

Clarion Capital Partners, LLC

Part 2A of Form ADV The Brochure

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This brochure provides information about the qualifications and business practices of Clarion Capital Partners, LLC (“Clarion” or the “Firm”). If you have any questions about the contents of this brochure, please contact the Chief Compliance Officer, Janice Chan, at (212) 821-0170. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. Registration as an investment adviser does not imply a certain level of skill or training.

Additional information about Clarion is also available on the SEC’s website at: www.adviserinfo.sec.gov.

Material Changes

Clarion is required to identify and discuss any material changes made to its Brochure since its last annual update, dated March 29, 2019. No such material changes have been made since that time.

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Advisory Business

Clarion is an investment firm, founded in 1999, whose primary business has historically been the management of private equity funds. The firm, owned by Marc A. Utay and Eric D. Kogan, has two primary business segments: Private Equity, offered through private investments funds, and Structured Credit, offered through private investment funds and separately managed accounts (each an “SMA Client” and collectively the “SMA Clients”). Special purpose companies/vehicles may be organized to hold investments for the funds, and Clarion may offer co-investment opportunities through dedicated co-investment vehicles and/or alongside the funds. The private investment funds, along with related special purpose companies/vehicles, are referred to herein each as a “Fund” or collectively as the “Funds”. The “Private Equity Funds” are organized to make primarily control-oriented private equity investments in diversified middle-market portfolio companies generally located in the United States, and the “Structured Credit Fund” is organized to invest in various tranches of collateralized obligation issuers and equity tranches of privately financed and other senior secured loan funding vehicles. The Funds are long-term investment vehicles that require certain lock-up periods. As it relates to primary new issue CLO investments, to the extent an investment made by the Structured Credit Fund exceeds the allocation limit for the fund as determined by Clarion, the investment may be allocated among the fund and the SMA Clients. Clarion may allocate secondary investments between the Structured Credit Fund and the SMA Clients at its discretion.

As of December 31, 2019 Clarion managed approximately \$808,044,804 in assets on a discretionary basis on behalf of the Funds, dedicated co-investment vehicles, and SMA Clients.

In managing the Funds, Clarion formulates investment objectives, directs, and manages the investment of the Funds' assets, and provides periodic reports to investors. Investment advice is provided directly to the Funds and not individually to the investors in the Funds. Clarion manages the assets of the Funds in accordance with the terms of the governing documents applicable to each Fund, including a private placement memorandum and limited partnership agreement (each a "Governing Document" or collectively the "Governing Documents").

Clarion applies its discretion when allocating co-investment opportunities to investors, company management and others, taking into account facts and circumstances which may include the nature of the transaction, speed of execution required, tax considerations, familiarity with and history of investing in the relevant industry, and ability to provide strategic insights. In certain circumstances, service providers (or their affiliates) may be offered the opportunity to co-invest. Clarion may allocate co-investment opportunities in such proportion as determined by it, in its sole discretion, taking into account any factors it deems relevant. Clarion endeavors to remain informed regarding investor interest in co-investments by maintaining records of those investors who have expressed interest in co-investments and have completed co-investments with Clarion in the past.

The Funds may enter into separate agreements, commonly referred to as "side letters", with certain investors to waive or modify certain requirements, which are mostly non-economic in nature and described in the relevant Governing Documents. Under certain circumstances, side letters can create preferences for such investors with respect to other investors.

Clarion manages the SMA Clients on a discretionary basis, and in accordance with each such client's investment management agreement ("IMA"). To the extent mutually agreed upon and communicated in writing, Clarion will accept reasonable restrictions imposed by SMA Clients with respect to the management of their account(s).

Fees and Compensation

Clarion, or an affiliated entity, receives an annual management fee and carried interest from each of its Funds in accordance with the Funds' Governing Documents. Detailed information regarding the fees charged to the Funds and lock-up periods are provided in the relevant Governing Documents. The management fees and carried interest with respect to co-investment opportunities, including co-investment vehicles, are on such terms and conditions applicable to each such co-investment opportunity, as Clarion or an affiliated entity and the investors or other persons participating therein agree. Management fees and expenses may be reduced or waived at the discretion of the general partner of a Fund (each -a "General Partner" or collectively the "General Partners"). Affiliated persons of Clarion who invest in the Funds are not charged management fees or carried interest.

For the Private Equity Funds, management fees are payable quarterly in advance, based on investor commitments, at rates ranging from 1.75% to 2.00% per year depending on the Private

Equity Fund. After the end of the investment period and depending on the Fund, management fees can be based on actively invested capital. For the Structured Credit Fund, annual management fees are the greater of 0.50% of committed capital and 1.5% of actively invested capital.

For the Private Equity business segment, Clarion may receive transaction fees, monitoring fees, advisory fees, break-up fees, commitment fees, financing fees, termination fees, portfolio company management fees, directors' fees, and similar fees, payments or compensation (whether in the form of cash, options, warrants, stock or otherwise), or any acceleration of such fees relating to potential investments or investments (collectively "Fee Offsets"). In certain Private Equity Funds, Fee Offsets may be accelerated for no more than a year in connection with a potential investment or investment. Depending on the Private Equity Fund, (x) fifty percent of such Fee Offsets are applied to reduce the quarterly management fee or fifty percent of such Fee Offsets are applied to reduce the management fees until \$2,000,000 has been received annually in the aggregate; and, thereafter eighty percent of such Fee Offsets are applied to reduce the management fees or (y) (i) first, fifty percent of such Fee Offsets are applied to reduce the quarterly management fee or fifty percent of such Fee Offsets are applied to reduce the management fees until \$2,000,000 has been received annually in the aggregate, (ii) second, if there is an amount in excess of \$2,000,000 of Fee Offsets in any year after applying the first step above to such year, such excess amount will be applied to each prior year in which \$2,000,000 was not received until \$2,000,000 has been received with respect to each such prior year and, (iii) third, thereafter eighty percent of such Fee Offsets are applied to reduce the management fees. For a certain Private Equity Fund, to the extent that the Fee Offsets are greater than the management fee ("Final Excess amount"), such Final Excess amount will be applied in a specific order and manner to the General Partner, Clarion, and the Principals or their respective affiliates (up to a certain amount) and to investors (if above a certain amount) in accordance with the Governing Documents. In a situation in which a Private Equity Fund invests alongside a co-investment vehicle, a pro-rata portion (based on the Fund's investment amount over the total investment amount) of the Fee Offset is applied against the Fund's management fees in accordance with the Governing Documents of such Fund.

The Funds are subject to carried interest of up to 20% of profits on distributions derived from the disposition of investments after capital and a preferred rate of return have been distributed.

In addition to the management fee and carried interest distributions, investors will bear all other fees and expenses charged to the Funds in accordance with the Governing Documents of the Funds. Those fees and expenses vary by Fund but generally include the following: organization expenses (for certain Funds subject to a cap), reasonable travel expenses of personnel of Clarion or an affiliated entity (including business-class travel in accordance with Clarion's policies and meals and lodging) incurred in connection with the formation of the Funds and their related entities and the preparation of the Governing Documents of the Funds, fees and expenses of counsel to, accountants for and agents of Clarion and the Funds and of personnel of the General Partner and its advisors incurred in connection with the formation of the Funds and their related entities and the preparation of the Governing Documents of the Funds, expenses incurred in connection with negotiating and entering into side letters or similar written agreements and compliance with such agreements and the most favored nations process, expenses incurred in

connection with providing prospective investors access to a database or other forum hosted on a website designated by the Fund, expenses incurred in connection with the use of a universal investor onboarding platform (including the use of a universal subscription agreement and related anti-money laundering and know your customer information), audit and tax preparation fees, regulatory compliance consulting fees related to the Firm's compliance with specific rules and regulations (including complying with FATCA obligations), regulatory expenses related to regulatory compliance filings (including filings related to AIFMD), litigation expenses and damages and amounts incurred in connection with any litigation or governmental inquiry, investigation or proceeding involving a Fund, including the amount of any judgments, settlements or fines paid in connection therewith, software systems in connection with maintenance of Fund books and records, expenses incurred in connection with formation and maintenance of alternative investment vehicles or special purpose vehicles, valuation appraisal service expenses, accounting fees, attorney fees, insurance expenses of the Fund, the General Partner, or Clarion, regulatory fees, Fund administrator expenses, Advisory Board expenses (including, depending on the Fund, fees and expenses related to the engagement by the Advisory Board of a legal advisor and a financial advisor pursuant to the Governing Documents), expenses incurred in connection with any meeting (including the annual meetings) of investors or the Advisory Board called by the General Partner (including Advisory Board member out of pocket expenses, travel, meal and lodging expenses of Clarion, its representatives and investors, in each case, incurred in connection with attending such meetings), bank fees, web hosting service fees, technology-related expenses, including those for market data and research and developing, implementing or maintaining computer software (including data security systems) in connection with the maintenance of the books and records, interest and fees and expenses from permitted borrowing arrangements, expenses related to the due diligence of portfolio companies/potential investments (whether consummated or unconsummated) including travel expenses (including business-class travel in accordance with Clarion's policies and meals and lodging), any and all costs and expenses incurred in connection with the discovery, evaluation, acquisition, consummation, holding, management, monitoring or disposition of investments (whether consummated or unconsummated), private placement fees, sales commissions, appraisal fees, taxes, brokerage fees, underwriting commissions and discounts, any costs and expenses incurred in connection with the carrying or management of investments, including custodial, trustee, record keeping, depository and other administration fees, expenses incurred in connection with any amendments, modifications, revisions or restatements to the Governing Documents of a Fund, expenses incurred in connection with the winding up and dissolution of a Fund, and other fees and expenses related to the respective Fund. Investors should review all fees charged by Clarion, its affiliates, and others as disclosed in Governing Documents to fully understand the total amount of fees/expenses to be paid by the Funds and its investors.

Any expenses that benefit more than one Fund will generally be shared by such Funds, including any dedicated co-investment vehicle, and generally will be allocated pro-rata. The pro-rata allocation generally will be based on a Fund's capital commitment, valuation of assets at a specific point in time, or the investments at cost. Additionally, a portfolio company typically will reimburse Clarion for expenses (including, without limitation, travel expenses) incurred by the Firm and/or service providers in connection with its performance of services for such portfolio company.

Clarion has relationships with certain senior professionals who provide key value-added services to (or with respect to) the portfolio companies of the Private Equity Funds. As a result of each of the Private Equity Funds' controlling interests in portfolio companies, Clarion and/or its affiliates typically have the right to appoint these professionals to portfolio company boards and to determine or make recommendations on their compensation. The professionals may receive compensation, including, but not limited to board fees. No such compensation will offset or reduce the management fee for the Private Equity Fund. Out of-pocket expenses (including travel and other costs) incurred by professionals while conducting business for a Private Equity Fund's portfolio companies are generally reimbursed by the portfolio companies.

The SMA Clients may be subject to an annual management fee, paid to Clarion quarterly in advance, and in accordance with each such SMA Client's IMA. Additionally, the SMA Clients bear certain expenses, as indicated in each such client's IMA, and generally including organizational expenses, custodial expenses and transaction related expenses. SMA Clients should review their respective IMAs for further information.

Performance Based Fees and Side-by-Side Management

The General Partner of each Fund will receive performance-based compensation in the form of a carried interest distribution of up to 20% from the relevant Fund. SMA Clients may be subject to a performance-based fee, to the extent allowed and in accordance with such client's IMA. Performance-based compensation may create an incentive for Clarion to make more speculative investments and/or different decisions regarding the timing and manner of the realization of such investments for the Funds or SMA Clients than would be made in the absence of performance-based compensation. Clarion maintains a disciplined investment strategy in which due diligence is used to make investment decisions.

Types of Clients

Clarion provides advisory services to the Funds and SMA Clients. The minimum capital commitment for an investment in a Fund is outlined in the relevant Governing Documents and is generally \$5.0 million. However, Clarion or the General Partner of the relevant Fund has discretion to accept less than the minimum capital commitment. There is no minimum capital commitment formally imposed with respect to the SMA Clients.

Investors are required to make certain representations when investing in a Fund through the execution of a subscription agreement and other documents. Interests in the Funds are not registered under the Securities Act of 1933, as amended, and such Funds are not registered under the Investment Company Act of 1940, as amended. Accordingly, interests in the Funds are offered and sold exclusively to investors satisfying the applicable eligibility and suitability requirements.

Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis and Investment Strategies

Clarion serves as an investment adviser to the Private Equity Funds, Structured Credit Fund and SMA Clients. The strategy of the Private Equity Funds is to make primarily control-oriented private equity investments in a diversified portfolio of middle-market companies in industries such as business and healthcare services, media, entertainment and technology, consumer and retail, and specialty financial services. The Firm focuses on equity investments in the range of \$15-\$50 million with EBITDA of \$5-\$25 million. Clarion considers and uses a range of investment structures including leverage buyouts, growth equity, and recapitalizations.

Clarion performs extensive due diligence with top-tier advisors to identify companies that fit the Private Equity Funds' investment profile. The Firm uses its deal structuring experience to identify risks inherent in each investment to make informed investment decisions. Clarion develops working relationships with management teams whose character, culture, and organization are conducive to forming true, long-term partnerships. The Firm works closely with management and seeks to align interests with management both economically and strategically. At the initial investment stage, Clarion and the management team work together to formulate strategic and operating plans.

The strategy of the Structured Credit Fund is to invest in various tranches of collateralized loan obligations ("CLOs") and other loan funding vehicles. Clarion utilizes a tiered screening process to identify investment opportunities and the process entails analyzing the collateral manager, the underlying portfolio and the transaction structure. Some of the analyses include examining past history of a CLO manager, reviewing of collateral of the underlying portfolio and cash flow models, and comparing the potential investment's structure against other investment opportunities currently in the market.

Each of the Funds is managed according to the terms of its relevant Governing Documents.

As discussed above, the SMA Clients currently invest alongside the Structured Credit Fund in respect of certain investments, as deemed appropriate by Clarion and in accordance with each SMA Client's respective IMA.

Overview of Risks

Participation in Clarion's investment strategies involves a number of risks. An investment in a Fund or Clarion-managed SMA may be deemed a speculative investment. Such investments are designed for sophisticated investors who fully understand and are capable of bearing the related risk. No guarantee or representation is made that a Fund or SMA Client will achieve its investment objective or that investors will receive a return of their capital.

All investing involves a risk of loss and the investment strategies offered by Clarion could lose money over short or long periods. The descriptions contained below include an overview of the material risks related to Clarion's investment strategies. To understand all relevant risks and

potential conflicts of interest, investors should carefully review the Governing Documents for each Fund and SMA Clients should carefully review their IMA prior to making an investment.

General Risks

- Dependence on key personnel.

The success of each Fund and SMA Client depends on the financial and managerial expertise of the principals of Clarion. A loss of one or more individuals could have a material adverse effect on the performance of the Funds and SMA Clients. With respect to management at the portfolio company level, many portfolio companies rely on the services of a limited number of key individuals, the loss of any one of whom could significantly adversely affect the portfolio company's performance. While in all cases Clarion will monitor portfolio company management, management of each portfolio company will have day-to-day responsibility of such portfolio company. Although Clarion will be responsible for monitoring the performance of portfolio companies, there can be no assurance that an existing management team, or any successor, will be able to successfully operate a portfolio company in accordance with Clarion's strategy with respect to the Fund's investments in such portfolio companies.

- Inability of the Funds or SMA Clients to meet their investment objectives.

Clarion and the General Partner cannot provide assurances that they will be able to identify, choose, make or realize investments of the type targeted for the Private Equity Funds, the Structured Credit Fund or the SMA Clients, or that the Private Equity Funds, Structured Credit Fund or SMA Clients will be able to invest fully their respective committed capital. There is also no guarantee that Clarion will be able to source attractive investments for the Private Equity Funds, the Structured Credit Fund or SMA Clients within a reasonable period of time. There can be no assurance that the Funds or SMA Clients will be able to generate returns for the investors or that returns will be commensurate with the risks of the investments. The Funds or SMA Clients may not be able to achieve their investment objectives, and investors may lose some or all of their contributed capital.

- Financial market fluctuations.

Investments in portfolio companies subject the Funds to the general risks associated with the underlying businesses, including market conditions, changes in regulatory requirements, interest rate and currency fluctuations, general economic downturns, domestic and foreign political situations, and other factors. A negative impact on economic fundamentals and consumer and business confidence would likely increase market volatility and reduce liquidity, both of which could adversely affect the access to capital, ability to utilize leverage or overall performance of a Fund or one or more of the portfolio companies in which the Funds invest, and these or similar events may affect the ability of a Fund to execute its investment strategy. Moreover, general fluctuations in the market prices of securities and interest rates may adversely affect the value of investments and/or increase the risks associated with an investment in a Fund or SMA Client. There can be no assurances that conditions in the global financial markets will not deteriorate.

- Illiquid and long-term investments.

Investments may take several years from the date of initial investment to reach a state of maturity when realization of the investment can be achieved. Although investments by the Funds or SMA Clients occasionally may generate some current income, private investment transaction structures typically will not provide for liquidity of the Funds' or SMA Clients' investment prior to that time. The return of capital and the realization of gains, if any, from an investment in a portfolio company will generally occur only upon the partial or complete disposition or refinancing of such investment. In light of the foregoing, it is likely that no significant return from the disposition of the Funds' or SMA Clients' investments will occur for a substantial period of time after the initial investment. It is unlikely that there will be a public market for the securities held by the Fund or SMA Clients at the time of their acquisition. The Funds and SMA Clients generally will not be able to sell securities held publicly unless the issuer has consummated a public offering of its securities and such offered securities are registered under applicable securities laws, unless an exemption from such registration requirements is available. In addition, in some cases, the Funds or SMA Clients may be prohibited by contract from selling certain securities held for a period of time and, as a result, may not be permitted to sell an investment at a time they might otherwise desire to do so. Further, disposition of such investments may require a lengthy time period or may result in distributions in kind to investors. The possibility of partial or total loss of capital will exist, and prospective investors should not invest unless they can bear the consequences of such loss.

- Cybersecurity risks.

Recent events have illustrated the ongoing cybersecurity risks to operating companies. To the extent that a portfolio company is subject to cyber-attack or other unauthorized access is gained to a portfolio company's systems, such portfolio company may be subject to substantial losses in the form of stolen, lost or corrupted (i) customer data or payment information; (ii) customer or portfolio company financial information; (iii) portfolio company software, contact lists or other databases; (iv) portfolio company proprietary information or trade secrets; or (v) other items. In certain events, a portfolio company's failure or deemed failure to address and mitigate cybersecurity risks may be the subject of civil litigation or regulatory or other action.

Cybersecurity attacks are evolving and include, but are not limited to, malicious software, attempts to gain unauthorized access to data, and other electronic security breaches that could lead to disruptions in critical systems, unauthorized release of confidential or otherwise protected information and corruption of data. Clarion's or a portfolio company's controls and procedures, business continuity systems, and data security systems could prove to be inadequate. These problems may arise in both Clarion's or a portfolio company's internally developed systems and the systems of third-party service providers.

In addition, in the event that such a cyber-attack or other unauthorized access is directed at Clarion or one of its service providers holding its financial or investor data, the Firm, its affiliates, the Funds or SMA Clients may also be at risk of loss, despite efforts to prevent and mitigate such risks under Clarion's policies.

- Litigation risk.

Clarion and its respective affiliates engage in a broad variety of activities. These activities have and may in the future subject Clarion or one or more of its respective affiliates to risks of becoming involved in litigation by third parties or may subject Clarion or any such affiliate to investigations or proceedings initiated by governmental authorities. It is difficult to determine what impact, if any, such litigation may have on Clarion, any such affiliate, the Funds or SMA Clients. As a result, there can be no assurance that the foregoing will not have an adverse impact on Clarion, any of its respective affiliates, the Funds SMA Clients, or otherwise impede a Fund's or SMA Client's ability to effectively achieve its objectives.

- Catastrophic events.

Investments made by the Funds and SMA Clients may face a risk of loss due to the occurrence of various unforeseen events, including, without limitation, fire, flood, hurricanes, earthquakes and other natural disasters, war, terrorism, pandemics or other serious public health concerns, failure of technology, and other catastrophic events. Such events may adversely affect the ability of certain parties (including a counterparty, a portfolio company, an underlying borrower, or other investment) to perform its obligations until it is able to remedy the event.

These catastrophic events could, among other effects, adversely impact the cash flows available from a portfolio company or underlying borrower, cause personal injury or loss of life, damage property, or instigate disruptions of service. In addition, the cost of repairing or replacing damaged assets resulting from such event could be considerable. Events that are incapable of or are too costly to cure may have a permanent adverse effect on a portfolio company or borrower. Certain events (such as war or an outbreak of an infectious disease) could have a broader negative impact on the world economy and international business activity generally, or in any of the countries in which the Funds or SMA Clients may invest.

Private Equity Fund Risks

- Lower middle market companies.

A significant component of the Private Equity Funds' investment objectives is to invest in lower middle market companies. The Private Equity Funds' focus on lower middle market growth companies will generally include companies with a range of \$5 to \$25 million of EBITDA. Although investments in lower middle market companies may present greater opportunities for growth, such investments may also entail larger risks than are customarily associated with investments in larger companies. Lower middle market companies may have relatively limited product lines, customer concentration, markets, and financial and other resources. As a result, such companies may be more vulnerable to general economic trends and to specific changes in markets and technology. In addition, future growth may be dependent on additional financing, which may not be available on acceptable terms when required. Further, there is ordinarily a more limited marketplace for the sale of securities in smaller, private companies, which may make realizations of investments in such companies more difficult. In addition, the relative illiquidity of private equity investments generally, and the somewhat greater illiquidity of private

investments in lower middle market companies, could make it difficult for a Private Equity Fund to react quickly to negative economic or political developments.

- Limited number of investments.

The Private Equity Funds invest in a limited number of investments. A loss with respect to any one portfolio company may have a significant adverse impact on a Private Equity Fund and may severely affect the total return of the Private Equity Fund.

- Difficulty locating suitable investments.

The activity of identifying, completing, and realizing attractive investments is highly competitive and involves a high degree of uncertainty. Clarion faces competition from numerous competitors in all fields of activity. The Firm competes for investments with a variety of other investment vehicles, as well as individuals, financial institutions, and other institutional investors. There can be no assurance that the Firm will be able to locate and complete investments which satisfy the investment objectives or that it will be able to invest fully the Private Equity Fund's available capital.

- Nature of investments.

The Funds' investments may be in equity or equity-related investments which by their nature involve business, financial, market, and/or legal risks. While such investments offer the opportunity for significant capital gains, they also involve a high degree of risk that can result in substantial losses. There can be no assurance that Clarion will correctly evaluate the nature and magnitude of the various factors that could affect the value of such investments. The securities owned by the Private Equity Funds are mostly not publicly traded and are required to be fair valued by Clarion. The process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ from values that would have been determined had a ready market existed for such securities and may differ from the prices at which such securities may ultimately be sold. Third party pricing information may at times not be available regarding certain of the Private Equity Funds' assets. When estimating fair value, Clarion will apply a methodology based on its best judgment that is appropriate in light of the nature, facts and circumstance of the investments. Valuations are subject to multiple levels of review for approval and ensuring that portfolio investments are fairly valued is an important focus of Clarion.

- Financial leverage.

The Private Equity Funds expect to maintain financial leverage within each of their portfolio companies and may re-leverage an investment. Such leverage may be substantial. Utilization of leverage will result in fees, costs and expenses, including interest expense to the portfolio companies. If a Private Equity Fund is unable to refinance a portfolio company in order to maintain the desired amount of financial leverage, the Private Equity Fund may realize lower than expected returns from the relevant investment and may hold a larger than expected equity investment in such investment. Although the General Partner and Clarion seek to use financial

leverage in a manner that they believe to be appropriate, the leveraged capital structure of such portfolio companies and investments may significantly increase their exposure to adverse economic factors, such as rising interest rates, downturns in the economy or deterioration in the condition of such portfolio companies or investments or their respective industries. If a portfolio company cannot generate adequate cash flow to meet debt obligations, for example, the Private Equity Fund may suffer a partial or total loss of capital invested in the portfolio company, and investors must be prepared to bear such capital losses. If the portfolio company defaults on secured indebtedness, for example, the lender may foreclose and the Private Equity Fund could lose their entire investment.

A Private Equity Fund's assets, including any investments made by the Private Equity Fund and any capital held by the Private Equity Fund, may be available to satisfy all liabilities and other obligations of the Private Equity Fund. If a Fund becomes subject to a liability, parties seeking to have the liability satisfied may have recourse to the Private Equity Fund's assets generally and will not be limited to any particular asset, such as the investment giving rise to the liability. In addition, there can be no guarantee that debt facilities will be available at commercially attractive rates throughout the term of each of the Funds or when due for refinancing such that the Private Equity Fund or the applicable portfolio company will be exposed to less favorable terms or rates upon a refinancing, or that any facilities negotiated will be fully utilized. Borrowings may be secured by a security assignment of the obligations of the limited partners to make capital contributions to the Private Equity Funds and/or a security interest in an investment. This may limit the partners' ability to use their interests in the Private Equity Fund as collateral for other indebtedness.

Structured Credit Risks

- Lack of operating history.

The Structured Credit Fund is a newly organized entity and has no prior operating history or track record. The General Partner was formed expressly for the purpose of acting as the general partner of the Structured Credit Fund. Accordingly, the Structured Credit Fund does not have performance history for a prospective investor to consider. There can be no assurance that the Structured Credit Fund's investment objective will be achieved or that there will be any return of or on any contributed capital.

As the SMA Clients currently invest alongside the Structured Credit Fund in respect of certain investments, SMA Clients should be aware of these risks.

- Investments in CLOs.

Investments in CLO securities are extremely complex and are subject to a number of risks related to, among other things, changes in interest rates, the spreads of loans in the collateral pool, the rate of defaults and recoveries in the collateral pool, pre-payment rates, terms of loans purchased to replace loans in the collateral pool which have been repaid, the exercise of remedies by more senior tranches and the possibility that no market will exist when the Structured Credit Fund or SMA Clients seek to sell their respective interests in CLO securities and other risks. If a CLO fails to satisfy one of the coverage tests provided in its indenture, all distributions on that CLO

equity security held by the Structured Credit Fund or SMA Clients will cease until that CLO brings itself back into compliance with such coverage tests.

- Leveraged investments.

CLO securities represent leveraged investments in the underlying collateral held by the CLO issuer. This leverage is intended to increase the cash flow available in respect of the amount invested by the holders as compared with the cash flow that would be available in respect of a comparable investment in a non-leveraged transaction. Such increased cash flow will directly affect the yield on the CLO securities. However, the use of leverage also creates risk for the holders because the leverage increases their exposure to losses with respect to the collateral. As a result, the occurrence of defaults with respect to only a small portion of the collateral could result in the substantial or complete loss of the investment in the CLO securities. Due to the existence of leverage, changes in the market value of the CLO securities could be greater than the changes in the values of the underlying collateral of the relevant issuer, which itself may be subject to, among other things, credit and liquidity risk. Although the use of leverage creates an opportunity for increased returns on the CLO securities, it increases substantially the likelihood that the holders of the CLO securities could lose their entire investment if the pool of collateral held by such CLO entity is adversely affected.

- Subordination of CLO equity.

Payments of principal of, and interest on, debt issued by CLOs, and dividends and other distributions on CLO equity, are subject to a priority of payments. CLO equity is subordinated to the prior payment of all debt obligations under the CLO indenture. Further, in the event of default under any debt securities issued by a CLO, holders of CLO equity generally have no right to determine the remedies to be exercised. To the extent that any elimination, deferral or reduction in payments on debt securities occurs, such elimination will be borne first by CLO equity and then by the debt securities in reverse order of seniority. Thus, the greatest risk of loss relating to defaults on the collateral held by CLOs is borne by the CLO equity. To the extent that a default occurs with respect to any collateral and such collateral is sold or otherwise disposed of, it is likely that the proceeds of such sale or other disposition will be less than the unpaid principal and interest on such collateral. Excess funds available for distribution to the CLO securities will be reduced by losses occurring on the collateral, and returns on the CLO equity will be adversely affected.

In addition, the success of CLOs depend, in part, on such CLO's ability to acquire loans on advantageous terms. In acquiring loans, CLOs compete with a broad spectrum of investors, some of which may be willing to provide capital on better terms (from a borrower's standpoint) than such CLOs. Increased competition for, or a diminution in the available supply of, qualifying loans may result in lower yields on such loans, which could reduce returns on CLO equity in which the Structured Credit Fund or SMA Clients invest and, therefore, returns to the Structured Credit Fund or SMA Clients.

- Yield maturity, distributions, and other performance considerations.

The amount of distributions on the CLO securities will be affected by, among other things, the timing of purchases of collateral, the rates of repayment of or distributions on the collateral, the timing of reinvestment in substitute collateral and the interest rates available at the time of reinvestment. The longer the period of time before reinvestment of cash in collateral, the greater the adverse impact may be on the aggregate interest collected, thereby lowering yields and otherwise affecting performance of the CLO securities. The amount of distributions on CLO securities may also be affected by rates of delinquencies and defaults on and liquidations of the collateral, sales of collateral and purchases of collateral having different payment characteristics. The yield and other measures of performance may be adversely affected to the extent that the issuer incurs any significant unexpected expenses.

- LIBOR risk.

The CLOs in which the Structured Credit Fund and SMA Clients invest typically obtain financing at a floating rate based on LIBOR. In January 2019, the Intercontinental Exchange, the administrator responsible for the LIBOR, announced efforts to replace the LIBOR with a new benchmark. The CLOs the Structured Credit Fund and SMA Clients will invest in generally contemplate a scenario where LIBOR is no longer available by requiring the CLO administrator to calculate a replacement rate primarily through dealer polling on the applicable measurement date. However, there is uncertainty regarding the effectiveness of the dealer polling processes, including the willingness of banks to provide such quotations, which could adversely impact the Fund's and SMA Clients' investments. Recently, CLOs have included, or have been amended to include, language permitting the CLO investment manager to implement a market replacement rate (like those proposed by the Alternative Reference Rates Committee of the Federal Reserve Board and the Federal Reserve Bank of New York) upon the occurrence of certain material disruption events. However, there is no assurance that all CLOs in which the Structured Credit Fund or SMA Clients may invest will have such provisions or amendments. In addition, the effect of a phase out of LIBOR on U.S. senior secured loans, the underlying assets of CLOs, is currently unclear. To the extent that any replacement rate utilized for senior secured loans differs from that utilized for a CLO that holds those loans, the CLO would experience an interest rate mismatch between its assets and liabilities which could have an adverse impact on the Fund's and SMA Clients' cash flows and investments.

- LIBOR mismatch.

If the 3-month LIBOR significantly exceeds the 1-month LIBOR, many underlying corporate borrowers can elect to pay interest based on 1-month LIBOR. This mismatch in the rate at which CLOs earn interest and the rate at which they pay interest on their debt tranches negatively impacts the cash flows on a CLO's equity tranche, which may in turn adversely affect the Structured Credit Fund's and SMA Clients' cash flows.

- Risks associated with underlying borrower.

A fundamental risk associated with the Structured Credit Fund's and SMA Clients' investment strategy is that the borrowers whose debt the Structured Credit Fund and SMA Clients indirectly invest through the purchase of CLO securities will be unable to make principal and interest payments when due or at all. Such borrowers could deteriorate as a result of, among other factors, an adverse development in their business, a change in the competitive environment, an economic downturn or legal, tax or regulatory changes. Underlying borrowers that Clarion expects to remain stable may in fact operate at a loss or have significant variations in operating results, may require substantial additional capital to support their operations or to maintain their competitive position, or may otherwise have a weak financial condition or be experiencing financial distress.

Underlying borrowers of debt held by the CLOs may also be highly leveraged and there are no restrictions in the documentation of the CLO on the amount of debt a borrower can borrow. In the event of losses in the underlying collateral of a CLO, the documentation governing the CLO may require that cash flow be used to reduce the debt of the CLO, thereby reducing the distributions to the equity holders and potentially impairing the equity value.

- Reliance on third party managers of CLOs.

The Structured Credit Fund and SMA Clients generally will not be in a position to control any of the investment or trading activities of a CLO in which it invests. Such CLO's collateral manager will be primarily responsible for the operations of the CLO on a day-to-day basis. Although it is the intent of the Structured Credit Fund and SMA Clients to invest in CLOs managed by strong collateral management teams, there can be no assurance that an existing CLO collateral management team, or any new one, will be able to operate the CLO successfully. In addition, the Structured Credit Fund and SMA Clients are subject to the risk that the collateral manager of a CLO in which it invests may make business decisions with which the Structured Credit Fund or SMA Clients disagree, and the collateral manager of such CLO may take risks or otherwise act in ways that do not serve the interests of certain tranche investors, including tranche holdings of the Structured Credit Fund or SMA Clients.

- Warehouse financing.

Relatively short-term credit facilities may be used to finance the acquisition of securities for any new CLO until a sufficient quantity of loans are accumulated ("Warehouses"), at which time the assets are refinanced through a securitization, such as a CLO issuance, or other long-term financing (known as "Warehouse Financing"). As a result, there is the risk that a CLO will not be able to acquire, during the period that the short-term facilities are available, a sufficient amount of eligible loans to create a new CLO that will achieve its targeted return. There is also the risk that a CLO will not be able to obtain such short-term credit facilities or may not be able to renew any short-term credit facilities after they expire should it be necessary to obtain extensions for such short-term credit facilities to allow more time to seek and acquire the necessary eligible instruments for a long-term financing. Inability to renew or extend these short-term credit facilities may require a CLO to seek more costly financing for these assets or to lose the ability to utilize them in connection with the creation of a CLO issuance. In addition, conditions in the capital markets may make the creation of a CLO issuance less attractive when

a sufficient pool of collateral is available. If such conditions were to exist and a Warehouse could not complete a CLO issuance prior to the expiration of such financing, the Warehouse may have to liquidate the investments that it had accumulated, potentially resulting in losses to the Warehouse. Any Warehouse Financing in which the Structured Credit Fund or SMA Clients invest will generally be subject to the same or similar risks and conflicts as the risk attributable to CLO securities as described in the Governing Documents or respective IMA. In addition, because the assets in which Warehouse Financings are used to acquire are the same as the assets acquired by CLOs, they are subject to the same investment-specific risks described in the Governing Documents or respective IMA.

- Valuation of assets.

The Structured Credit Fund's and SMA Clients' investments generally will have no, or a limited, liquid market, and the fair value of such investments may not be readily determinable. There is no assurance that the value assigned to an investment at a certain time will accurately reflect the value that will be realized by the Structured Credit Fund or SMA Clients upon the eventual disposition of the investment and the performance of the Structured Credit Fund and SMA Clients could be adversely affected if such valuation determinations are materially higher than the value ultimately realized upon the disposition of the investment.

Disciplinary Information

Clarion and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to an evaluation of the Firm or its employees.

Other Financial Industry Activities and Affiliations

The Firm provides investment advice to the Funds and SMA Clients. The General Partners of the Funds are affiliated with Clarion by common ownership. Otherwise, Clarion and its employees do not have any relationships or arrangements with other financial services companies that pose material conflicts of interest.

As discussed above, the SMA Clients currently invest alongside the Structured Credit Fund in respect of certain investments. Clarion maintains a proprietary account that may invest alongside the SMA Clients in certain instances when the size of an investment exceeds the amount Clarion deems appropriate for the Structured Credit Fund and the SMA Clients in aggregate.

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

Clarion has adopted a Code of Ethics pursuant to Rule 204A-1 under the Investment Advisers Act of 1940, as amended (the "Advisers Act"), which is predicated on the principle that Clarion owes a fiduciary duty to the Funds and SMA Clients. Accordingly, employees of Clarion must disclose or avoid activities, interests, and relationships that run contrary (or appear to run contrary) to the best interest of the Funds and SMA Clients.

Clarion endeavors to maintain current and accurate records of personal securities accounts of its employees in an effort to monitor all such activity. Generally, employees may not purchase or sell securities that are also held by the Funds or SMA Clients, and must seek pre-approval from the CCO before purchasing/selling certain securities. Clarion's Code of Ethics is available for review and will be provided to any investor or prospective investor upon request by contacting the CCO, Janice Chan, at (212) 821-0170.

Clarion, certain employees, or a related entity, generally have an ownership interest in each Fund. By virtue of such ownership, related persons invest in the same securities as the Funds. Clarion believes that its or its related persons' investments in the Funds helps to align its interests with the interests of limited partners.

Employees of the Firm may serve on the boards of certain portfolio companies held by the Private Equity Funds and, in that capacity, will be required to make decisions that consider the best interests of such portfolio companies and their respective shareholders. In certain circumstances, for example in situations involving bankruptcy or near-insolvency of a portfolio company, actions that may be in the best interests of the portfolio company may not be in the best interests of the Private Equity Funds, and vice versa. Accordingly, in these situations, there will be conflicts of interest between such individual's duties as an employee of Clarion and such individual's duties as a director or officer of such portfolio company. In evaluating these situations, the Firm will consider all circumstances before coming to a decision.

Clarion pays one of its service providers a retainer. When the certain service provider performs work on Clarion's portfolio companies, the portfolio companies will reimburse the Firm for the services rendered, in the aggregate not to exceed the amount of the retainer. Also, an affiliate of a limited partner in one of the Funds provides services to certain of the portfolio companies for a retainer, which is paid directly by those portfolio companies.

Clarion may recommend certain service providers to portfolio companies in which principals and/or limited partners (or their affiliates) have a beneficial interest or affiliation. Clarion endeavors to minimize potential conflicts of interest by attempting to ensure the terms of such transactions are on an arm's-length basis.

Brokerage Practices

Clarion is generally authorized to make the following determinations, subject to each of the Fund's and SMA Client's investment objectives and restrictions, without obtaining prior consent from the relevant Fund (or any of its investors) or SMA Client: (1) which securities or other instruments to buy or sell; (2) the total amount of securities or other instruments to buy or sell; (3) the executing broker or dealer for any transaction (as applicable); and (4) the commission rates or commission equivalents charged for transactions (as applicable).

The Private Equity Funds invest primarily in privately-issued securities of portfolio companies. Thus, commissions are not ordinarily payable in connection with Private Equity Fund investments. To the extent Clarion transacts in public securities or engages in any currency

hedging activities on behalf of the Private Equity Funds, it intends to select counterparties based upon their ability to provide best execution for the Funds.

For the Structured Credit Fund and SMA Clients, commissions may be paid in addition to the price of the tranche security of the collateralized loan obligation. In selecting brokers or dealers, Clarion is not required to solicit competitive bids and is not obligated to seek the lowest possible execution cost but, rather, seeks the best execution in light of the circumstances of each transaction, giving consideration to qualitative, as well as quantitative factors.

Clarion does not use brokerage commissions (or markups or markdowns) to obtain research or other products or services (so-called “soft dollars”). As such, Clarion has no incentive to select or recommend a broker or dealer based on its interest in receiving the research or related services, rather than on a Fund’s or SMA Client’s interest in receiving best execution.

Review of Accounts

All investments are carefully reviewed and approved by the Investment Committees of the different business segments which are comprised of certain or all members of the respective investment team. Portfolio companies for the Private Equity Funds are continuously reviewed on an ad-hoc basis by Clarion’s investment team.

Clarion generally provides written quarterly and annual reports to each investor in the Funds. The quarterly report includes a summary of recent investment activities, valuations, and the relevant Fund’s financial statements. Clarion also provides audited financial statements to investors annually and holds an annual investor meeting.

Clarion provides quarterly written valuation reports to its SMA Clients.

Client Referrals and Other Compensation

During a fundraising cycle for a Fund, Clarion may compensate placement agents or solicitors who introduce new investors that commit capital. The amount paid to a placement agent/solicitor is based on a percentage of the capital raised and/or retainer and all placement fees will be fully disclosed to investors.

Clarion does not currently compensate any party for SMA Client referrals, but may do so in the future. Such compensation will not increase the fees paid to Clarion by the respective SMA Client.

Custody

Clarion is generally deemed to have custody of each of the Funds’ assets pursuant to Rule 206(4)-2 under the Advisers Act. The Firm complies with that Rule by providing that each of the Funds are subject to an annual audit, and the audited financial statements are distributed to each investor.

Investment Discretion

Clarion generally has discretionary authority to determine, without obtaining specific consent from the Funds (or their investors) or SMA Clients, the investments and amount to be bought or sold. Any limitations on authority are included in the relevant Funds' Governing Documents or the SMA Client's IMA, accordingly.

Voting Client Securities

The Funds and SMA Clients do not normally invest in securities that carry proxy voting rights or have class action claims. Should Clarion become aware of a proxy vote when a Fund or SMA Client is invested in a public security, Clarion will seek to vote such proxy in the best interest of such Fund or SMA Client. Clarion will assess on a case by case basis whether it will participate in class action lawsuits on behalf of a Fund or SMA Client in the rare instance that they should arise.

Financial Information

Clarion has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage the Funds or SMA Clients.