MM
	<b>High Yield Strategy</b>	Separate Accounts	High Yield	Sep Accts: 0.50% <50MM; 0.45% Next 150MM 0.40% > 200MM	N/A	\$20MM

Advent's investment advisory fees are exclusive of brokerage commissions, transaction fees, taxes, and other costs and expenses arising from the investment and reinvestment of client assets, all of which are borne by the client. Advent does not receive any portion of such costs

and expenses. Clients may incur certain charges imposed by custodians, broker-dealers, and other third parties such as custodial fees, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, or other transaction-related charges, fees or taxes. A client may be subject to additional administrative and extraordinary expenses, as well as professional provider fees (e.g., accounting, tax, legal and fair valuation). To the extent Advent invests a client's assets in shares of a commingled vehicle (such as a registered investment company or exchange-traded fund), the client will bear the advisory, administrative, custody and professional fees and other costs, fees and expenses that apply to other shareholders in the commingled vehicle, as well as any commissions or transaction costs that apply in connection with buying or selling such shares. Please refer to Item 12 of this Brochure for additional information about brokerage and other transaction costs.

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

Advent has entered into performance fee arrangements with certain clients ("Performance Fee Clients"). Where required, these arrangements are structured in compliance with Section 205(a)(1) of the Advisers Act or available exemptions, such as the exemption for performance fee arrangements with qualified clients set forth in Rule 205-3. Advent's performance fee arrangements are negotiated directly with Performance Fee Clients and are documented in the client's investment management agreement with Advent or, in the case of private funds and certain other clients, in the governing documents of the client. In measuring a client's assets for calculation of performance fees, Advent generally includes realized and unrealized capital gains and losses.

Generally speaking, the Advent portfolio managers and traders who implement investment strategies for clients that pay Advent only asset-based fees (collectively, "Asset-Based Fee Clients") are different from the portfolio managers and traders who implement investment strategies for Performance Fee Clients. A small number of portfolio managers and traders direct or participate in investment decision-making for both Asset-Based Fee Clients and Performance Fee Clients. Advent's research, trading and portfolio management personnel (collectively, the "Investment Team") work in the same physical space (whether in New York or London) and have full access to all holdings and pending trades of Asset-Based Fee Clients and Performance Fee Clients through Advent's order management system. The payment of performance fees by Performance Fee Clients could create an incentive for Advent to preferentially allocate more favorable investment opportunities to Performance Fee Clients, to the detriment of Asset-Based Fee Clients. Advent seeks to mitigate these potential conflicts through implementation of its Code of Ethics and other compliance policies and procedures (collectively, the "Compliance Manual") to ensure compliance with its fiduciary obligations, the federal securities laws and other applicable laws and regulations. For example, portfolio managers and traders are required to:

- Act solely for the benefit of each client with undivided loyalty and to place the client's interests above their own interests;
- Deal fairly and equitably with clients;

- Not favor one client over another client;
- Adhere to the client's investment guidelines, restrictions and risk constraints;
- Avoid or seek to mitigate conflicts of interest; and
- Allocate in a fair and equitable manner among all clients all investment advisory recommendations and all aggregated orders for multiple clients for the purchase or sale of securities.

Another potential conflict of interest involved in Advent's side-by-side management of Asset-Based Fee Clients and Performance Fee Clients relates to short sales. Performance Fee Clients may sell short equity or debt securities for purposes of hedging an existing position, and in some cases to express a directional view. Generally speaking, Asset-Based Fee Clients do not sell short securities and on any trading day may buy, hold or sell securities that are being sold short by Performance Fee Clients on the same trading day. Because of these various transactions for different clients, Advent could be viewed as having a potential conflict of interest if it sells short securities for one client while causing another client to hold the same securities long, despite having compelling contractual and fiduciary obligations (such as fulfilling a client's investment guidelines and limitations) or other reasons for engaging in these seemingly inconsistent transactions. In addition, Advent could be seen as harming the performance of an Asset-Based Fee Client for the benefit of a Performance Fee Client if the short-selling transactions for the Performance Fee Client cause the market value of the shorted securities to move lower prior to the time the Asset-Based Fee Client executed its same-day sale of the same securities. Finally, Advent could be seen as benefitting Performance Fee Clients at the expense of Asset-Based Fee Clients if it intentionally caused Asset-Based Fee Clients to purchase the same securities that Performance Fee Clients shorted for the purpose of causing the market value of the securities to increase, thereby increasing the value of the short positions to the Performance Fee Clients. Each of these potential conflicting transactions is inconsistent with the fiduciary duties of the members of the Investment Team and is prohibited by Advent's Code of Ethics. Moreover, based on its historical experience in managing the assets of Performance Fee Clients across multiple investment strategies, Advent does not believe that its short sales of securities for Performance Fee Clients are reasonably likely to have a material adverse effect on the market value of such securities in the hands of Asset-Based Fee Clients, taking into account the aggregate size of the short positions and the market capitalization of the shorted securities.

The Chief Compliance Officer of Advent conducts regular training of Investment Team members and also works with individuals on a one-on-one basis to ensure they understand and are adhering to their fiduciary and other legal responsibilities as well as Advent's Code of Ethics in managing client assets, including but not limited to appropriately managing Performance Fee Clients side-by-side with Asset-Based Fee Clients. Client accounts are also reviewed to ensure they are being managed in compliance with Advent's allocation policies and procedures and the applicable investment guidelines.

## **Item 7 – Types of Clients**

Advent may provide investment management services to high net worth individuals, individuals other than high net worth individuals, banking and thrift institutions, registered investment companies, private funds, pension and profit sharing plans, charitable organizations, state and municipal government entities (including government pension plans), insurance companies, sovereign wealth funds and foreign official institutions, other corporations and businesses, non-U.S. entities such as UCITS and SICAVs, and other U.S. and non-U.S. investors. In addition, Advent may advise private funds (each, a “Side-by-Side Fund”) that have been established primarily for (1) investors who are Advent employees who are not eligible to invest in other private funds advised by Advent, (2) family members of Advent principals and employees, (3) service providers to Advent or private funds advised by Advent, including partners of counsel to Advent, and (4) current and former portfolio company executives and other individuals who have a business or personal relationship with Advent and/or its personnel. Generally speaking, Advent expects Side-by-Side Funds will participate pro rata in investments alongside the private funds with respect to which they were formed.

Advent generally requires, with some exceptions granted at the discretion of Advent, that investors open minimum accounts in accordance with the thresholds described in Item 5 of this Brochure. With limited exceptions where permitted by applicable law, Advent requires that its separate account clients and investors in its private funds be “qualified purchasers” as that term is defined in Section 2(a)(51) of the Investment Company Act (with the exception of certain Advent personnel who qualify as “knowledgeable employees” as defined in Rule 3c-5 under the Investment Company Act).

When a client seeks to open an account, Advent may require the client to submit a completed Form W-8/W-9, as applicable, which includes the name, address, Tax ID/Employer ID number (or any other similar registration number) and other reasonably required information that will allow Advent to identify the client and comply with “know your customer” and anti-money laundering requirements. Advent may ask for information and documentation regarding the source of the funds to be invested. Advent also reserves the right to ask for additional information regarding the individuals who are beneficial owners of the client and/or exercise control over the client. Advent may also request such other information as may be necessary to comply with applicable law. Furthermore, Advent may verify any of the aforementioned information using third-party sources and may share that information as required by applicable law or in connection with the execution of trades on behalf of that client or investor. For certain clients, Advent may rely on the client’s advisor, broker-dealer, administrator, transfer agent, custodian or placement agent to obtain, verify and record the required information. These requests and verification activities also apply to underlying investors in Advent’s private funds.

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

Since its inception, Advent’s credit-driven research focus has been a large driver of our investment performance. Advent utilizes a dynamic bottom-up relative value approach to security analysis. We believe our focus and experience regarding investments in credit strategies helps us avoid defaults and better gauge probabilities of downgrades, early redemption and



corporate event risk. Advent's investment strategies are described below and followed by a description of related investment risks.

All investments in securities, whether through an account, a private fund, a registered investment company or another type of investment vehicle, and regardless of investment strategy, involve risk of loss that a client or investor should be prepared to bear. All investments made by Advent on behalf of a client risk the loss of capital. No guarantee or representation can be made that a client will achieve its investment objective or avoid substantial losses, including the potential to lose all invested capital. There can be no assurance that any Advent investment strategy will achieve a client's investment objective, avoid losses or generate returns that are commensurate with the risks of investing in the type of securities that Advent may select for the client.

### **Advent Strategies**

- ***Advent Global Opportunity Strategy*** seeks to maximize returns through Advent's insights while mitigating risk. The strategy seeks to capture the best investment opportunities Advent identifies in any given economic environment and invest through multiple strategies, including, but not limited to, relative value credit, capital structure arbitrage, distressed, convertible arbitrage, event driven/catalyst driven credit and equities.
- ***Advent Global Partners*** uses a disciplined relative value approach to volatility and credit investing with an event driven bias. Advent implements a flexible multi-strategy approach to investing through several sub-strategies including, but not limited to, idiosyncratic volatility arbitrage, corporate transactions and event-driven opportunities, credit investing, short selling, and option/volatility arbitrage.
- ***Advent Global Event Driven Strategy*** seeks positive absolute returns by investing in securities of companies that are involved in a corporate or special situation event. These events may include stock repurchase programs, spin-offs, asset sales, restructurings, merger and acquisition opportunities, security mispricings due to market volatility (such as geopolitical unrest), earnings related opportunities, opportunities dependent on specific economic climates, and investments driven by special features in bond indentures (such as ratchet clauses and poison puts).
- ***Advent Vega Strategy*** seeks to generate strong absolute returns in all market environments. The strategy seeks to identify idiosyncratic, mispriced volatility opportunities that exhibit positive asymmetry and can produce uncorrelated risk-adjusted returns. The strategy utilizes investments in convertible and corporate debt, asset swapped convertible option transactions (or "ASCOTs"), equity, equity-linked, and derivative securities. The strategy allocates on a global basis across geography, sector and industries.
- ***Advent Balanced Convertible Strategy*** seeks a high total return by investing in a portfolio of USD denominated convertible securities that provide equity-like returns, while seeking to limit downside risk.

- ***Advent Investment Grade Convertible Strategy*** seeks a high total return by investing in a portfolio of USD denominated investment grade convertible securities that provide equity-like returns, while seeking to limit downside risk.
- ***Advent Global Balanced Convertible Strategy*** seeks a high total return by investing in a portfolio of global convertible securities that provide equity-like returns, while seeking to limit downside risk.
- ***Advent Phoenix Convertible Income Strategy*** seeks income and capital gains by investing in a portfolio of “theoretically cheap” USD denominated convertible securities that trade close to their bond value, while seeking to limit downside risk.
- ***Advent Global Phoenix Convertible Income Strategy*** seeks income and capital gains by investing in a portfolio of “theoretically cheap” global convertible securities that trade close to their bond value, while seeking to limit downside risk.
- ***Advent High Yield Strategy*** seeks income and total return by investing primarily in high yielding corporate credit using fundamental and relative value analysis to identify undervalued securities.
- ***Advent Convertible and Income Fund (NYSE: AVK)*** is a publicly traded closed-end fund that seeks to provide total return through a combination of capital appreciation and current income.

## **Risk Factors**

It is not possible to identify all of the risks associated with investing and the particular risks applicable to a client account will depend on the nature of the account, its investment strategy, its investment guidelines and the types of securities held. While Advent seeks to manage accounts so that risks are appropriate to the strategy, it is often not possible or desirable to fully mitigate risks. Clients and other investors should read carefully all applicable informational materials and governing documents, including offering memoranda and prospectuses, prior to retaining Advent to manage an account or investing in any Advent-managed fund.

### *Investment and Strategy Risks*

**Not A Complete Investment Program.** An Advent investment strategy should not be considered a complete investment program. Advent investment strategies are intended for long-term investors. Prospective clients should take into account their investment objectives as well as their other investments when considering an investment in an Advent investment strategy. Before making an investment decision, a prospective client should consider (1) the suitability of the Advent investment strategy with respect of that person’s investment objectives and personal situation and (2) other factors such as net worth, income, age, risk tolerance and liquidity needs.

Investment And Market Risk. An investment in an Advent investment strategy is subject to investment risk, including the possible loss of the entire principal amount that a client invests. The value of the securities owned by a client may fluctuate, sometimes rapidly and unpredictably. The value of securities owned by a client may decline due to general market conditions that are not specifically related to a particular issuer, such as real or perceived economic conditions, changes in interest or currency rates or changes in investor sentiment or market outlook generally. At any point in time, the assets a client invests under an Advent investment strategy may be worth less than the original investment, including after the reinvestment of any dividends and distributions.

Convertible Securities Risk. Convertible securities are hybrid securities that combine the investment characteristics of bonds and common stocks. Convertible securities involve risks similar to those of both fixed income and equity securities. In a corporation's capital structure, convertible securities are senior to common stock, but are usually subordinated to senior debt obligations of the issuer.

The market value of a convertible security is a function of its "investment value" and its "conversion value." A security's "investment value" represents the value of the security without its conversion feature (*i.e.*, a nonconvertible fixed income security). The investment value may be determined by reference to its credit quality and the current value of its yield to maturity or probable call date. At any given time, investment value is dependent upon such factors as the general level of interest rates, the yield of similar nonconvertible securities, the financial strength of the issuer, and the seniority of the security in the issuer's capital structure. A security's "conversion value" is determined by multiplying the number of shares the holder is entitled to receive upon conversion or exchange by the current price of the underlying security. If the conversion value of a convertible security is significantly below its investment value, the convertible security will trade like nonconvertible debt or preferred stock and its market value will not be influenced greatly by fluctuations in the market price of the underlying security. In that circumstance, the convertible security takes on the characteristics of a bond, and its price moves in the opposite direction from interest rates. Conversely, if the conversion value of a convertible security is near or above its investment value, the market value of the convertible security will be more heavily influenced by fluctuations in the market price of the underlying security. In that case, the convertible security's price may be as volatile as that of common stock. Because both interest rates and market movements can influence its value, a convertible security generally is not as sensitive to interest rates as a similar fixed income security, nor is it as sensitive to changes in share price as its underlying equity security. Convertible securities are often rated below investment grade or are not rated.

Although all markets are prone to change over time, the generally high rate at which convertible securities are retired (through mandatory or scheduled conversions by issuers or through voluntary redemptions by holders) and replaced with newly issued convertibles may cause the convertible securities market to change more rapidly than other markets. For example, a concentration of available convertible securities in a few economic sectors could elevate the sensitivity of the convertible securities market to the volatility of the equity markets and to the specific risks of those sectors. Moreover, convertible securities with innovative structures, such as mandatory-conversion securities and equity-linked securities, have increased the sensitivity of

the convertible securities market to the volatility of the equity markets and to the special risks of those innovations, which may include risks different from, and possibly greater than, those associated with traditional convertible securities. A convertible security may be subject to redemption at the option of the issuer at a price set in the governing instrument of the convertible security. If a convertible security held by a client is subject to such redemption option and is called for redemption, such client must allow the issuer to redeem the security, convert it into the underlying common stock, or sell the security to a third party.

As a result of the conversion feature, convertible securities typically offer lower interest rates than if the securities were not convertible. During periods of rising interest rates, it is possible that the potential for capital gain on convertible securities may be less than that of a common stock equivalent if the yield on the convertible security is at a level that would cause it to sell at discount.

Also, in the absence of adequate anti-dilution provisions in a convertible security, dilution in the value of a client's holding may occur in the event the underlying stock is subdivided, additional securities are issued, a stock dividend is declared, or the issuer enters into another type of corporate transaction which increases its outstanding securities.

Structured and Synthetic Convertible Securities Risk. The value of structured and synthetic convertible securities can be affected by interest rate changes and credit risks of the issuer. Such securities may be structured in ways that limit their potential for capital appreciation and the entire value of the security may be at a risk of loss depending on the performance of the underlying equity security. Structured and synthetic convertible securities may be less liquid than other convertible securities. The value of a synthetic convertible security will respond differently to market fluctuations than a convertible security because a synthetic convertible security is composed of two or more separate securities, each with its own market value. In addition, if the value of the underlying common stock or the level of the index involved in the convertible component falls below the exercise price of the warrant or option, the warrant or option may lose all value.

Equity Securities Risk. Equity securities risk is the risk that the value of the securities held by a client will fall due to general market and economic conditions, perceptions regarding the industries in which the issuers of securities held by a client participate or factors relating to specific companies in which a client invests. Stock of an issuer in a client's portfolio may decline in price if the issuer fails to make anticipated dividend payments because, among other reasons, the issuer of the security experiences a decline in its financial condition. Common stock in which a client may invest is structurally subordinated to preferred stock, bonds and other debt instruments in a company's capital structure, in terms of priority to corporate income, and therefore will be subject to greater dividend risk than preferred stock or debt instruments of such issuers. In addition, while common stock has historically generated higher average returns than fixed income securities, common stock has also experienced significantly more volatility in those returns. An adverse event, such as an unfavorable earnings report, may depress the value of common stock of an issuer held by a client. Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. These investor perceptions are based on various and

unpredictable factors including expectations regarding: government, economic, monetary and fiscal policies; inflation and interest rates; economic expansion or contraction; and global or regional political, economic and banking crises.

Interest Rate Risk. Convertible securities and non-convertible income-producing securities (including preferred stock and debt securities) (collectively “income securities”) are subject to certain interest rate risks, including:

- If interest rates go up, the value of income securities in a client’s portfolio generally will decline. These risks may be greater in the current market environment because interest rates are near historically low levels.
- During periods of declining interest rates, the issuer of an income security may exercise its option to prepay principal earlier than scheduled, forcing a client to reinvest in lower yielding income securities. This is known as call or prepayment risk. Lower grade income securities have call features that allow the issuer to repurchase the security prior to its stated maturity. An issuer may redeem a lower grade income security if the issuer can refinance the security at a lower cost due to declining interest rates or an improvement in the credit standing of the issuer.
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- During periods of rising interest rates, the average life of certain types of income securities may be extended because of slower than expected principal payments. This may lock in a below market interest rate, increase the security’s duration (the estimated period until the security is paid in full) and reduce the value of the security. This is known as extension risk.

Credit Risk. Credit risk is the risk that one or more income securities in a client’s portfolio will decline in price, or fail to pay interest or principal when due, because the issuer of the security experiences a decline in its financial status. A client’s investments in income securities involve credit risk. However, in general, lower rated, lower grade and noninvestment grade income securities carry a greater degree of risk that the issuer will lose its ability to make interest and principal payments, which could have a negative impact on the value of a client’s securities.

Lower Grade Securities Risk. Investing in lower grade and non-investment grade securities involves additional risks. Securities of below investment grade quality are commonly referred to as “junk bonds” or “high yield securities.” Investment in securities of below investment grade quality involves substantial risk of loss. Securities of below investment grade quality are predominantly speculative with respect to the issuer’s capacity to pay interest and repay principal when due and therefore involve a greater risk of default or decline in market value due to adverse economic and issuer-specific developments. Issuers of below investment grade securities are not perceived to be as strong financially as those with higher credit ratings. Issuers of lower grade securities may be highly leveraged and may not have available to them more traditional methods of financing. Therefore, the risks associated with acquiring the securities of such issuers generally are greater than is the case with higher rated securities. These issuers are more vulnerable to financial setbacks and recession than more creditworthy issuers,

which may impair their ability to make interest and principal payments. The issuer's ability to service its debt obligations also may be adversely affected by specific issuer developments, the issuer's inability to meet specific projected business forecasts or the unavailability of additional financing. Therefore, there can be no assurance that in the future a higher default rate will not occur relative to the rates currently existing in the market for lower grade securities. The risk of loss due to default by the issuer is significantly greater for the holders of lower grade securities because such securities may be unsecured and may be subordinate to other creditors of the issuer. Securities of below investment grade quality display increased price sensitivity to changing interest rates and to a deteriorating economic environment. The market values for securities of below investment grade quality tend to be more volatile and such securities tend to be less liquid than investment grade debt securities. To the extent that a secondary market does exist for certain below investment grade securities, the market for them may be subject to irregular trading activity, wide bid/ask spreads and extended trade settlement periods.

Debt Securities Risk. The investment guidelines of a client may permit it to invest in debt securities. A debt security, sometimes called a fixed income security, is a security consisting of a certificate or other evidence of a debt (secured or unsecured) on which the issuing company or governmental body promises to pay the holder thereof a fixed, variable, or floating rate of interest for a specified length of time, and to repay the debt on the specified maturity date. Some debt securities, such as zero-coupon bonds, do not make regular interest payments but are issued at a discount to their principal or maturity value. Debt securities include a variety of fixed income obligations, including, but not limited to, corporate bonds, government securities, municipal securities, convertible securities, mortgage-backed securities, and asset-backed securities. Debt securities include investment-grade securities, non-investment-grade securities, and unrated securities. Debt securities are subject to a variety of risks, such as interest rate risk, income risk, call/prepayment risk, inflation risk, credit risk, and (in the case of foreign securities) country risk and currency risk. The reorganization of an issuer under the federal bankruptcy laws may result in the issuer's debt securities being cancelled without repayment, repaid only in part, or repaid in part or in whole through an exchange thereof for any combination of cash, debt securities, convertible securities, equity securities, or other instruments or rights in respect of the same issuer or a related entity.

Preferred Securities Risk. There are special risks associated with investing in preferred securities, including those listed below.

- Deferral. Preferred securities may include provisions that permit the issuer, at its discretion, to defer distributions for a stated period without any adverse consequences to the issuer. If a client owns a preferred security that is deferring its distributions, such client may be required to report income for tax purposes although it has not yet received such income.
- Non-Cumulative Dividends. Some preferred stocks are non-cumulative, meaning that the dividends do not accumulate and need not ever be paid. A client's assets may be invested in non-cumulative preferred securities, whereby the issuer does not have an obligation to make up any arrearages to its shareholders. Should an issuer of a non-cumulative preferred stock held by a client determine not to pay dividends on such

stock, the amount of dividends such client pays may be adversely affected. There is no assurance that dividends or distributions on noncumulative preferred stocks in which a client invests will be declared or otherwise made payable.

- Subordination. Preferred securities are subordinated to bonds and other debt instruments in a company's capital structure in terms of priority to corporate income and liquidation payments, and therefore will be subject to greater credit risk than more senior debt instruments.
- Liquidity. Preferred securities may be substantially less liquid than many other securities, such as common stocks or U.S. government securities.
- Limited Voting Rights. Generally, preferred security holders have no voting rights with respect to the issuing company unless preferred dividends have been in arrears for a specified number of periods, at which time the preferred security holders may have the right to elect a number of directors to the issuer's board. Generally, once all the arrearages have been paid, the preferred security holders no longer have voting rights.
- Special Redemption Rights. In certain varying circumstances, an issuer of preferred securities may redeem the securities prior to a specified date. For instance, for certain types of preferred securities, a redemption may be triggered by a change in federal income tax or securities laws. As with call provisions, a redemption by the issuer may negatively impact the return of the security held by a client.

Foreign Securities Risk. Investing in non-U.S. issuers ("foreign issuers") or securities denominated in non-U.S. currencies may involve certain risks not typically associated with investing in securities of U.S. issuers due to increased exposure to non-U.S. economic, political and legal developments, including favorable or unfavorable changes in currency exchange rates, exchange control regulations (including currency blockage), confiscatory taxation, political or social instability, illiquidity, price volatility, market manipulation, expropriation or nationalization of assets, imposition of withholding taxes on payments, and possible difficulty in obtaining and enforcing judgments against foreign entities. Furthermore, issuers of foreign securities and obligations are subject to different, often less comprehensive, accounting, reporting and disclosure requirements than domestic issuers. The securities and obligations of some foreign companies and foreign markets are less liquid and at times more volatile than comparable U.S. securities, obligations and markets. Securities markets in foreign countries often are not as developed, efficient or liquid as securities markets in the United States, and therefore, the prices of foreign securities can be more volatile. Certain foreign countries may impose restrictions on the ability of issuers to make payments of principal and interest to investors located outside the country. In the event of nationalization, expropriation or other confiscation, a client could lose its entire investment in a foreign security. Transaction costs of investing outside the U.S. are generally higher than in the U.S. Higher costs result because of the cost of converting a foreign currency to dollars, the payment of fixed brokerage commissions on some foreign exchanges and the imposition of transfer taxes or transaction charges by foreign exchanges. Non-U.S. markets also have different clearance and settlement procedures which in

some markets have at times failed to keep pace with the volume of transactions, thereby creating substantial delays and settlement failures that could adversely affect a client's performance. Foreign brokerage commissions and other fees are also generally higher than in the United States. There are also special tax considerations which apply to securities and obligations of foreign issuers and securities and obligations principally traded overseas. These risks may be more pronounced to the extent that a client invests a significant amount of its assets in companies located in one country or geographic region, in which case a client making such investment may be more exposed to regional economic risks, and to the extent that such client invests in securities of issuers in emerging markets.

Emerging Markets Risk. Investments in securities the issuers of which are located in countries considered to be emerging markets are subject to heightened risks relative to foreign investing generally and are considered speculative. Investing in emerging market countries involves certain risks not typically associated with investing in the United States, and it imposes risks greater than, or in addition to, risks of investing in more developed foreign countries. These risks include, but are not limited to, the following: greater risks of nationalization or expropriation of assets or confiscatory taxation; currency devaluations and other currency exchange rate fluctuations; greater social, economic, and political uncertainty and instability (including amplified risk of war and terrorism); more substantial government involvement in the economy; less government supervision and regulation of the securities markets and participants in those markets, and possible arbitrary and unpredictable enforcement of securities regulations; controls on foreign investment and limitations on repatriation of invested capital and on a client's ability to exchange local currencies for U.S. dollars; unavailability of currency-hedging techniques in certain emerging market countries; the fact that companies in emerging market countries may be smaller, less seasoned, or newly organized; the difference in, or lack of, auditing and financial reporting standards, which may result in unavailability of material information about issuers; the risk that it may be more difficult to obtain and/or enforce a judgment in a court outside the United States; and greater price volatility, substantially less liquidity, and significantly smaller market capitalization of securities markets. Compared to developed countries, emerging market countries may have relatively unstable governments, economies based on only a few industries and securities markets that trade a small number of securities. Securities issued by companies located in emerging market countries tend to be especially volatile and may be less liquid than securities traded in developed countries. In the past, securities in these countries have been characterized by greater potential loss than securities of companies located in developed countries. Foreign investment in certain emerging market countries may be restricted or controlled to varying degrees. These restrictions or controls may at times limit or preclude foreign investment in certain emerging market issuers and increase the costs and expenses of a client. Certain emerging market countries require governmental approval prior to investments by foreign persons in a particular issuer, limit the amount of investment by foreign persons in a particular issuer, limit the investment by foreign persons only to a specific class of securities of an issuer that may have less advantageous rights than the classes available for purchase by domiciliaries of the countries and/or impose additional taxes on foreign investors.



Investments in issuers located in emerging markets pose a greater degree of systemic risk. The inter-relatedness of institutions within a country and among emerging market economies has increased in recent years. Institutional failures or economic difficulties may spread throughout a country, region or emerging market countries throughout the world, which may limit the ability of a client to manage risk through geographic diversification. Bankruptcy law and creditor reorganization processes may differ substantially from those in the United States, resulting in greater uncertainty as to the rights of creditors, the enforceability of such rights, reorganization timing and the classification, seniority and treatment of claims.

Foreign Currency Risk. A client's investment performance may be negatively affected by a devaluation of a currency in which such client's investments are denominated or quoted. Further, a client's investment performance may be significantly affected, either positively or negatively, by currency exchange rates because the U.S. dollar value of securities denominated or quoted in another currency will increase or decrease in response to changes in the value of such currency in relation to the U.S. dollar. Foreign currency rates may fluctuate significantly over short periods of time for various reasons, including changes in interest rates, inflation, balance of payments, governmental surpluses or deficits, intervention or non-intervention by U.S. or foreign governments, central banks or supranational entities, the imposition of currency controls and political developments in the U.S. and abroad. A client may require Advent to seek to protect the client's portfolio holdings from changes in currency exchange rates through hedging transactions depending on market conditions. There can be no assurance that such strategies will be available to Advent (or available in an economically viable transaction) or, if used, will be successful. Certain countries, particularly emerging market countries, may impose foreign currency exchange controls or other restrictions on the repatriation, transferability or convertibility of currency. Advent may, acting in accordance with a client's investment guidelines, attempt within the parameters of currency and exchange controls that may be in effect to obtain rights to exchange a client's invested capital, dividends, interest, fees, other distributions and capital gains into convertible currencies. Further, a client may incur costs in connection with Advent's conversions between various currencies. Foreign exchange rates have been highly volatile in recent years. The combination of volatility and leverage gives rise to the possibility of large profit and large loss. In addition, there is counterparty risk because currency trading is done on a principal to principal basis.

Bank Loan and Loan Participation Risks. The investment guidelines of a client may permit it to acquire interests in bank loans and other debt obligations either directly (by way of sale or assignment) or indirectly (by way of participation). The purchaser of an assignment typically succeeds to all the rights and obligations of the assigning institution and becomes a lender under the credit agreement with respect to the debt obligation; however, its rights can be more restricted than those of the assigning institution. Participation interests in a portion of a debt obligation typically result in a contractual relationship only with the institution participating out the interest, not with the borrower. Under a participation, a client generally will have rights that are more limited than the rights of the institution selling the participation (the "Participating Institution"), or of persons who acquire the loan by assignment. In a participation arrangement, a client typically has a contractual relationship with the Participating Institution, but not with the borrower. As a result, a client assumes the credit risk of the Participating Institution in addition to the credit risk of the borrower. In the event of the insolvency of the Participating Institution, a

client may be treated as a general creditor of the Participating Institution and may not have a claim that is senior to the Participating Institution's interest in the loan.

In addition, when a client holds a participation in a senior loan, it may not have the right to vote on whether to waive enforcement of any restrictive covenant breached by a borrower. Participating Institutions voting in connection with a potential waiver of a restrictive covenant may have interests different from those of a client and may not consider the interests of a client. A client may not benefit directly from the collateral supporting a senior loan in which it has purchased the participation, although Participating Institutions generally are required to distribute liquidation proceeds received by them pro rata among the holders of such participations.

Bank loans may include loans of a type generally incurred by the borrowers thereunder in connection with highly leveraged transactions, often to finance internal growth, acquisitions, mergers, stock purchases or for other reasons. Such loans are typically private corporate loans negotiated by one or more commercial banks and syndicated among a group of commercial banks. In order to induce the banks to extend credit, and to offer a favorable interest rate, the borrower often provides the banks with extensive information about its business that is not generally available to the public.

Bank loans are typically at the most senior level of the capital structure, and are often secured by specific collateral, including, but not limited to, trademarks, patents, accounts receivable, inventory, equipment, buildings, real estate, franchises and common and preferred stock of the obligor or its affiliates. Bank loans often provide for restrictive covenants designed to limit the activities of the borrower in an effort to protect the right of lenders to receive timely payments of interest and principal. Such covenants may include restrictions on dividend payments, specific mandatory minimum financial ratios, limits on total debt and other financial tests. Bank loans usually have shorter terms than more junior obligations and may require mandatory prepayments from excess cash flow, asset dispositions and offerings of debt and/or equity securities.

Purchasers of bank loans are predominantly commercial banks, investment funds and investment banks. As secondary market trading volumes increase, new bank loans are frequently adopting a standardized documentation to facilitate loan trading which should improve market liquidity. There can be no assurance, however, that future levels of supply and demand in bank loan trading will provide an adequate degree of liquidity or that the current level of liquidity will continue. Because of the provision to holders of such loans of confidential information relating to the borrower, the unique and customized nature of the loan agreement, and the private syndication of the loan, bank loans are not as easily purchased or sold as a publicly traded security, and historically the trading volume in the bank loan market has been small relative to the high yield debt market.

Futures Contracts Risks. The investment guidelines of a client may permit it to invest in futures contracts. Futures markets are highly volatile. To the extent a client engages in transactions in futures contracts, the profitability of a client will depend to some degree on the ability of Advent to analyze correctly the futures markets, which are influenced by, among other

things, changing supply and demand relationships, governmental policies, commercial and trade programs, world political and economic events and changes in interest rates. Moreover, investments in commodity futures and options contracts involve additional risks including, without limitation, leverage (margin is usually only 5%-15% of the face value of the contract and exposure can be nearly unlimited) and credit risk vis-à-vis the contract counterparty. Finally, the CFTC and futures exchanges have established limits referred to as “speculative position limits” on the maximum net long or net short position which any person may hold or control in particular commodity contracts. Advent may invest client assets in futures contracts and options on futures contracts for investment and hedging purposes.

**Illiquid Securities Risk.** Illiquid securities held by a client may be difficult to dispose of at a fair price at the times when Advent believes it is desirable to do so. The market price of illiquid securities generally is more volatile than that of more liquid securities, which may adversely affect the price that a client pays for or recovers upon the sale of illiquid securities. Illiquid securities are also more difficult to value and Advent’s judgment may play a greater role in the valuation process. Investment of a client’s assets in illiquid securities may restrict such client’s ability to take advantage of market opportunities. The risks associated with illiquid securities may be particularly acute in situations in which a client’s operations require cash and could result in such client borrowing to meet its short-term needs or incurring losses on the sale of illiquid securities. Although many of the Rule 144A Securities in which a client invests may be, in the view of Advent, liquid, if qualified institutional buyers are unwilling to purchase these Rule 144A Securities, they may become illiquid.

**Risks Related to Due Diligence of Portfolio Companies.** Before making investments, Advent will typically conduct due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. Due diligence may entail evaluation of important and complex business, financial, tax, accounting, regulatory and legal issues. Outside consultants, legal advisors, accountants, investment banks and other third parties may be involved in the due diligence process to varying degrees depending on the type of investment. Such involvement of third party advisors or consultants may present a number of risks primarily relating to Advent’s reduced control of the functions that are outsourced. In addition, if Advent is unable to timely engage third-party providers, its ability to evaluate and acquire more complex prospective portfolio companies could be adversely affected. When conducting due diligence and making an assessment regarding an investment, Advent will rely on the resources available to it, including information provided by the target of the investment and, in some circumstances, third-party investigations. The due diligence investigation that Advent carries out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in the investment being successful. Conduct occurring at portfolio companies, even activities that occurred prior to a client’s investment therein, could have an adverse impact on the client.

**Arbitrage Risks.** The investment guidelines of a client may permit it to engage in capital structure arbitrage, convertible arbitrage, merger arbitrage and other arbitrage strategies. The principal risk associated with arbitrage strategies is that the underlying relationships between securities in which a client takes investment positions may change in an adverse manner, in

which case the client may realize losses. If the requisite elements of an arbitrage strategy are not properly analyzed or unexpected events or price movements intervene, losses can occur which can be magnified to the extent Advent is employing leverage. Moreover, arbitrage strategies often depend upon identifying favorable “spreads,” which can also be identified, reduced, or eliminated by other market participants. Arbitrage strategies entail other risks including the risk that external events, regulatory approvals and other factors will impact the consummation of announced corporate events and/or the prices of certain positions. In addition, hedging is an important feature of capital structure arbitrage. There is no guarantee that Advent will be able to hedge a client’s portfolio in the manner necessary to successfully employ the client’s strategy.

Material Nonpublic Information Risks. Although Advent’s Compliance Manual includes policies and procedures to prevent or control the receipt or use of material nonpublic information, Advent, its affiliates and their respective officers, directors, partner’s members, employees and agents may from time to time come into possession of such information. Advent maintains compliance policies and procedures that it believes are reasonably designed to prevent, detect and correct potential violations of the federal securities laws and other applicable laws and regulations in connection with Advent’s receipt of material nonpublic information about a company or its securities. A client’s investment flexibility may be constrained as a consequence of Advent’s inability to use such information for investment purposes during the period of time Advent is restricted under applicable authority. A client may experience losses if Advent is unable to sell an investment that the client holds because Advent possesses material nonpublic information relevant to such investment.

Fraud Risk. In making certain investments, Advent may rely upon the accuracy and completeness of representations made by the issuer of such investment, but it cannot guarantee the accuracy or completeness of such representations. The issuer of an investment may make a material misrepresentation or omission with respect to the issuer of the investment. Such inaccuracy or incompleteness may adversely affect the strategies or the valuation of any investment. Instances of fraud and other deceptive practices committed by senior management of certain companies in which Advent strategies may invest may undermine the ability of Advent to conduct effective due diligence on, or successfully exit investments made in, such companies. In addition, financial fraud may contribute to overall market volatility, which can negatively impact the strategies’ investment programs.

Derivatives Transactions Risk. The investment guidelines of a client may permit Advent to engage in various derivatives transactions for hedging and/or risk management purposes, to facilitate portfolio management and to earn income or enhance total return. The use of derivatives transactions to earn income or enhance total return may be particularly speculative. Derivative transactions entered into to seek to manage the risks of a client’s portfolio of securities may have the effect of limiting the gains from favorable market movements. Losses on derivatives transactions may reduce the value of a client’s investment portfolio if such losses are not offset by gains on a portfolio positions being hedged. Derivatives transactions involve risks. There may be imperfect correlation between the value of such instruments and the underlying assets. Derivatives transactions may be subject to risks associated with the possible default of the other party to the transaction. Derivative instruments may be illiquid. Certain derivatives transactions may have economic characteristics similar to leverage, in that relatively

small market movements may result in large changes in the value of an investment. Certain derivatives transactions that involve leverage can result in losses that greatly exceed the amount originally invested. Furthermore, a client's ability to successfully use derivatives transactions depends on Advent's ability to predict pertinent market movements, which cannot be assured. The use of derivatives transactions may result in losses greater than if they had not been used, may require a client to sell or purchase portfolio securities at inopportune times or for prices other than current market values, may limit the amount of appreciation a client can realize on an investment or may cause a client to hold a security that it might otherwise sell. Derivatives transactions involve risks of mispricing or improper valuation. The documentation governing a derivative instrument or transaction may be unfavorable or ambiguous. Derivatives transactions may involve commissions and other costs, which may increase a client's expenses and reduce its return. Various legislative and regulatory initiatives may impact the availability, liquidity and cost of derivative instruments, limit or restrict the ability of a client to use certain derivative instruments or transact with certain counterparties as a part of its investment strategy, increase the costs of using derivative instruments or make derivative instruments less effective.

In connection with certain derivatives transactions, a Registered Fund Client or other Advent client may be required to segregate liquid assets or otherwise cover such transactions and/or to deposit amounts as premiums or to be held in margin accounts. Such amounts may not otherwise be available to such client for investment purposes. A client may earn a lower return on its portfolio than it might otherwise earn if it did not have to segregate assets in respect of, or otherwise cover, its derivatives transactions positions. To the extent a client's assets are segregated or committed as cover, it could limit such client's investment flexibility. Segregating assets and covering positions will not limit or offset losses on related positions.

Risk Associated with Covered Call Option Writing. The investment guidelines of a client may permit Advent to engage in covered call option writing. There are significant differences between the securities and options markets that could result in an imperfect correlation between these markets, causing a given transaction not to achieve its objectives. A decision as to whether, when and how to use options involves the exercise of skill and judgment, and even a well-conceived transaction may be unsuccessful to some degree because of market behavior or unexpected events. As the writer of a covered call option, a client forgoes, during the option's life, the opportunity to profit from increases in the market value of the security covering the call option above the sum of the premium and the strike price of the call, but has retained the risk of loss should the price of the underlying security decline. As a client writes covered calls over more of its portfolio, its ability to benefit from capital appreciation becomes more limited.

The value of options written by a client will be affected by, among other factors, changes in the value of underlying securities (including those comprising an index), changes in the dividend rates of underlying securities, changes in interest rates, changes in the actual or perceived volatility of the stock market and underlying securities and the remaining time to an option's expiration. The value of an option also may be adversely affected if the market for the option is reduced or becomes less liquid.

To the extent that there is a lack of correlation between the index options written by a client and such client's portfolio securities, movements in the indexes underlying the options positions may result in losses to such client, which may more than offset any gains received by such client from options premiums. Such sales would involve transaction costs borne by such client and may also result in realization of taxable gains.

With respect to exchange-traded options, there can be no assurance that a liquid market will exist when a client seeks to close out an option position on an options exchange. An absence of a liquid secondary market on an exchange may arise because: (1) there may be insufficient trading interest in certain options; (2) restrictions may be imposed by an exchange on opening transactions or closing transactions or both; (3) trading halts, suspensions or other restrictions may be imposed with respect to particular classes or series of options; (4) unusual or unforeseen circumstances may interrupt normal operations on an exchange; (5) the facilities of an exchange or The Options Clearing Corporation (the "OCC") may not at all times be adequate to handle current trading volume; or (6) one or more exchanges could, for economic or other reasons, decide or be compelled at some future date to discontinue the trading of options (or a particular class or series of options). If trading were discontinued, the secondary market on that exchange (or in that class or series of options) would cease to exist. In the event that a client were unable to close out a call option that it had written on a portfolio security, it would not be able to sell the underlying security unless the option expired without exercise.

A client's options transactions will be subject to limitations established by each of the exchanges, boards of trade or other trading facilities on which the options are traded. These limitations govern the maximum number of options in each class which may be written or purchased by a single investor or group of investors acting in concert, regardless of whether the options are written or purchased on the same or different exchanges, boards of trade or other trading facilities or are held or written in one or more accounts or through one or more brokers. An exchange, board of trade or other trading facility may order the liquidation of positions found to be in excess of these limits, and it may impose other sanctions.

The investment guidelines of a client may permit Advent to write (sell) over-the-counter options ("OTC options"). Options written by a client with respect to non-U.S. securities, indices or sectors generally will be OTC options. OTC options differ from exchange-listed options in that they are entered into directly with the buyer of the option and not through an exchange or clearing organization that is interposed between a client and the counterparty. In an OTC option transaction exercise price, premium and other terms are negotiated between buyer and seller. OTC options generally do not have as much market liquidity as exchange-listed options. The OTC options written by a client will not be issued, guaranteed or cleared by the OCC. In addition, a client's ability to terminate the OTC options may be more limited than with exchange-traded options. Banks, broker-dealers or other financial institutions participating in such transaction may fail to settle a transaction in accordance with the terms of the option as written. In the event of default or insolvency of the counterparty, a client may be unable to liquidate an OTC option position.

Counterparty Risk. A client will be subject to credit risk with respect to the counterparties to the derivative contracts entered into by such client. If a counterparty becomes bankrupt or otherwise fails to perform its obligations under a derivative contract due to financial difficulties, a client may experience significant delays in obtaining any recovery under the derivative contract in bankruptcy or other reorganization proceeding. A client may obtain only a limited recovery or may obtain no recovery in such circumstances. Concerns about, or a default by, one large market participant could lead to significant liquidity problems for other participants. If a counterparty's credit becomes significantly impaired, multiple requests for collateral posting in a short period of time could increase the risk that a client may not receive adequate collateral. The counterparty risk for cleared derivatives is generally lower than for uncleared over-the-counter derivatives transactions because generally a clearing organization becomes substituted for each counterparty to a cleared derivative contract and, in effect, guarantees the parties' performance under the contract as each party to a trade looks only to the clearing organization for performance of financial obligations under the derivative contract. However, there can be no assurance that a clearing organization, or its members, will satisfy its obligations to a client.

Leverage Risk. The investment guidelines of a client may permit it to utilize leverage. The use of leverage, which can be described as exposure to changes in price at a ratio greater than the amount of equity invested, either through borrowing or other forms of market exposure such as reverse repurchase agreements, magnifies both the favorable and unfavorable effects of price movements in the investments made by a client. Insofar as a client employs leverage in its investment operations, the client will be subject to substantial risks of loss up to the total value of their portfolio. With volatile instruments, downward price swings can result in margin calls that could require liquidation of securities at inopportune times or at prices that are not favorable to a client and cause significant losses. In the case of short sales, the same magnitude of loss can occur with price increases. In addition, illiquid investments can be priced against a client during periods when it may need capital as a result of using leverage. Returns from a leveraged investment will be more volatile than returns from the underlying investment.

Smaller Company Risk. The general risks associated with corporate income-producing and equity securities are particularly pronounced for securities issued by companies with smaller market capitalizations. These companies may have limited product lines, markets or financial resources, or they may depend on a few key employees. As a result, they may be subject to greater levels of credit, market and issuer risk. Securities of smaller companies may trade less frequently and in lesser volume than more widely held securities and their values may fluctuate more sharply than other securities. Companies with medium-sized market capitalizations may have risks similar to those of smaller companies.

REIT Risk. To the extent that a client invests in securities issued by REITs it will be subject to the risks associated with owning real estate and with the real estate industry generally. REITs are subject to interest rate risk (especially mortgage REITs) and the risk of default by lessees or borrowers. An equity REIT may be affected by changes in the value of the underlying properties owned by the REIT. A mortgage REIT may be affected by the ability of the issuers of its portfolio mortgages to repay their obligations. REITs whose underlying assets are concentrated in properties used by a particular industry are also subject to risks associated with such industry. REITs may have limited financial resources, their securities trade less frequently

and in a limited volume, and may be subject to more abrupt or erratic price movements than larger company securities.

**Inflation Risk/Deflation Risk.** Inflation risk is the risk that the value of assets or income from investments will be worth less in the future as inflation decreases the value of money. As inflation increases, the real value of the common shares and distributions can decline. In addition, during any periods of rising inflation, the dividend rates or borrowing costs associated with a client's use of leverage would likely increase, which would tend to further reduce returns to common shareholders. Deflation risk is the risk that prices throughout the economy decline over time—the opposite of inflation. Deflation may have an adverse effect on the creditworthiness of issuers and may make issuer default more likely, which may result in a decline in the value of a client's portfolio.

**Securities Lending Risk.** The investment guidelines of a client may permit Advent to lend such client's securities to others, which allows such client the opportunity to earn additional income. Although in a typical securities lending arrangement a client will require the borrower of the securities to post collateral for the loan and the terms of the loan will require that such client be able to reacquire the loaned securities if certain events occur, the client is still subject to the risk that the borrower of the securities may default, which could result in the client losing money. The investment guidelines of a client may permit Advent to purchase securities for delayed settlement. This means that a client is generally obligated to purchase the securities at a future date for a set purchase price, regardless of whether the value of the securities is more or less than the purchase price at the time of settlement.

**Management Risk.** Advent's judgment about the attractiveness, relative value or potential appreciation of a particular sector, security or investment strategy may prove to be incorrect, and there can be no assurance that the investment decisions made will prove beneficial to a client.

**UK Departure from EU Risk.** On Thursday June 23, 2016, voters in the United Kingdom referendum (the "Referendum") on the question of whether to remain or leave the European Union (the "EU") voted in a majority in favor of leaving the EU. This historic event is widely expected to have consequences that are both profound and uncertain for the economic and political future of the United Kingdom and the EU, and financial markets generally. In March 2017, the British Parliament passed a bill authorizing the British Government to invoke Article 50 of the Treaty on European Union – the formal process of withdrawing from the EU. Invoking Article 50 will give the United Kingdom two years to negotiate a separation with the other members of the EU. The full scope and nature of the consequences of the UK's departure from the EU are not at this time known and are unlikely to be known for a significant period of time. However, the Referendum has led to significant uncertainty in the business, legal and political environment.

Risks associated with the outcome of the Referendum include short and long term market volatility and currency volatility, macroeconomic risk to the UK and European economies, impetus for further disintegration of the EU and related political stresses (including those related to sentiment against cross border capital movements and activities of investors like the clients), prejudice to financial services businesses that are conducting business in the EU and which are



based in the UK, legal uncertainty regarding achievement of compliance with applicable financial and commercial laws and regulations in view of the expected steps to be taken pursuant to or in contemplation of Article 50 of the Treaty on European Union and negotiations undertaken under Article 218 of the Treaty on the Functioning of the European Union, and the unavailability of timely information as to expected legal, tax and other regimes.

Redenomination Risk. The result of the Referendum and continuing uncertainty as to the status of the Euro and the European Monetary Union (the “EMU”) has created significant volatility in currency and financial markets generally. Investing in Euro-denominated securities entails risk of being exposed to a currency that may not fully reflect the strengths and weaknesses of the disparate European economies. In addition, it is possible that the Euro could be abandoned in the future by countries that have adopted its use. The effects of the collapse of the Euro, or of the exit of one or more countries from the EMU, on the United States and global economy and securities markets could have a significant adverse impact on the value and risk profile of a client’s investments. If one or more EMU countries were to stop using the Euro as its primary currency, a client’s investments in such countries may be redenominated into a different or newly adopted currency. As a result, the value of those investments could decline significantly and unpredictably. In addition, securities or other investments that are redenominated may be subject to foreign currency risk, liquidity risk and valuation risk to a greater extent than similar investments currently denominated in Euros. To the extent a currency used for redenomination purposes is not specified in respect of certain EMU-related investments, or should the Euro cease to be used entirely, the currency in which such investments are denominated may be unclear, making such investments particularly difficult to value or dispose of. A client may incur additional expenses to the extent it is required to seek judicial or other clarification of the denomination or value of such securities.

U.S. Government Securities Risk. U.S. Government securities historically have not involved the credit risks associated with investments in other types of debt securities, although, as a result, the yields available from U.S. Government debt securities are generally lower than the yields available from other securities. Like other debt securities, however, the values of U.S. Government securities change as interest rates fluctuate. In 2011, for example, each of S&P, Moody’s and Fitch lowered its long-term sovereign credit rating on the U.S. to “AA+” from “AAA.” Although the United States’ long-term sovereign credit rating increased back to “AAA” in 2014, the 2011 downgrade increased volatility in both stock and bond markets, resulting in higher interest rates and higher Treasury yields and increased the costs of all kinds of debt. Similar events could have significant adverse effects on the economy generally and could result in significant adverse impacts on securities issuers and the clients. Advent cannot predict the effects of these or similar events in the future on the U.S. economy and securities markets or on a client’s portfolio.

Restricted Securities Risks. The investment guidelines of a client may permit it to invest in securities acquired in private sales. Such securities are deemed “restricted securities” within the meaning of the Securities Act of 1933, as amended (the “Securities Act”). Resale of restricted securities by a client will be limited to entities that are “qualified institutional buyers” as defined in Rule 144A(a)(1) of the Securities Act and subject to the restrictions set forth in the Rule.

Short Selling Risks. The investment guidelines of a client may permit it to engage in short selling. Short selling involves selling securities which may or may not be owned and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows a client to profit from declines in market prices to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. However, because the borrowed securities must be replaced by purchases at market prices in order to close out the short position, any appreciation in the price of the borrowed securities above the sale price would result in a loss. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. A client's loss on a short sale is potentially unlimited, because there is no upward limit on the price a borrowed security could attain.

Swap Contract Risks. The investment guidelines of a client may permit Advent to invest in swap contracts. In a standard "swap" transaction, two parties agree to exchange the returns (or differentials in rates of return) on different currencies, securities, baskets of currencies or securities, indices or other instruments, which returns are calculated with respect to a "notional value," i.e., the designated reference amount of exposure to the underlying instruments. Swap instruments are not exchange-listed securities and may be traded only in the over-the-counter market. The use of credit default, total return, currency, interest rate and other swaps is a highly specialized activity which involves investment techniques and risks different from those associated with ordinary portfolio securities transactions. If the Advent is incorrect in its forecasts of market values, interest rates and other applicable factors, the investment performance of a client would be unfavorably affected. Credit default swaps, total return swaps, currency swaps and interest rate swaps are described below.

- Credit Default Swaps. When client is the buyer of a credit default swap contract, the client is entitled to receive the par (or other agreed-upon) value of a referenced debt obligation from the counterparty to the contract in the event of a default by a third party, such as a U.S. or foreign corporate issuer, on the debt obligation. In return, the client would normally pay the counterparty a periodic stream of payments over the term of the contract provided that no event of default has occurred. If no default occurs, the client would have spent the stream of payments and received no benefit from the contract. When the client is the seller of a credit default swap contract, it normally receives a stream of payments but is obligated to pay upon default of the referenced debt obligation. As the seller, the client would add the equivalent of leverage to its portfolio because, in addition to its total assets, the client would be subject to investment exposure on the notional amount of the swap. The client may enter into credit default swap contracts and baskets thereof for investment and risk management purposes, including diversification.
- Total Return Swaps. Total return swaps are contracts in which one party agrees to make payments of the total return from the designated underlying asset(s), which may include securities, baskets of securities, securities indices, loans or other instruments, during the specified period, in return for receiving payments equal to a fixed or floating rate of interest or the total return from another designated underlying asset(s).

For example, as an alternative to a direct investment in a bank loan, the client could instead enter into a total return swap and receive the total return of the bank loan, in exchange for a floating rate payment to the swap counterparty.

- Currency Swaps. Currency swaps involve the exchange of the two parties' respective commitments to pay or receive fluctuations with respect to a notional amount of two different currencies (e.g., an exchange of payments with respect to fluctuations in the value of the U.S. dollar relative to the Japanese yen).
- Interest Rate Swaps. Interest rate swaps involve the exchange by a client with another party of respective commitments to pay or receive interest (e.g., an exchange of fixed rate payments for floating rate payments).

Warrant Risks. The investment guidelines of a client may permit it to invest in warrants. Warrants are instruments that give the holder the right, but not the obligation, to buy an equity security at a specific price for a specific period of time. Changes in the value of a warrant do not necessarily correspond to changes in the value of its underlying security. The price of a warrant may be more volatile than the price of its underlying security, and a warrant may offer greater potential for capital appreciation as well as capital loss. Warrants do not entitle a holder to dividends or voting rights with respect to the underlying security and do not represent any rights in the assets of the issuing company. A warrant ceases to have value if it is not exercised prior to its expiration date. These factors can make warrants more speculative than other types of investments.

When-Issued, Delayed-Delivery and Forward-Commitment Transaction Risks. The investment guidelines of a client may permit it to engage in when-issued, delayed-delivery, and forward-commitment transactions. When-issued, delayed-delivery, and forward-commitment transactions involve a commitment to purchase or sell specific securities at a predetermined price or yield in which payment and delivery take place after the customary settlement period for that type of security. Typically, no interest accrues to the purchaser until the security is delivered. When purchasing securities pursuant to one of these transactions, payment for the securities is not required until the delivery date. However, the purchaser assumes the rights and risks of ownership, including the risks of price and yield fluctuations and the risk that the security will not be issued as anticipated. When a client has sold a security pursuant to one of these transactions, the client does not participate in further gains or losses with respect to the security. If the other party to a delayed-delivery transaction fails to deliver or pay for the securities, the client could miss a favorable price or yield opportunity or suffer a loss. A client may renegotiate a when-issued or forward-commitment transaction and may sell the underlying securities before delivery, which may result in capital gains or losses for the client.

Frequent Trading and High Portfolio Turnover Risks. Certain Advent strategies may require frequent trading and a high portfolio turnover. Active and/or frequent trading of securities and financial instruments within a portfolio may produce increased transaction costs, including brokerage commissions, fees, transaction taxes, and other transaction costs. These costs will be borne by a client regardless of the profitability of its investment and trading activities. In addition, a high portfolio turnover may increase the recognition of short-term,

rather than long-term, capital gains.

Regulatory Risk. The U.S. regulatory landscape for swaps and derivatives is currently undergoing significant changes as a result of the Dodd-Frank Act. The Dodd-Frank Act imposes a new regulatory framework, which covers a broad range of activity in the swaps and derivatives market and will impact the types of swaps and derivatives transactions that clients may enter into. Some aspects of the new regulatory framework include regulations related to margin requirements, reporting, recordkeeping, clearing, trade execution and swap dealer and major swap participant registration. These regulatory changes, among others, may require a client to change its trading strategies with respect to swaps and derivatives or to cause the client to incur greater costs for its swaps and derivatives activities. At any time after the date hereof, legislation may be enacted that could negatively affect the issuers in which a client invests. Changing approaches to regulation may also have a negative impact on issuers in which a client invests. In addition, legislation or regulation may change the way in which a client is regulated. There can be no assurance that future legislation, regulation or deregulation will not have a material adverse effect on a client or will not impair the ability of the client to achieve its investment objective.

LIBOR Risk. The London Interbank Offered Rate (“LIBOR”) is a reference or benchmark interest rate in the U.S. and globally for commercial and financial contracts. LIBOR is used as a benchmark rate for floating rate debt, bank loans, derivatives and other borrowings or debt securities. An Advent client may have leverage arrangements that require the client to pay a floating rate of interest based on LIBOR. In addition, an Advent client may invest in instruments that pay a floating rate of interest based on LIBOR. In July 2017, the head of the United Kingdom Financial Conduct Authority announced the desire to phase out the use of LIBOR by the end of 2021. Abandonment of or modifications to LIBOR could have adverse impacts on newly issued financial instruments and existing financial instruments which reference LIBOR. It is expected that a number of private-sector banks currently reporting information used to set LIBOR will stop doing so after 2021 when their current reporting commitment ends. The U.S. and other countries are currently working to replace LIBOR with alternative reference rates. There is currently no definitive information regarding the future utilization of LIBOR and the nature of any replacement rate. The expected discontinuation of LIBOR, and the transition to an alternative benchmark rate, may require renegotiation by a client of certain of its investment instruments and its leverage arrangements. Moreover, the discontinuation of LIBOR and the transition to an alternative benchmark rate may adversely impact the functioning, liquidity, volatility, and value of floating rate income securities and could lead to significant short-term and long-term uncertainty and market instability. These risks will be exacerbated if the work necessary to effect an orderly transition to an alternative reference rate is not completed in a timely manner. These events may also increase the difficulty of borrowing or refinancing and may diminish the effectiveness of hedging strategies. The precise impacts of a transition away from LIBOR on a client, on floating rate income securities in which the client may invest, and on the financing market generally remain uncertain. Additionally, because the usefulness of LIBOR as a benchmark could deteriorate during the transition period, these effects could occur prior to the end of 2021.

United Kingdom Exit from the European Union. On March 29, 2017, the United Kingdom (“UK”) notified the European Council, in accordance with Article 50(2) of the Treaty on European Union (“Article 50”), of the UK's intention to withdraw from the European Union (“EU”). In issuing the notice, the UK has begun the two year process set out in Article 50 for the UK and the EU to negotiate the terms of the UK's withdrawal from the EU, taking into account the framework for the UK's future relationship with the EU. In March 2019, the UK and the EU agreed an extension to the process for the UK's withdrawal and, as a result, the UK is currently expected to cease to be a member of the EU from 31 October 2019, absent any further agreement between the UK and the EU which results in a change to this date. This historic event is widely expected to have consequences that are both profound and uncertain for the economic and political future of the United Kingdom and the EU, and those consequences include significant legal and business uncertainties pertaining to an investment in a client and a client's investment portfolio. The full scope and nature of the consequences are still not at this time known and are unlikely to be known for a significant period of time. At the same time, it is reasonable to assume that the significant uncertainty in the business, legal and political environment engendered by these events has resulted in immediate and longer term risks that would not have been applicable had the UK not sought to withdraw from the EU (“BREXIT Risks”).

BREXIT Risks include short and long term market volatility and currency volatility, macroeconomic risk to the UK and European economies, impetus for further disintegration of the EU and related political stresses (including those related to sentiment against cross border capital movements and activities of investors like a client), prejudice to financial services businesses that are conducting business in the EU and which are based in the UK, disruption to regulatory regimes related to the operations of a client and Advent, legal uncertainty regarding achievement of compliance with applicable financial and commercial laws and regulations in view of the expected steps to be taken pursuant to or in contemplation of Article 50 and negotiations undertaken under Article 218 of the Treaty on the Functioning of the European Union, and the unavailability of timely information as to expected legal, tax and other regimes.

In view of these risks, current and prospective clients should take into account the significance of the BREXIT Risks, including the wide ranging and serious nature of these risks, and retain advice as needed. There can be no assurance that the BREXIT Risks will not alter, and alter significantly, the attractiveness of a client investment by, among other things, giving rise to impediments to the intended implementation of the investment strategy of a client that would have material effects on performance, including the potential for capital losses, delays, legal and regulatory risk and general uncertainty.

Risks of Reliance on Service Providers. Advent must rely upon the performance of service providers to perform certain critical functions in connection with its own operations, its management of client accounts, and the operations of registered funds, private funds and certain other clients (collectively, “relevant service providers”). There is a risk that a relevant service provider will fail to carry out its contractual and other legal obligations, fail to exercise due care and skill in the provision of services to its customers or clients, or fail to maintain and implement a business continuity plan that is reasonably designed to ensure that it meets such obligations and exercises such skill during an emergency or significant business disruption. There is also a risk that the occurrence of any of such events (collectively, “Service Failures”) could arise from insolvency, bankruptcy or other causes. A Service Failure could materially disrupt Advent’s

business and have a material adverse effect on Advent's provision of services to a client. The termination of Advent's relationship with any relevant service provider, or any delay in appointing a replacement for such service provider, could materially disrupt Advent's business and have a material adverse effect on Advent's provision of services to a client.

Technology and Cybersecurity Risk. Markets and market participants are increasingly reliant upon both publicly available and proprietary information data systems. Data imprecision, software or other technology malfunctions, programming inaccuracies, unauthorized use or access, and similar circumstances may impair the performance of these systems and may have an adverse impact upon a single issuer, a group of issuers, or the market at large. As the use of internet technology has become more prevalent, Advent, its clients and relevant service providers have become more susceptible to potential operational risks through breaches in the security and privacy of electronic information technology systems and related Internet connectivity (collectively, "cybersecurity"), including intentional and unintentional events that may cause Advent, a client, or a relevant service provider to lose proprietary information, suffer data corruption or lose operational capacity. There can be no guarantee that any cybersecurity risk management systems established by Advent, a client, a relevant service provider, or issuers of the securities in which a client invests will succeed.

Operational Risk. Advent and relevant service providers may experience disruptions or operating errors such as processing errors or human errors, inadequate or failed internal or external processes, or systems or technology failures. The occurrence of any such operational event could materially disrupt Advent's business and have a material adverse effect on Advent's provision of services to a client. While relevant service providers are required to have appropriate operational risk management policies and procedures, their methods of operational risk management may differ from Advent's in the setting of priorities, the personnel and resources available or the effectiveness of relevant controls. Advent, through its monitoring and oversight of relevant service providers, seeks to ensure that such service providers take appropriate precautions to avoid and mitigate risks that could lead to disruptions and operating errors. However, it is not possible for Advent or relevant service providers to identify all of the operational risks that may affect Advent or its provision of services to a client, or to develop processes and controls to completely eliminate or mitigate their occurrence or effects.

Market Disruption Event Risk. Advent's business, the businesses of relevant service providers, and the businesses in which Advent client accounts invest are materially affected by conditions in the global financial markets and economic conditions throughout the world that are outside of the control of Advent, such as interest rates, the availability and cost of credit, inflation rates, economic uncertainty, political uncertainty, changes in laws and regulations, trade barriers, commodity prices, currency exchange rates and controls and national and international political circumstances. It is possible that unforeseeable, unavoidable or uncontrollable events ("Market Disruption Events") may have a material adverse impact on Advent, relevant service providers, the portfolio holdings of Advent clients, the financial markets in which Advent clients invest, and local, state and global economic activity. The likelihood, cause, variety, and impact of a Market Disruption Event ("Market Disruption Event Risks") are impossible to predict. Market Disruption Events may arise as a result of, among other things, force majeure, acts of God, natural disasters, war, terrorist act, outbreaks of infectious disease (e.g., epidemics,

pandemics and other serious health concerns), geopolitical events, cybersecurity failure, other failures of technology, disruption of the production or transmission of energy, labor strikes, accidents, governmental policies, social instability and other extraordinary occurrences. Market Disruption Events may result in a partial or complete loss of capital attributable to one or more investments in client accounts. Market Disruption Events could have a direct physical impact upon the operations of Advent and relevant service providers, including the destruction of their facilities and/or loss of life to key personnel. If a significant number of personnel of Advent or a relevant service provider were to be unavailable as a result of a Market Disruption Event, Advent's ability to effectively conduct its business and manage client accounts could be severely compromised. Market Disruption Events may have a substantial effect on economies and securities markets, and could adversely affect individual issuers or related groups of issuers, securities markets, interest rates, credit ratings, inflation, investor sentiment, and other factors affecting the value of investments held in Advent client accounts. Market Disruption Events may result in a range of market and economic effects, including reduced confidence in the integrity of contractual obligations, acute liquidity constraints, including associated contagion risks, financial system instability and acute crises within the financial and banking system. The inability of key marketplace counterparties or intermediaries to function as a result of a Market Disruption Event could have an adverse impact on the liquidity of investments held in Advent client accounts as well as the ability of Advent to trade or manage such investments. Other material adverse consequences may arise from the occurrence of Market Disruption Events. While Advent seeks to manage its affairs and cause clients to make investments which are responsive to Market Disruption Event Risk, there can be no assurance that Advent will correctly identify all potential risks or implement adequate measures to protect itself or its clients from such risks. A Market Disruption Event could materially disrupt the business of Advent and relevant service providers, have a material adverse effect on Advent's provision of services to a client, and may ultimately cause a partial or complete loss of capital attributable to one or more investments in Advent client accounts.

COVID-19 Risks. A new respiratory disease spreading from person-to-person and caused by a novel coronavirus was first identified in Wuhan, China in December 2019. The disease has been named coronavirus disease 2019 ("COVID-19") and has since spread world-wide. The rapid and uncontrolled spread of the COVID-19 pandemic has significantly overwhelmed existing healthcare infrastructure in many locations and prompted governmental responses and economic shutdowns of unprecedented scale. It is anticipated that the COVID-19 pandemic may result in a significant and prolonged reduction in global economic activity, significant increases in unemployment and financial instability across most of the world, which will exacerbate existing vulnerabilities in local, state and global economies and cause vulnerabilities and acute stresses in areas that were not previously apparent or identifiable. The COVID-19 pandemic could materially disrupt the business of Advent and relevant service providers, have a material adverse effect on Advent's provision of services to a client, and may ultimately cause a partial or complete loss of capital attributable to one or more investments in Advent client accounts.

In response to COVID-19, governments, judicial systems and regulators around the world have introduced and are actively considering a broad range of actions designed to reduce the infection rate of COVID-19 and reduce the associated economic impact. The economic and financial implications of such actions are presently unknown and it is not possible to predict the impact that these actions might have on the economy. In addition, as part of quarantine, social

distancing and other measures designed to limit and manage the spread of COVID-19, many governments have closed or significantly reduced the operations of governmental agencies, regulators and courts. It is currently unknown how long such closures will last and whether, once lifted, further closures may be necessary in the future. Such closures are expected to materially affect the ability or speed with which Advent is able to take actions to enforce contractual claims, pursue bankruptcy or other proceedings against third parties and otherwise take steps designed to preserve and protect investments of clients. The effect of government measures designed to respond to the COVID-19 pandemic are not certain and may result in a range of market and economic effects, including reduced confidence in the integrity of contractual obligations, acute liquidity constraints, including associated contagion risks, financial system instability and acute crises within the financial and banking system.

Furthermore, measures undertaken by governments, including mass quarantines and stay-in-place orders, have resulted in the closure of significant segments of the global economy and mass layoffs and closures of business at an unprecedented scale, disruptions and the collapse of global supply chains and the closure of international borders. Given the rapidly evolving and unpredictable nature of pandemics, including the COVID-19 pandemic, there can be no assurances as to the timing with which such orders might be lifted or whether such measures may be lifted and reinstated on multiple occasions. Moreover, as no such pandemics have occurred in recent history and in a globalized environment such as the present, it is not possible to estimate with any precision the full economic impact of the COVID-19 pandemic, the measures undertaken to manage its spread and the trajectory for recovery following its resolution, including with respect to the reconstruction of global supply chains, international trade, cross-border mobility and the impact of significantly increased sovereign debt incurred in connection with government-led stimulus programs and other responses.

The impact of the COVID-19 pandemic and any resulting global or regionalized recessions are impossible to predict. While Advent will seek to cause clients to make investments which are responsive to these risks, there can be no assurance that Advent will correctly identify all potential risks or implement adequate measures to protect a client from such risks. In particular, as with any communicable disease, infection rates associated with COVID-19 may not be linear and the global population may be vulnerable to subsequent waves of increased infection, which may result in further decreases in asset values, business shutdowns and defaults. In addition, the nature, scope and duration of government measures designed to protect businesses, employees, and consumers affected by COVID-19 is difficult to predict and may remain in place for a significant period of time. In the event that an Advent client account makes investments that have rights affected by such measures, Advent may be unable to take steps to preserve and protect such investments or the collateral attributable to such investments; also, the ability of Advent to take such steps may be significantly delayed or limited thereby resulting in a significant diminution in value of such collateral and a significant decrease in the market value of such investments. The failure of Advent or a relevant service provider to accurately anticipate the magnitude or duration of the economic impact of the COVID-19 pandemic may have a material adverse effect on Advent's provision of services to a client, and may ultimately cause a partial or complete loss of capital attributable to one or more investments in Advent client accounts.



## *Management Risks*

Dependence on Key Personnel. Clients rely on certain key personnel of Advent. Advent employs a team approach to investing, with co-portfolio managers as the main decision makers of almost every strategy, as well as utilizing significant input from all members of the Investment Team in executing the investment process. The departure of certain portfolio management personnel or their inability to fulfill certain duties has the potential to adversely affect the ability of Advent to effectively implement one or more investment strategies it employs for clients.

Conflicts of Interest. Like other asset management firms, as part of Advent's business, Advent and its employees have developed many significant relationships with third parties, including, but not limited to, placement agents or other direct or indirect sources of client or investor referrals, investment bankers, auditors, counsel, consultants, private equity and venture capital investors, investors in private funds, co-investors, current and former directors, officers and employees of current and former portfolio companies, and former directors, officers and employees of Advent, including those who have or may form funds or accounts that engage in investment activities similar to those of a client. Certain of such third parties may: introduce investment opportunities to Advent; arrange for, or facilitate financing in, the purchase or recapitalization of potential portfolio companies; introduce portfolio companies to potential acquisition or merger candidates; introduce Advent to potential buyers of portfolio company securities; facilitate the disposition of portfolio company securities; provide investment banking, consulting or advisory services to Advent, clients, portfolio companies and potential portfolio companies; invest in private funds; co-invest in portfolio companies; perform investment banking services for issuers of private securities held by Advent personnel or their friends and family members; introduce or recommend private investment opportunities to Advent personnel or their friends and family members; or provide other significant business or investment services to Advent, clients, portfolio companies, potential portfolio companies, Advent personnel, and friends and family of Advent personnel. Such third parties may receive direct commercial compensation from the portfolio company, potential portfolio company or individual for providing these services (including, with respect to portfolio companies, equity or other interests). As a result of the business relationships Advent has developed, it may be in a position to suggest or recommend service providers to clients or portfolio companies with whom Advent or its employees have had a previous relationship or experience, and clients or portfolio companies may retain service providers as a result of their experience in transactions or otherwise through their relationships with Advent. Family members of Advent personnel who are professionals or engaged in the relevant business may, independent of Advent, be engaged by portfolio companies. While Advent selects, if it is retaining a service provider, or suggests or recommends service providers who it believes will be effective and enhance a transaction or operations or performance of a client or portfolio company, there can be no assurance that other service providers would not be more qualified or lower cost. Clients or portfolio companies may also retain service providers that have a relationship with Advent or its personnel through their experience with such service providers without any involvement by Advent.

Personal investments by Advent personnel can present potential conflicts of interest. Advent personnel, certain friends or family members of Advent personnel, and certain individuals employed by or associated with certain service providers of Advent or its clients may

invest alongside one or more clients directly, indirectly or through a separate entity related to Advent that can make investments simultaneous with and on the same terms as other clients. Advent personnel may buy and sell securities or other investments for their own accounts (including through clients managed by Advent). As a result of differing investment guidelines and limitations, or for other reasons, some positions may be taken by Advent personnel that are the same as, different from or made at different times than, positions taken for a client. For the same or different reasons, Advent personnel may invest in public or private companies, private equity funds, private venture capital funds, hedge funds, real estate funds, mutual funds and other investments. For further information regarding Advent's professional and fiduciary standards for mitigation of potential conflicts of interest, please see Item 11 of this Brochure.

Side Letters with Strategic Investors. Advent or an advisory affiliate may, in its sole discretion, enter into separate agreements (collectively "side letters") with certain clients and investors in Advent private funds, such as those affiliated with Advent, those subject to particular regulatory or legal considerations or those deemed to involve a significant or strategic relationship (collectively, "Strategic Investors"), to waive certain terms, or allow such Strategic Investors to invest on different terms than those specifically described in the offering documents, marketing materials or other agreements governing the terms and conditions under which the opportunity to invest in an Advent private fund or investment strategy (an "Advent Investment") is made available to other clients or investors in Advent private funds, including, without limitation, with respect to fees, liquidity, the right to increase the size of an investment or depth of information provided to such Strategic Investors concerning the Advent Investment. Under certain circumstances, these side letters could create preferences or priorities for such Strategic Investors with respect to other clients or investors in the Advent Investment. In addition, Advent or its advisory affiliates may, through an Advent Investment or otherwise, specifically allocate capacity with respect to some portion of the Advent Investment to Strategic Investors who desire increased exposure to such investments. The terms and conditions of a side letter may require Advent, its affiliates and their respective directors, officers, partners, principals and employees to provide the beneficiaries of the side letter additional or different information than that provided to the other clients or investors that hold interest in the Advent Investment. Similarly, the terms of a side letter may provide certain Strategic Investors additional or different information and reporting than that provided to other clients or investors that hold interest in the Advent Investment. Such information may provide the recipient greater insights into the activities of the Advent Investment than is included in standard reports to other clients or investors in the Advent Investment, thereby enhancing the recipient's ability to make investment decisions with respect to the Advent Investment. A side letter may grant a client or investor in an Advent private fund the opportunity to receive most favored nation treatment with respect to the applicable provisions of the side letters of other clients or investors, subject to certain limitations set forth in such other side letters. Clients or investors in Advent private funds that do not have side letters with Advent or its advisory affiliates will not participate in the most favored nation process, will not have notice of (unless they request to see the side letters) and will not receive the benefits of the rights obtained by other clients or investors in Advent private funds.

Trading Away From Wrap Account Sponsors. Most wrap fee programs contemplate that a participating subadviser will use a sponsor-designated broker-dealer (often the sponsor itself) to execute the subadviser's trades on behalf of wrap participants. As such, the transaction costs

of the trades executed through the designated broker-dealer are included in the wrap fee that each participant pays. When Advent manages a wrap account, it usually has sole discretion over whether to send trades to the wrap program sponsor for execution, in which case the transaction charges *may* be covered by the wrap fee, or to send the trades to an unaffiliated broker-dealer, in which case the transaction charges *will not* be covered by the wrap fee charged by the sponsor. In the latter case, the participant will pay transaction costs charged by the executing broker-dealer, in addition to the wrap fee. The practice of sending wrap account trades to a broker-dealer that is not affiliated with sponsor of the wrap account is referred to as “trading away” and these trades are frequently called “trade aways.” The trading away concept is important in traditional wrap fee programs, which often involve investment strategies focused on equity securities. Common stocks trade on exchanges at market prices with a commission charged by the executing broker-dealer. The participants in traditional wrap fee programs benefit when the subadviser transacts equities primarily with the wrap program sponsor because the sponsor will execute those transactions without charging the participant a separate commission, as that cost is covered by the wrap fee. This arrangement is likely to result in a total cost that is less than if the transaction had been executed with an unaffiliated broker-dealer. In any given case, however, the subadviser has the ability to trade away from the program sponsor when it determines that best execution is likely to be achieved in a transaction involving a different broker-dealer.

The expected transaction cost advantages of executing wrap program trades with the wrap plan sponsor do not exist in the case of convertible bonds and other fixed income securities because the related transaction costs are usually not covered by the sponsor’s wrap fee. Fixed income trades are not charged brokerage commissions. Instead, these securities trade over-the-counter in individually negotiated transactions with undisclosed transaction fees. Generally speaking, wrap program sponsors are typically not the largest or most frequently participating counterparties in convertible security transactions. Advent does not expect that fixed income securities transactions for wrap accounts will be primarily (or even frequently) executed with the related wrap program sponsor. In some cases, wrap program sponsors prohibit Advent from executing transactions with the sponsor or its affiliates. Advent will seek best execution of all fixed income securities transactions for wrap accounts using the same price discovery process it uses when transacting fixed income securities for other clients. This is likely to result in a substantial majority of wrap program transactions trading away from the related wrap program sponsors.

Securities Class Action Participation. Advent has arranged for certain of its registered fund and private fund clients to retain a third party vendor to identify and participate in relevant securities class action cases in the United States and in certain non-U.S. jurisdictions. The class action vendor will automatically file a claim in any case where the client accounts hold (or previously held) eligible securities, which means stocks or bonds traded during the class period. The vendor follows the case through its life cycle (sending periodic reports to Advent) and then distributes any settlement checks directly to each participating client, minus a contingency fee. The key benefit is that clients have the opportunity to participate in far more class action settlements than they would likely have without the use of a third party vendor that is systematically tracking class actions. Another benefit is the “hands-off” automation of the claims recovery process. Advent understands, however, that U.S. court rules prohibit the filing of multiple claims on behalf of a single taxpayer in any class action. The rules are designed to

prevent duplicative payouts to a single investor. For example, an investor may be the beneficial owner of securities in a company that is a class action defendant, but those securities may be held in accounts at different service providers, such as a brokerage firm, an investment adviser and trust company. In that example, there is a risk of duplicative payouts if the investor filed claims on its own behalf and one or more service providers also filed claims for the investor. There is also a risk of an incomplete payout if only one service provider filed claims regarding some (but not all) securities held by the investor, or the investor filed with respect to less than all of its eligible securities. Advent understands that the claim would need to be filed by the investor (with respect to all accounts through which it held eligible securities) or the investor's global custodian or administrator (with respect to all eligible securities held by the investor). Alternatively, the investor could outsource this function to a class action vendor, as Advent does for certain registered fund and private fund clients. Effectively, the prohibition on the filing of multiple claims prevents Advent from participating in class actions on behalf of any client unless Advent manages all of the global assets of the client. Given the volume of global securities class actions and the above-noted legal constraints, Advent is generally unable to provide notification, notice forwarding, claims submission, claims processing or other services to clients relating to opportunities to participate in securities class actions, other securities litigation and bankruptcy cases (collectively, "class action support services"). Therefore, Advent encourages clients that require class action support services to consider outsourcing the process to its global custodian or administrator, retaining a global class action vendor, or otherwise managing the process in a manner that accounts for the client's global portfolio holdings.

## **Item 9 – Disciplinary Information**

In September 2014, Advent voluntarily agreed, without admitting or denying any allegations, to a settlement with the SEC relating to Rule 105 of Regulation M under the Securities and Exchange Act of 1934. This rule prohibits an investor from participating in an underwritten secondary offering of stock if the investor sold short the same stock during the prior five business day restricted period, as defined in the rule. Rule 105 applies to all purchases in underwritten secondary offerings, regardless of whether an investor has any intent to violate. That means the rule governs not just manipulative activity by naked short sellers who profit from participation in a secondary offering, but also governs inadvertent violations by institutional investors who use shares from a secondary offering to cover a hedge on a convertible arbitrage position. On two occasions in 2012, Advent bought stock in an underwritten secondary offering after having sold short the same stock during the five days prior to the offering. When Advent learned of the issue, we took prompt remedial actions to prevent future violations of Rule 105. These remedial actions were completely implemented before our discussions with the SEC. Moreover, the SEC acknowledged Advent's full cooperation in this matter. In our opinion, the Rule 105 transactions were technical violations and quite small in the context of Advent's overall transaction volume. Advent used its own financial resources to pay 100% of the amount required to settle with the SEC, which in our opinion was diminutive. In our view, the settlement will not have a material impact on our business and will have no impact on our ability to continue to deliver "best-in-class" investment management services to current and future clients.

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

Advent acts as an investment adviser to Advent Convertible and Income Fund (“AVK”), a registered closed-end investment company. Advent and AVK share physical space, systems and employees. Advent manages the assets of Transamerica Event Driven, a registered open-end investment company, through a subadvisory arrangement. Advent also manages the assets of several registered and private funds based in Europe.

Advent Capital Management UK Limited (“Advent UK”), a majority-owned and controlled subsidiary of Advent located in the United Kingdom, is authorized and regulated by the U.K. Financial Conduct Authority. Advent UK engages in three primary activities: (1) it executes trades on behalf of Advent; (2) it produces investment research for Advent concerning European and Asian companies; and (3) it markets Advent investment strategies in Europe and Asia. Advent UK and Advent share physical space, systems and employees.

Advent Capital Distributors, LLC (“Advent BD”), a wholly-owned subsidiary of Advent, is registered with the SEC as a broker-dealer. Advent BD acts as a limited purpose broker-dealer, focusing on (1) the “wholesaling” and marketing of shares of registered investment companies and (2) the private placements of interests in pooled investment vehicles other than registered investment companies. Advent BD does not perform a securities underwriting, distribution, or trading business or otherwise distribute securities, and does not execute portfolio trades for Advent’s client accounts. Advent BD and Advent share physical space, systems and employees.

ACM Funds Management, LLC is a wholly-owned subsidiary of Advent that serves as a general partner and investment adviser to The ACM Funds, L.P., a private fund, and serves as a general partner of two other private funds: Advent Global Partners Master Fund, LP and Advent Global Partners Fund, LP. Advent Cayman Limited is a wholly-owned subsidiary of Advent that serves as a general partner of Advent Global Partners Master Fund, LP. Advent Vega Fund GP, LLC, a wholly-owned subsidiary of Advent, serves as general partner of two private funds: Advent Vega Master Fund, LP and Advent Vega Fund, LP. Advent shares physical space, systems and employees with each of ACM Funds Management, LLC, Advent Cayman Limited, and Advent Vega Fund GP, LLC.

Advent, its affiliates and their related personnel have (and in the future may develop) relationships that are (or become) material to Advent’s investment advisory business or to its clients. These relationships create potential conflicts of interest that should be carefully considered by current and prospective clients. These relationships and conflicts are described in Item 11 of this Brochure and may involve one or more of the following persons: broker-dealers, municipal securities dealers, or government securities dealers or brokers; investment companies and other pooled investment vehicles (including open-end and closed-end investment companies, unit investment trusts, private investment companies or non-U.S. commingled investment vehicles); other investment advisers or financial planners; futures commission merchants, commodity pool operators or commodity trading advisors; banking or thrift institutions; accountants or accounting firms; lawyers or law firms; insurance companies or agencies; pension consultants; real estate brokers or dealers; and sponsors and syndicators of limited partnerships;

and other persons.

Additional information regarding how Advent addresses conflicts of interest is provided in Item 11 of this Brochure.

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

Advent has adopted a Code of Ethics that sets forth the standards of business conduct, professional ethics and fiduciary behavior that Advent expects of its personnel. The Code also includes related policies and procedures that must be followed by Advent and its personnel as required by the Advisers Act and other federal securities laws. The Code of Ethics states that Advent is a fiduciary to its clients and requires that Advent and its personnel adhere to specific fiduciary obligations, carry out high standards of ethical behavior and act at all times with integrity, honesty, and professionalism. Advent personnel must be sensitive to situations that may give rise to an actual or apparent conflict with the interests of a client. Advent personnel are required to put the interests of each client above their own personal or professional interests in carrying out their responsibilities at Advent.

Under the Code of Ethics, Advent personnel must comply with the federal securities laws and other applicable laws governing the services they provide on behalf of Advent to its clients. This includes laws and regulations that apply specifically to investment advisers as well as those that apply more broadly ranging from prohibitions against illegal insider trading to the U.S. Foreign Corrupt Practices Act. The Code of Ethics and the other provisions of the Compliance Manual provide policies and procedures that are intended to help Advent and Advent personnel comply with applicable law. In addition, Advent's Chief Compliance Officer provides periodic guidance and training to Advent personnel on the requirements of the Compliance Manual and applicable law. The Code of Ethics imposes the following requirements, standards or limitations (among others) in order to avoid and attempt to mitigate material conflicts of interest that may arise in the conduct of Advent's business and in the activities of Advent personnel.

- It requires Advent and its personnel to avoid or seek to mitigate, and make full and fair disclosure to clients of, all material conflicts of interest involving Advent or Advent personnel;
- It includes provisions that restrict and otherwise govern the solicitation, acceptance and giving of gifts and the provision of business entertainment;
- It prohibits Advent personnel from offering or making illegal payments of any kind (including but not limited to bribes, kickbacks, rebates and other payments) in connection with the business of Advent or a client for the benefit of any person with the intent or likely effect of inducing or influencing the recipient to misuse his or her position or violate applicable law;
- It requires business decisions involving Advent and/or its clients to be made on an impartial basis in accordance with applicable law;

- It restricts and otherwise governs political contributions by Advent and its personnel and certain other activities related to political campaigns and candidates for office;
- It requires pre-approval to engage in certain outside business activities;
- It requires disclosure to Advent of certain family and household members who work in the financial services industry or conduct business with, or work for an entity that conducts business with, Advent;
- It imposes an obligation to maintain the confidentiality of a wide range of nonpublic information that becomes known in the course of, or in connection with, the business and operations of Advent, Advent clients and investors in Advent private funds;
- It includes policies and procedures reasonably designed to prevent insider trading and other misuses of material nonpublic information by Advent and its personnel; and
- It limits the circumstances under which Advent personnel may disclose client portfolio holdings to third parties.

Advent employees are required to comply with Code of Ethics provisions governing their personal trading activities. These provisions are designed to ensure compliance with the federal securities laws, including but not limited to Section 204A of, and Rule 204A-1 under, the Advisers Act. Advent utilizes a secure third-party online system for the preclearance, reporting, recordkeeping and review of its employees' personal securities transactions. The Code of Ethics prohibits Advent personnel from effecting the following personal securities transactions: (1) buying or selling public securities of any issuer while in possession of material nonpublic information about the issuer or its securities; (2) buying securities in an initial public offering; (3) buying convertible securities; (4) engaging in front running or other securities transactions that take unfair advantage of proposed, pending or executed securities transactions for clients; (5) engaging in unlawful market timing transactions involving shares of registered investment companies; or (6) buying a security during any applicable "blackout period" surrounding a client transaction in the same security. The Code of Ethics also requires Advent personnel to hold reportable securities for a minimum period of time before selling. The Code of Ethics establishes specific disciplinary actions that the Compliance Committee may take upon its determination that an employee has violated a provision of the Code of Ethics.

Like other asset management firms, as part of Advent's business, Advent and its employees have developed many significant relationships with third parties, including, but not limited to, placement agents or other direct or indirect sources of client or investor referrals, investment bankers, counsel, consultants, private equity and venture capital investors, investors in private funds, co-investors, current and former directors, officers and employees of current and former portfolio companies, and former directors, officers and employees of Advent, including those who have or may form funds or accounts that engage in investment activities similar to those of a client. Certain of such third parties may: introduce investment opportunities to Advent; arrange for, or facilitate financing in, the purchase or recapitalization of potential

portfolio companies; introduce portfolio companies to potential acquisition or merger candidates; introduce Advent to potential buyers of portfolio company securities; facilitate the disposition of portfolio company securities; provide investment banking, consulting or advisory services to Advent, clients, portfolio companies and potential portfolio companies; invest in private funds; co-invest in portfolio companies; perform investment banking services for issuers of private securities held by Advent personnel or their friends and family members; introduce or recommend private investment opportunities to Advent personnel or their friends and family members; or provide other significant business or investment services to Advent, the clients, portfolio companies, potential portfolio companies, Advent personnel, and friends and family of Advent personnel. Such third parties may receive direct commercial compensation from the portfolio company, potential portfolio company or individual for providing these services (including, with respect to portfolio companies, equity or other interests).

The directors, officers and employees of Advent generally may, subject to certain restrictions, buy and sell securities or other investments for their own accounts (including through investment funds managed by Advent). As a result of differing investment strategies or constraints, or for other reasons, positions may be taken by Advent personnel that are the same as, different from or made at different times than positions taken for a client. For the same reasons, directors, officers and employees of Advent may invest in public or private companies, private equity funds, private venture capital funds, hedge funds, real estate funds, mutual funds and other investments. Advent has established policies and procedures requiring certain approvals for most personal securities transactions by Advent personnel. However, the potential exists for personal securities transactions by Advent personnel, including those which have been pre-cleared or approved in advance, to generate significantly higher investment returns to such personnel than the investment returns generated by securities investments of a client.

Advent may recommend to clients that they buy or sell securities or investment products in which Advent or a related person has a financial interest. Specifically, Advent may recommend that clients invest in Registered Fund Clients, UCITS vehicles and private funds where Advent or a related person acts as a member manager, manager, investment manager and/or director. The firm also may recommend that clients invest in Registered Fund Clients, UCITS vehicles and private funds in which Advent, one of its affiliates, their respective officers, directors, partners, members, employees or agents, or private funds or other pooled investment vehicles managed, advised or sponsored by Advent has made, or may make, an investment. These practices create a conflict of interest because Advent or a related person has an incentive to recommend its products to clients based on its own financial interests, rather than solely the interests of a client. Advent's decision to recommend that a client invest in any such entity, however, is based solely on the suitability of the investment for the particular client. In addition, Advent's Risk Management and Compliance Teams review similarly-situated accounts for any discrepancies in performance to ensure that all accounts are treated fairly and in an unbiased manner.

Advent may from time to time retain "expert networks." Expert network is a term that is generally applied to a consulting firm that facilitates communications between their consulting clients and retained third-party professionals who possess particular business expertise and experience and agree to help the consulting clients better understand products, services,



companies, business issues and industries. Advent Expert networks may be used to obtain research and other information that may assist Advent in its investment decision-making process. One potential risk of using an expert network is that the retained expert may communicate material nonpublic information about a company in breach of a confidentiality agreement, another duty, or otherwise in violation of federal or state securities laws. Another potential risk of using an expert network is that the expert may communicate trade secrets or other proprietary or confidential information about a company in breach of a duty of confidentiality or loyalty, the use of which may violate state law. The retention and use of expert networks by Advent personnel is subject to expert network-related provisions of its Compliance Manual as well as other policies and procedures, such as those governing the prevention of illegal insider trading and other misuses of material nonpublic information. These controls are reasonably designed to minimize the chance that retained experts communicate material nonpublic information to Advent. The controls are also reasonably designed to prevent any material nonpublic information that may be inadvertently communicated by retained experts from being incorporated into Advent's investment decision-making process.

Services that Advent has historically performed in-house may for certain reasons, including efficiency considerations, be outsourced in whole or in part to third parties at the discretion of Advent or its affiliates in connection with the operation of a client account. Such outsourced services include, without limitation, administrative, information technology, legal, or director services and participating in securities class actions (collectively, "outsourcing"). Outsourcing may not occur uniformly for clients and, accordingly, certain costs may be incurred by a client through the use of third party service providers that are not incurred for comparable services used by other clients. The decision by Advent to initially perform particular services in-house for a client will not preclude a later decision to outsource such services, or any additional services, in whole or in part to third parties, and Advent has no obligation to inform clients of such a change. In addition, certain internal service providers (such as internal accountants) may "shadow" or otherwise review the reports of other services provided by such third parties. The costs, fees or expenses of any such third party service providers (and, to the extent permitted by the relevant governing documents, such internal service providers) will be borne by the relevant client unless other arrangements are made with Advent.

A copy of Advent's Code of Ethics is available to clients or prospective clients upon written request by emailing [ClientAdvisory@adventcap.com](mailto:ClientAdvisory@adventcap.com) or by calling Advent's Client Advisory Group at 212-497-0649.

## **Item 12 – Brokerage Practices**

### **Selection Of Broker-Dealers And Other Counterparties**

Subject to the investment guidelines and restrictions imposed by clients, Advent generally will have the authority to determine, without obtaining specific client consent, the securities and amount thereof to be purchased or sold. Advent will generally use its discretion in selecting the broker, dealer or other counterparty to be used to execute each transaction for its clients. Advent's discretionary authority may be limited, however, by directions from a client to have transactions for its account to be directed to a specified broker-dealer and in the case of the

wrap program participants, may prohibit Advent from transacting with the broker-dealer sponsor of the wrap program and certain of its affiliates. Advent will treat the client direction as a decision by the client to limit the discretion that Advent otherwise would have in selecting broker-dealers to effect transactions and in negotiating commissions generally for the client's account. Any instruction or limitation relating to the selection of broker-dealers must be in writing. Because client-directed trades often cannot be aggregated with non-directed trades, such designations may adversely affect Advent's ability to obtain volume discounts on aggregated orders or to obtain best price and execution by effecting certain transactions directly with the market maker, and in some cases may result in lost investment opportunities. Advent may select broker-dealers to provide prime brokerage services to clients. Conflicts may arise when Advent selects prime brokers. Prime brokerage firms may introduce prospective clients to Advent and provide Advent with research, reporting and analysis tools as part of their services. These arrangements may create incentives for or benefits to Advent to recommend or select these prime brokerage firms. Advent selects such firms only when consistent with obtaining appropriate services for clients.

### **Best Execution Decision-Making Process**

Advent has a fiduciary duty to seek to obtain "best execution" of all securities transactions it effects on behalf of its clients. This means Advent must seek to execute securities transactions in such a manner that the client's total cost (in the case of purchases) or proceeds (in the case of sales) in each transaction is the most favorable under the circumstances. Advent will execute securities transactions on behalf of each client with the goal of maximizing value for the client under the particular circumstances occurring at the time of the transaction. It is Advent's policy in selecting broker-dealers to obtain "best execution" of clients' transactions. In light of this policy, Advent will execute securities transactions for clients in such a manner that the client's total cost or proceeds in each transaction is the most favorable under the circumstances and, in selecting brokers, will consider relevant factors, including the following:

- The nature and character of the security or instrument being traded and the markets on which it is purchased or sold;
- The desired timing of the transaction;
- Advent's knowledge of negotiated commission rates and spreads currently available;
- The activity existing and expected in the market for the particular security or instrument;
- The full range of brokerage services provided;
- The broker's or dealer's capital strength and stability, as well as its execution, clearance and settlement capabilities;
- The liquidity provided by the firm;

- The quality of the research and research services provided;
- The reasonableness of the commission or its equivalent for the specific transaction; and
- Advent's knowledge of any actual or apparent operational problems of a broker-dealer.

The determinative factor in the selection of a broker-dealer will not be the lowest possible commission cost but whether the transaction represents the best qualitative execution for the client account.

The best execution process that Advent portfolio managers and traders typically follow for fixed income, equity and delta neutral transactions is described in greater detail below, but is subject to change from time to time and may vary by portfolio manager and trader. Although trading decisions are often implemented by a trader, portfolio managers may also execute their own transactions using the same process as a trader.

#### *Execution of Fixed Income Transactions*

Advent's portfolio managers use their business judgment and transaction experience to calculate a target execution price for the purchase or sale of corporate debt securities (including convertible, high yield and other nonconvertible fixed income securities) based on their review of bid/ask prices and liquidity contemporaneously reported by all broker-dealers and other firms that publish this information on Bloomberg. The target price is based on (1) the value of the security as of market close on the prior business day and (2) their evaluation of bid/ask prices published on Bloomberg during a relevant period of time before the intended transaction. Bid/ask prices enable Advent to observe where a bond is being priced in the current market, the most active dealers and market makers in the bond, and the amount of liquidity in the bond. The portfolio managers communicate the target price to a trader through an instruction to purchase or sell a fixed amount of securities at a specific price (or better). This instruction effectively establishes a range of acceptable prices that provides the trader flexibility to identify the best opportunities available at the time of execution. The trader uses his business judgment and transaction experience to narrow the range of potential trading counterparties to those that appear to have reported the most attractive and actionable information on Bloomberg. He then communicates with them to confirm their readiness to transact within the target price range specified by the portfolio managers, completes the price discovery process and executes with the firm that has what he believes is the best price for the amount of securities the portfolio managers requested. In some cases, the transaction is executed with a single firm, and in other cases the transaction is executed through multiple firms, depending on each firm's ability to transact the necessary amount of securities within the target price range. If the trader determines that the target price for the amount of bonds that must be traded is not currently available from the firms he contacts, he will report this information to the portfolio managers and await further instruction, such as a revised target price or a decision not to trade at that time.

### *Execution of Equity Transactions*

Advent's portfolio managers use their business judgment and transaction experience to select execution times and target prices for the purchase, sale, or short sale of common stocks based on their review of the historic price table, intraday bid/ask prices, intraday Volume Weighted Average Prices ("VWAP"), and other market information published on Bloomberg and other execution management systems. These platforms enable Advent to observe where a stock is being priced in the current market at different liquidity levels, on different exchanges and through different broker-dealers. Portfolio managers analyze stock market risk factors and company-specific information, and then use their business judgment and transaction experience to narrow the time of potential trading and identify the most reliable and actionable trading opportunities. The firm can select from multiple order types (e.g., market, limit, stop-loss, market-on-close, etc.), algorithmic (or "algo") trading strategies and other execution management tools to tailor each order. Portfolio managers communicate their trading decisions (and if applicable a preferred broker-dealer) through an instruction to a trader to transact a fixed amount of stocks within a given window of time at a specified price (or better) using an indicated (or discretionary) order type and/or algo strategy. This instruction enables the trader to identify the best opportunities available at the preferred time and transact with or through the relevant broker-dealer. Portfolio managers may take into account recommendations and other feedback provided by a trader either before submitting an order instruction or afterwards through a trade modification. In some cases, the transaction is executed with a single firm, and in other cases the transaction is executed through multiple firms, depending on each firm's ability to transact the necessary amount of securities within the target price range.

### *Execution of Delta Neutral Transactions*

Advent's portfolio managers use their business judgment and transaction experience to calculate a target execution price for a "delta neutral transaction" or "swap trade", which is an investment that combines a long position in a convertible with a short position in the underlying common stock. Each delta neutral transaction is negotiated as a package with a single counterparty even though it is composed of two "legs". The target price for the long side of the delta neutral transaction is based on the value of the convertible as of market close versus the closing price of the underlying stock on the prior business day, and their evaluation of bid/ask prices published on Bloomberg during a relevant period of time before the intended transaction. The swap trade is subject to negotiation between Advent and the counterparty based on the amount of stock the portfolio managers desire to short (which is expressed as a "hedge ratio" of convertibles to stocks) and their specified delta for the convertible. The hedge ratio communicates the degree to which the equity price sensitivity of the convertible is expected to be hedged or reduced by the offsetting short position. The hedge ratio can range from a "full hedge" (at which point all equity price risk has been eliminated from the acquired convertibles) down to a "partial hedge" (at which point only a fraction of the convertibles' equity price risk remains). In effect, the hedge ratio communicates the size of the short equity position. The trader communicates with the most promising of the firms reporting bid/ask prices to confirm their readiness to transact (1) the long side of the swap trade within the target price range specified by the portfolio managers and (2) the short side of the swap trade at the hedge ratio and delta specified by the portfolio managers. The trader uses his business judgment and transaction

experience to complete the price discovery process and then executes with the firm that has what he believes is the best combined price for the amount of long convertibles and short equity the portfolio managers requested. The potential counterparties to a swap trade are limited as a practical matter to the number of prime brokers used by the client, which normally does not exceed two. That is because establishing and maintaining an open short position for a client is a prime brokerage service that is not offered by all convertible bond trading counterparties. Nevertheless, the trader is usually able to take into account the best ask prices contemporaneously published on Bloomberg by other firms when negotiating the long leg of swap trade transactions with a client's prime brokers. If the trader determines that the firms he contacts are unable to offer the combined delta neutral transaction at an acceptable price, he will report this information to the portfolio managers and await further instruction, such as revised targets or a decision not to trade at that time.

#### *Use of Step-Out and Give-Up Transactions*

Advent will, where applicable, consider using step-out and give-up transactions as part of its obligation to seek best execution of client securities transactions. A step-out is a clearing entry used to transfer a client's investment position in an account at a broker-dealer or swap counterparty to a client account at a different broker-dealer or swap counterparty. For example, a private client that uses a firm to act as both its prime broker and its principal swap counterparty may determine that a proposed swap transaction would achieve best execution (e.g., due to better pricing) if it were conducted with a different counterparty. In that case, Advent may execute the swap transaction with the alternate counterparty, but arrange for a step-out of the transaction from the alternate counterparty back to the fund's prime broker to enable it to maintain custody of all of the fund's positions and collateral. A give-up transaction is similar to a step-out transaction and arises when a client trades with counterparty, and for reasons that benefit the client, the transaction is re-documented as a transaction between the counterparty and the client's primary broker-dealer or swap counterparty. For example, a private client may execute a credit default swap with a swap counterparty offering the best terms, but for the convenience of consolidating all trades with its prime broker, the counterparty rebooks the transaction as though it occurred directly with the prime broker, which in turn establishes a mirror transaction with the client. In evaluating whether to proceed with a step-out or give-up transaction, Advent will take into consideration the same factors that it takes into consideration for any other best execution determination.

#### **Soft Dollar Arrangements**

Section 28(e) of the Securities Exchange Act of 1934 (the "Exchange Act") provides a safe harbor to advisers who exercise investment discretion over client accounts and pay for research and brokerage services with commission dollars ("commissions") generated by client account transactions. Under the safe harbor, an adviser will not be deemed to have acted unlawfully or to have breached a fiduciary duty under state or federal law solely by reason of its having caused an account to pay more than the lowest available commission if the adviser determined in good faith that such amount of commission is reasonable in relation to the value of brokerage and research services provided by the broker-dealer. Brokerage and research services that meet eligibility criteria ("eligible services") specified by the SEC can be paid for by the

adviser using commission-based credits (“soft dollars”). Brokerage and research services that do not meet such eligibility criteria (“ineligible services”) must be paid for by the adviser using its own financial resources (“hard dollars”) and may not be paid for using soft dollars. In the case of brokerage and research services that could be characterized as eligible services or ineligible services based on use (“mixed use services”), the SEC requires an adviser to make a reasonable allocation of the cost of the service according to its use and keep adequate books and records concerning the allocations.

Advent has adopted and implemented written policies and procedures (“soft dollar policies”) that are reasonably designed to ensure that its soft dollar arrangements comply with the requirements of Section 28(e) as it has been interpreted by the SEC and its staff. As a result of its soft dollar arrangements, Advent may pay a participating broker-dealer more than the commission rates charged by other broker-dealers in recognition of the value of brokerage or research services that benefit Advent, provided that Advent believes that such services provide lawful and appropriate assistance in the performance of its investment decision-making responsibilities and Advent determines in good faith that the amount of commission was reasonable in relation to the value of the brokerage and research services received. In the case of mixed use services, Advent will make a reasonable allocation of the cost of each mixed use item – identifying the eligible and ineligible portions – according to how employees actually use the item as part of standard workflow requirements. Advent will keep adequate books and records concerning its mixed use allocations so as to be able to make the required good faith determination. Advent seeks to pay for all eligible services using available soft dollars and pays for all ineligible services using hard dollars. If the amount of the eligible portion exceeds the amount of available soft dollars, Advent pays the difference using hard dollars.

Advent may acquire brokerage and research services of the types, for the purposes and to the extent permitted under Section 28(e) as interpreted by the SEC and its staff. Eligible services generally include the following:

- Research Services
  - Research services that furnish advice – either directly or through publications or writings – as to the value of securities, the advisability of investing in, purchasing, or selling securities, and the availability of securities or purchasers or sellers of securities (e.g., investment research reports);
  - Research services that furnish analyses and reports concerning issuers, industries, securities, economic factors and trends, portfolio strategy, and the performance of accounts (e.g., portfolio pricing, analysis and risk management services);

- Brokerage Services
  - Brokerage services that effect securities transactions (e.g., order management system functionality involving the execution, clearance or settlement of a trade); and
  - Brokerage services that perform functions incidental to effecting securities transactions or functions required by rules of the SEC or an applicable self-regulatory organization (e.g., electronic confirmation and affirmation of trades, electronic reporting of trades to regulators, and electronically messaging broker-dealers and custodians concerning trade details).

Advent expects that most of its common stock, preferred stock, and equity option transactions for clients will be executed through an ECN (Electronic Communication Network) and will generate commissions that are subject to its soft dollar arrangements. Advent expects that, in most cases, the costs of equity transactions that are executed through a soft dollar-linked ECN or broker-dealer would be lower if those transactions were executed through an ECN or broker-dealer that was not subject to a soft dollar arrangement. Soft dollars are not generated on Advent's fixed income securities transactions because those transactions do not involve the payment of commissions. In the rare case where a fixed income client account receives an equity instrument (such as through a corporate action or conversion), Advent generally expects to sell the instrument through an ECN or broker-dealer that is not subject to a soft dollar arrangement.

Advent believes that using soft dollars to obtain brokerage and research services may enhance its investment research and trading functions. Brokerage and research services provide lawful and appropriate assistance to Advent in the performance of its investment decision-making responsibilities. These services may provide actionable information or identify investment opportunities – as well as provide brokerage assistance – that could benefit a client and that Advent may not otherwise be in a position to utilize if brokerage and research services were confined to those that are obtainable by Advent using its own financial resources. Such arrangements, however, create conflicts of interest. When Advent uses soft dollars to obtain eligible services, it receives a benefit because it does not have to produce or pay for such services using its own financial resources. Advent may have an incentive to consider, recommend or select a broker-dealer based in part on Advent's interest in receiving the brokerage and research services that are available from the broker-dealer without charge through a soft dollar arrangement. Although the brokerage and research services Advent receives under its soft dollar arrangements are generally used to benefit all client accounts, a particular brokerage or research service may be used to benefit fewer than all client accounts, may disproportionately benefit certain client accounts and may not directly benefit the particular account or accounts that generated the commissions that produced the soft dollars Advent used to acquire the brokerage and research services. In addition, client accounts that did not contribute to the soft dollars that were used to acquire brokerage and research services may benefit from client accounts that did contribute to such soft dollars. The SEC views an adviser's receipt of mixed use services, and its determination of the appropriate allocation of costs between eligible and ineligible items, as creating a conflict of interest between an adviser and its clients.

## **Allocation Of Investment Opportunities And Aggregation And Allocation Of Trades**

### *General Allocation Policies*

Advent's Compliance Manual includes policies and procedures ("Allocation Policies") that govern its allocation of investment advisory recommendations and aggregated orders for the purchase or sale of securities among its clients. It is the policy of Advent to allocate in a fair and equitable manner among its clients all investment advisory recommendations and all aggregated orders for the purchase or sale of securities. Allocations must be non-preferential as well as fair and equitable over time, such that no client or group of clients receive consistently favorable or unfavorable treatment. Allocation fairness over time, rather than trade-by-trade, is the critical element in this evaluation. Allocation decisions must be made in a manner that ensures each client receives individualized investment advice and treatment. If materially divergent performance results exist over time among clients in the same trading program or investment strategy, such results should be attributable to factors other than Advent's trade allocation process.

Investment advisory recommendations will be allocated among clients based on Advent's consideration of all relevant facts and circumstances of the client including, but not limited to, the following:

- Advent's determination of the suitability of the investment for the client;
- Applicable investment guidelines and investment horizons, including, without limitation, the ability to hedge through short sales or other investment techniques;
- Different levels of investment for different strategies;
- The expected future investment capacity of applicable clients;
- Limitations on Advent's brokerage discretion, including directed brokerage arrangements made by certain clients;
- Tax sensitivity of the client;
- Cash and liquidity considerations, including without limitation, availability of cash for investment;
- Diversification, sector concentration and other objective criteria;
- Relative sizes and expected future sizes of applicable clients;
- Availability of other appropriate investment opportunities for clients;
- Legal or regulatory restrictions involving the client (if any);



- Minimum denomination, minimum increments, de minimis thresholds and round lot considerations;
- The client's existing portfolio holdings; and
- Other relevant facts and circumstances.

Advent will place an order for the purchase or sale of securities or other investments for a client (an "Order") based on Advent's determination of the suitability of that investment decision for the client and its consistency with applicable law. An Order includes, without limitation, an order to buy or sell public securities or private securities that trade in the secondary market, an order to purchase newly issued public securities as part of an IPO or new secondary offering, an order to buy or sell private securities that are privately placed or issued in a non-public offering, and requests to participate in syndicate orders. Advent will aggregate Orders for multiple clients ("Aggregated Orders") when each of the following conditions is met: (1) Advent expects that the Aggregated Order will result in best execution of the Order for each participating client; (2) the Aggregated Order is consistent with the terms of the client's investment management agreement; and (3) the Aggregated Order is reasonably practicable and appropriate under the facts and circumstances.

Notwithstanding anything to the contrary contained herein, investments may not be allocated to one client over another for any of the following purposes:

- To unduly favor a client in which Advent, its employees or affiliates has a significant interest at the expense of another client;
- To generate higher fees paid by one client over another or to produce greater performance compensation to Advent;
- To facilitate the sale or distribution of a client;
- To develop or enhance a relationship with a client or prospective client;
- To compensate a client for past services or benefits rendered to Advent or to induce future services or benefits to be rendered to Advent; or
- To manage or equalize investment performance among different clients.

Advent may be able to negotiate a better price and lower commission rate on Aggregated Orders. Where transactions for a client's account are not aggregated with other client Orders (such as in the case of clients who instruct Advent to participate in directed brokerage arrangements), it may not benefit from a better price and lower commission rate. Generally speaking, wrap program accounts are traded less frequently than the accounts of other clients. Consequently, wrap program accounts may not participate in certain Aggregated Orders and this may result in the transactions of such wrap program accounts being executed at different prices

and in different amounts than such Aggregated Orders. To the extent a given account trades the same securities on the same day in the same direction as, but behind or at different times from, other types of accounts, it is possible that the account may suffer adverse effects depending on market conditions.

#### *Pre-Trade Consideration of Using an Aggregated Order*

Portfolio managers and traders must consider on a pre-trade basis whether to create or participate in an Aggregated Order rather than execute a transaction through one or more individual Orders. Advent expects there may be facts and circumstances under which it may be reasonable and/or necessary for a security to be transacted multiple times during a single trade date for single or multiple clients, in some cases through one or more individual Orders, in other cases as part of one or more Aggregated Orders, and in still other cases through a combination of individual Orders and Aggregated Orders. This may be due to the types of clients, differences in the timing of investment decisions for different clients throughout a trading day, different client needs for speed of execution versus the minimization of brokerage fees, the occurrence of news events involving the issuer of the security that have different investment implications for clients with different investment guidelines, and for other reasons that make use of a single Aggregated Order impracticable and/or inappropriate under the facts and circumstances or inconsistent with best execution.

#### *Documentation of Aggregated Orders*

All Aggregated Orders must be documented in writing or electronically (as such, an “Allocation Statement”) in advance of their execution and identify the participating clients and the size or amount of the Order for each such client. The Allocation Statement must describe how the securities or proceeds will be allocated among the participating clients. All Aggregated Orders that are partially filled must be documented in writing or electronically after execution and identify the participating clients and the actual allocation of the resulting securities or proceeds among the participating clients.

#### *Allocation of Completely Filled and Partially Filled Aggregated Orders*

All commissions and other transaction costs and expenses that are associated with an Aggregated Order will be shared by the participating clients on a pro rata basis according to the amount of their participation. If an Aggregated Order is completely filled, the securities or proceeds will be allocated among the participating clients in accordance with the Allocation Statement. If an Aggregated Order is partially filled, the securities or proceeds will be allocated pro rata based on the allocation that each client would have received if there was a sufficient amount of securities or proceeds and they were allocated according to the Allocation Statement. This allocation method is referred to as the “Default Allocation.” Advent may determine to allocate the securities or proceeds resulting from a partially filled Aggregated Order in a manner different from the Default Allocation if the proposed alternative allocation (the “Special Allocation”) will provide for fair and equitable treatment of all participating clients and the reason for the deviation from the Default Allocation is recorded in writing (through a memorandum or in the form of an amended Allocation Statement) promptly and approved by the

Chief Compliance Officer at or prior to settlement. A Special Allocation could include, but is not limited to, allocating trades pro rata based on the size of the client account or in accordance with a rotational system (e.g., allocating securities in a predetermined order of priority among clients so that each client receives a full allocation in the order of priority until the entire Aggregated Order has been allocated).

If an Aggregated Order is submitted to an issuer or broker-dealer and one or more clients is added to the Aggregated Order before any part of that Aggregated Order is executed, then all clients participating in that Aggregated Order will receive the average price and pay the average commission (and the average of any other transaction costs and expenses) even if the Aggregated Order is filled at several different prices and through multiple trades throughout a single trading day, subject to odd lots, rounding, market practice and potentially other relevant factors. If an Aggregated Order is submitted to an issuer or broker-dealer and a portion of the Order has been executed on the same trade date for a group of participating clients (the “Filled Portion”), then all clients participating in the Filled Portion of the Aggregated Order will receive the average price and pay the average commission (and the average of any other transaction costs and expenses) that relates to such Filled Portion, subject to odd lots, rounding, market practice and potentially other relevant factors. This principle will be applied to successive Filled Portions of the same Aggregated Order as it is worked over the remaining portion of the trade date taking into account all clients that may be added to or removed from the Aggregated Order between the times when a Filled Portion is executed.

#### *Operational Adjustments to Aggregated Orders*

Advent’s Operations Team is permitted to make adjustments or changes to an Aggregated Order after the trade date (T+0) to address odd lots, small allocations, erroneous or unexecutable instructions (e.g., a bad price or use of an impermissible broker-dealer) and minimum lot size positions under certain circumstances. In each case, the Operations Team must ensure that such adjustments or changes are made on a fair and equitable basis over time, with no persistent or repeated disadvantage to any particular client.

#### *Use of Aggregated Orders for Purchases of IPOs and Other New Issues of Public Securities*

Aggregated Orders will always be used in the case of the purchase of public securities through IPOs and the purchase of other newly issued public securities unless the Chief Compliance Officer agrees in writing with the opinion expressed by the responsible portfolio manager(s) on a pre-trade basis that (1) an Aggregated Order is not expected to result in best execution of the Order for each participating client, (2) an Aggregated Order would not be consistent with the terms of each participating client’s investment management agreement, or (3) an Aggregated Order is not reasonably practicable and/or appropriate under the facts and circumstances.

*Use of Aggregated Orders for Short Sales by Hedge Fund Clients and Sales by Long-Only Fund Clients*

Aggregated Orders may be used to combine short sales of securities by clients that utilize hedged investment strategies and contemporaneous sales of the same securities by clients that utilize long-only investment strategies on the same trade date unless (1) no pending Orders exist to transact the same securities in the same direction or (2) the portfolio manager determines that (A) an Aggregated Order is not expected to result in best execution of the Order for each participating client, (B) an Aggregated Order would not be consistent with the terms of each participating client's investment management agreement, or (C) an Aggregated Order is not reasonably practicable and/or appropriate under the facts and circumstances. Differences in clients' prime brokerage or other custody arrangements may make it impractical for Advent to arrange for an Aggregated Order that involves a short sale of securities.

*Aggregation and Allocation of Orders for Private Securities Where Price is the Only Term Negotiated by Advent or Only Private Clients Participate in the Order*

Advent has adopted policies and procedures that apply to the placing of individual Orders and/or Aggregated Orders for clients trading the same private securities in the same direction on the same trade date where Advent negotiates only the price of such private securities and Advent does not, directly or indirectly, negotiate any other terms of such private securities (collectively, "Non-Negotiated Private Securities"). Aggregated Orders will always be used in the case of the purchase or sale of Non-Negotiated Private Securities and Private Orders unless the Chief Compliance Officer agrees in writing with the opinion expressed by the responsible portfolio manager(s) on a pre-trade basis that (1) an Aggregated Order is not expected to result in best execution of the Order for each participating client, (2) an Aggregated Order would not be consistent with the terms of each participating client's investment management agreement, or (3) an Aggregated Order is not reasonably practicable and/or appropriate under the facts and circumstances.

Advent will receive no additional compensation or remuneration of any kind as a result of an Aggregated Transaction involving Non-Negotiated Private Securities that is not shared pro rata with the other participating clients in the Aggregated Order. Cash and securities of clients participating in an Aggregated Order of Non-Negotiated Private Securities may be deposited in a single account with one or more banks or broker-dealers only so long as reasonably necessary to settle the Aggregated Order on a delivery-versus-payment basis. Cash or securities in connection with an Aggregated Order of Non-Negotiated Private Securities will be held collectively following settlement only so long as reasonably necessary to deliver the cash or securities to the custodian of each participating client.

*Aggregation and Allocation of Orders for Private Securities Where Multiple Terms Are Negotiated by Advent and Registered Fund Clients Participate*

Registered Fund Clients are subject to additional restrictions on their ability to engage in transactions with, or joint transactions involving, Advent and its affiliates and clients. Any allocation of investments made pursuant to Advent's Allocation Policies and involving a

Registered Fund Client will be made in accordance with the requirements of the Investment Company Act and applicable rules, regulations and interpretations thereunder. Advent has adopted additional policies and procedures that apply to the placing of individual Orders and/or Aggregated Orders for clients trading the same Private Securities in the same direction on the same trade date where (1) Advent negotiates terms and conditions other than solely the price of such Private Securities (collectively, “Negotiated Private Securities”) and (2) a Registered Fund Client participates.

A Registered Fund Client generally may not invest in a Negotiated Private Security alongside another client or any account in which Advent or its affiliates has a material pecuniary interest unless an SEC exemptive order has been obtained and the conditions to such order are followed. Absent obtaining such an exemptive order, if a Negotiated Private Security opportunity is appropriate for both one or more Registered Fund Clients and one or more other clients, the Registered Fund Clients and Private Securities Clients will not make simultaneous investments in the Negotiated Private Security. Instead, Negotiated Private Securities will be allocated to either Registered Fund Clients or other clients through a rotational allocation. Such allocation process will alternate such investments between Registered Fund Clients and other clients, taking into account the relative assets of such clients allocated for investment in private security transactions, in a non-preferential manner designed to treat all clients fairly and equitably over time. For example, if a Negotiated Private Security is made available to Advent in an amount that is so limited that not more than one eligible client could purchase the investment, then Advent could decide to allocate that particular investment exclusively to a Registered Fund Client. The next time a Negotiated Private Security is made available to Advent in an amount that is so limited that not more than one eligible client could purchase the investment, Advent could decide to allocate that particular investment opportunity to a different eligible client than the Registered Fund Client that purchased the prior limited amount opportunity. For purposes of this example, the rotation of such limited amount investment opportunities among different eligible clients would continue in a non-preferential, fair and equitable manner over time, such that no client or group of clients receive consistently favorable or unfavorable treatment with respect to their participation in suitable Negotiated Private Securities identified by Advent. For the avoidance of doubt, the order of the rotational allocation will not be affected by any preceding investment having not been made available to one client pursuant to the application of this Allocation Policy for reasons other than those set forth above.

Advent may from time to time choose to alter or choose not to engage in the above-described arrangements to varying degrees, without notice to clients or investors in Advent private funds, to the extent permitted by applicable law and the applicable client agreement or governing document.

### **Trade Errors**

Advent reimburses each client for any loss that such client may incur due directly to a trading error on Advent’s part. Any gains resulting from a trading error on Advent’s part are retained by the client.

## Item 13 – Review of Accounts

Advent's portfolio managers review the investment strategies utilized by Advent and the underlying client accounts on a continuing basis. Members of the Investment Team will review accounts on a monthly or more frequent basis. These reviews will include an overall monitoring of client holdings, portfolio diversification and concentration limits by industry or market sector, and, in the case of fixed-income portfolios, maturity and quality.

Advent's Investment Team periodically reviews client accounts. The review is conducted individually or as a group depending upon the account needs and market conditions. These reviews can address, but are not necessarily limited to, the following topics: the account's performance, investment objective, security positions, and risk attributes. Members of the Investment Team will review accounts on a monthly or more frequent basis. Additional reviews may be undertaken at the discretion of Advent. In addition, separately managed accounts receive reviews in accordance with the terms set forth in the applicable investment management agreement and as Advent deems appropriate.

In addition, Advent maintains the following key committees and conducts the following investment-related reviews.

Investment Committee: The Investment Committee has primary responsibility for developing and implementing Advent's investment decision-making process for clients.

Risk Management: Advent has a Chief Risk Officer who is a member of the Risk Management Committee and manages the Risk Management Team, ensuring the day-to-day execution of policies and procedures established by the Risk Management Committee for the measurement, management, and mitigation of portfolio and firm-wide risks. The Risk Management Committee provides risk oversight at a strategy / portfolio level and on a firm-wide / enterprise basis. The Risk Management Committee meets on a regular basis to examine position limits, stress tests, draw downs and sizing. The Risk Management Team produces portfolio-level and security-level risk reports weekly or more frequently if necessary to help portfolio managers understand risk exposures.

Portfolio Compliance Monitoring: Advent uses Bloomberg for daily management and trading of client portfolios. Advent's general procedure for establishing client accounts involves building a unique client profile on Bloomberg that includes manually-programmed trading restrictions that are based on investment guidelines communicated by the client, as well as any firm-wide restrictions or warnings Advent deems prudent. When a portfolio manager or trader inputs a trade for one or more clients into Bloomberg, the system performs a series of pre-trade compliance checks. If the proposed trade would violate a programmed trading restriction upon execution, the system should block the trade and identify the applicable trading restriction. The blocked trade cannot be executed unless it is approved by the Chief Compliance Officer or his designee. If the proposed trade would not violate the programmed trading restrictions upon execution, the trade is approved and released for execution. The system also performs post-execution and end-of-day compliance checks. The compliance area regularly monitors and takes appropriate corrective action in response to Bloomberg compliance reports.

Compliance: Advent has a Chief Compliance Officer who also serves as General Counsel. The CCO is the person primarily responsible for administering the Compliance Manual, as well as the annual compliance review required by Rule 206(4)-7 under the Advisers Act. The CCO reports to Advent's Chief Financial and Administrative Officer. Advent also maintains a Compliance Committee, which has primary responsibility for overseeing adherence by Advent and its personnel with the compliance program and applicable law, overseeing administration of the compliance program and the annual compliance review by the CCO and maintaining Advent's overall system of internal controls. The Compliance Committee also approves or ratifies changes to the Compliance Manual.

Broker/Valuation Committee: The Broker/Valuation Committee has primary responsibility for selecting and evaluating the performance of the broker-dealers approved for use by Advent. In addition, the Committee approves any change to pricing methodology and reviews any fair valued securities.

The nature and frequency of reports to clients are predicated on the requirements of each client and are determined in accordance with the specific needs of, and arrangements made with, each client. Advent typically renders written reports monthly and quarterly. Advent can provide clients with detailed month-end holding reports which may include portfolio holdings, purchases and sales, income expense reports and realized and unrealized gain/loss analysis. Advent works with clients to tailor its monthly and quarterly reporting to meet the standards they require. For each private fund, Advent distributes portfolio commentary and risk analytics on the fund on a monthly basis. Advent may also provide interim updates during periods of market volatility. Advent also may furnish special reports to the Board of Trustees of registered investment companies for which Advent provides investment advisory services.

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

Advent may enter into an agreement with one or more third party marketing and sales representatives to solicit prospective investment advisory clients. Generally speaking, for investors referred by these representatives, Advent will pay a negotiated fee based on a percentage of assets under management referred by such representatives. Any such third party agreements will be in compliance with Section 206(4)-3 of the Advisers Act to the extent applicable.

The material terms of such arrangements will be disclosed to the relevant client or investor as required by applicable law or the related agreement with such client or investor. Advent informs each investor in an Advent private fund that is the subject of such placement services that the third party-placement agent will be compensated by the investor, the private fund or Advent, as the case may be.

Consistent with Advent policy or applicable regulation, Advent from time to time also pays for, or reimburses broker-dealers to cover various costs arising from, or activities that may result in, the sale of advisory products or services, including client and prospective client meetings, entertainment and educational seminars.

## **Item 15 – Custody**

Advent generally does not have custody of its clients' assets. However, because certain clients may authorize Advent to receive its advisory fees out of the assets in such clients' accounts by sending invoices to the respective custodians of those accounts, Advent may be deemed by the SEC to have custody of the assets in those accounts. Such clients generally will receive account statements directly from their third-party custodians for the accounts and should carefully review those statements. Such clients should contact Advent immediately if they do not receive account statements from their custodian on at least a quarterly basis. As noted in Item 13 of this Brochure, Advent may provide clients with separate reports or account statements providing information about the account. Clients should compare these carefully to the account statements received from the custodian. If clients discover any discrepancy between the account statement provided by Advent and the account statement provided by the custodian, then they should contact Advent immediately.

Advent may also be deemed to have custody of the assets of certain private funds for which it or an affiliate serves as managing member or general partner. The clients are subject to annual audits by an independent public accountant. Financial statements are sent to investors in the private funds within 120 days of the end of the fund's fiscal year, and a third party sends account statements to such investors on a monthly basis. Investors in Advent's private funds should review these statements carefully. If an investor in an Advent private fund does not receive audited financial statements in a timely manner, that investor should contact Advent immediately. Advent may send its own account statements to certain clients. Advent urges such clients to compare the account statements they receive from their qualified custodian with those they receive from Advent. Investors in Advent private funds will receive the annual financial statements in accordance with the Advisers Act. The assets of clients for which Advent is deemed to have custody are held by unaffiliated banks and/or broker-dealers acting as "Qualified Custodians" under Rule 206(4)-2 under the Advisers Act.

## **Item 16 – Investment Discretion**

Advent usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion will be exercised in a manner consistent with the stated investment guidelines for the particular client account. Such discretionary authority is set forth in the investment management agreement between Advent and the client, which must be signed by both parties before Advent will commence management of the account.

When selecting securities and determining amounts, Advent observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies, Advent's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments.



Investment guidelines and restrictions, including any changes thereto, must be provided to Advent in writing.

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

Advent has adopted proxy voting policies and procedures (the “Proxy Procedures”) in order to comply with Rule 206(4)-6 under the Advisers Act, as amended and its associated recordkeeping requirements. Pursuant to Rule 206(4)-6, all SEC registered investment advisers are required to disclose their Proxy Procedures to all of their clients, even those clients that do not invest in voting securities. In certain situations, a client or the client’s fiduciary may provide Advent with a specific proxy voting policy. In these situations, Advent seeks to comply with such policy to the extent it would not be inconsistent with applicable regulation or the fiduciary responsibility of Advent.

The Proxy Procedures apply to those client accounts: (1) that contain voting securities; and (2) for which Advent has authority to vote client proxies. The Proxy Procedures will be reviewed and, as necessary, rights shall be evaluated on a case-by-case basis. It should be noted that because Advent invests primarily in convertibles, not equities, the amount of proxies to be voted is very limited.

Pursuant to the Proxy Procedures and its fiduciary duties, Advent will vote client proxies as part of its authority to manage, acquire and dispose of account assets. When voting proxies for client accounts, Advent’s primary objective is to make voting decisions solely in the best interest of clients and beneficiaries and participants of benefit plans for which we manage assets. In fulfilling its obligations to clients, Advent seeks to act in a prudent and diligent manner, intended to enhance the economic value of the underlying securities held in client accounts. In certain situations, Advent seeks to comply with such policy to the extent it would not be inconsistent with applicable regulation of the fiduciary responsibility of Advent.

Advent seeks to vote its clients’ proxies in the best interest of its clients and not its own. Advent recognizes that it may have material conflicts of interest in voting client proxies where: (1) it manages assets for companies whose management is soliciting proxies; (2) it has a personal relationship with participants in the proxy solicitation or a director or candidate for a director; or (3) it otherwise has a personal interest in the outcome in a particular matter before shareholders. Notwithstanding the above categories, Advent understands that the determination of whether a “material conflict” exists depends on all of the facts and circumstances of the particular situation. Advent acknowledges that the existence of a relationship of the type discussed above, even in the absence of any active efforts to solicit the investment adviser with respect to a proxy vote, is sufficient for a material conflict to exist. Clients may direct Advent to vote their securities in a particular manner pursuant to direction specified in their investment management agreement with Advent.

Clients may obtain a copy of Advent’s Proxy Procedures upon request. Clients may also obtain information from Advent about how Advent voted any proxies on behalf of the client account(s) upon request.

**Item 18 – Financial Information**

Not applicable.

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

Not applicable.