

Carlyle Aviation Securities P A R T N E R S

ITEM 1 COVER PAGE

PART 2A OF FORM ADV: FIRM BROCHURE

CARLYLE AVIATION SECURITIES PARTNERS LLC

March 27, 2020

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This brochure (this “Brochure”) provides information about the qualifications and business practices of Carlyle Aviation Securities Partners LLC (the “Investment Adviser,” “we,” “us,” and similar terms). If you have any questions about the contents of this Brochure, please contact us at 305-504-8777 or operations@casp.aero. 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.

Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

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

ITEM 2

MATERIAL CHANGES

This Brochure is intended to provide potential and existing clients with an overview of the Investment Adviser. It also contains important disclosures regarding items such as certain practices of Investment Adviser, potential material conflicts that may arise and key potential investment risks. While these may not be material, in certain sections, including conflicts of interest, investment risks (including public health risk and current market condition risk factors), fees and expenses, as part of our annual updates, additional clarification and detail has been provided.

The following is a discussion of the material changes to the Investment Adviser's Brochure since the annual update filed on January 28, 2019.

On September 30, 2019, the Investment Adviser filed an other-than-annual amendment to Form ADV disclosing that a relying adviser, Carlyle Aviation PDP Management LLC, was relying on the Investment Adviser's registration. Carlyle Aviation PDP Management LLC is no longer a relying adviser of the Investment Adviser as of the date of this Brochure.

On January 1, 2020, The Carlyle Group L.P. completed its conversion (together with related restructuring steps and transactions, the "Conversion") from a Delaware limited partnership to a Delaware corporation named The Carlyle Group Inc. (the "Public Company" or "Carlyle"). Pursuant to the Conversion, at the specified effective time on January 1, 2020, each common unit of The Carlyle Group L.P. outstanding immediately prior to the effective time converted into one share of common stock, par value \$0.01 per share ("Common Stock") of the Public Company and each special voting unit and general partner unit was cancelled for no consideration. In addition, holders of the partnership units in Carlyle Holdings I L.P., Carlyle Holdings II L.P., and Carlyle Holdings III L.P. exchanged such units for an equivalent number of shares of Common Stock and certain other restructuring steps occurred.

Since the date of the last annual update, the Investment Adviser has started serving as an arranger with respect to loans from institutional investors to finance the acquisition of commercial aircraft by airlines. These loan arrangement services are provided on an opportunistic basis and are not expected to be a core component of the Investment Adviser's business.

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ITEM 4 ADVISORY BUSINESS

A. General Description of Advisory Firm.

1. *Carlyle Aviation Securities Partners LLC.*

The Investment Adviser is a Delaware limited liability company that was formed in 2013.

We have one office, which is located in Miami, Florida.

We are a wholly-owned subsidiary of Carlyle Aviation Partners Ltd. (“CAP”), a Bermuda holding company, which also owns Carlyle Aviation Fund Management, LLC, Carlyle Aviation Fund Management II, LLC and Carlyle Aviation Management Limited (“CAML”), which are specialty managers of aviation assets. CAML also serves as an offshore manager to a private investment fund and Carlyle Aviation PDP Management LLC, which is a sub-advisor to CAML with respect to the aforementioned private investment fund, is an investment adviser registered with the SEC.

Various entities affiliated with the Public Company (Nasdaq: CG), an affiliate of the Investment Adviser, directly and indirectly own and control the Investment Adviser. On January 1, 2020, The Carlyle Group L.P. completed its conversion (together with related restructuring steps and transactions, the “Conversion”) from a Delaware limited partnership to a Delaware corporation named The Carlyle Group Inc. Pursuant to the Conversion, at the specified effective time on January 1, 2020, each common unit of The Carlyle Group L.P. outstanding immediately prior to the effective time converted into one share of common stock, par value \$0.01 per share (“Common Stock”) of the Public Company and each special voting unit and general partner unit was cancelled for no consideration. In addition, holders of the partnership units in Carlyle Holdings I L.P., Carlyle Holdings II L.P., and Carlyle Holdings III L.P. (collectively, “Carlyle Holdings”) exchanged such units for an equivalent number of shares of Common Stock and certain other restructuring steps occurred. In connection with the Conversion, senior Carlyle professionals and certain of the other former limited partners of Carlyle Holdings who became holders of shares of Common Stock in connection with the Conversion were generally required to grant an irrevocable proxy to Carlyle Group Management L.L.C., which is wholly owned by Carlyle’s founders and other senior Carlyle professionals. This proxy entitles Carlyle Group Management L.L.C. to vote such shares of Common Stock until the earlier of (i) such time as Carlyle Group Management L.L.C. ceases to have voting power over shares of Common Stock representing at least 20% of the total voting power of all the then outstanding shares of capital stock of the Public Company entitled to vote in the election of directors and (ii) January 1, 2025. Consequently, Carlyle Group Management L.L.C. currently controls a majority of the voting power of the Public Company’s outstanding common stock and may be deemed to indirectly control the Public Company’s business for regulatory purposes. The Investment Adviser does not hold any economic interest in the Public Company. From and after the consummation of the Conversion, the Public Company holds directly and indirectly all of the outstanding equity interests in Carlyle Holdings, whose subsidiaries operate and control all of the business and affairs of the Public Company and its affiliates.

The Public Company is managed by a Board of Directors who are elected by the holders of its Common Stock. (Carlyle Group Management L.L.C., which is wholly owned by Carlyle's founders and other senior Carlyle professionals, currently controls a majority of the voting power of the Public Company's outstanding common stock pursuant to the irrevocable proxies described above). The Public Company has formed a group of senior management professionals that establishes the management structures and policies and procedures for the operation and development of the firm (the "Executive Group"), guided by the strategic direction set by the Board of Directors. Together with Messrs. Conway, D'Aniello and Rubenstein, Glenn A. Youngkin and Kewsong Lee, Carlyle's Co-Chief Executive Officers, Peter J. Clare, Chief Investment Officer for Corporate Private Equity, Jeffrey W. Ferguson, Carlyle's General Counsel, and Curtis L. Buser, Carlyle's Chief Financial Officer, comprise the Executive Group. The Public Company also has formed a committee responsible for reviewing and considering significant operational or financial matters (the "Management Committee"). Comprising certain members of the Executive Group and other members of senior management, the Management Committee serves as a resource to the Executive Group.

Additional information about the Public Company is available in its current public filings with the SEC. Unless specifically stated otherwise, references in this Brochure to the Investment Adviser do not include the Public Company or any of the Public Company's other affiliated entities.

B. Description of Advisory Services.

This Brochure generally includes information about us and our relationships with our clients. While much of this Brochure applies to all such clients, certain information included herein applies to specific clients only.

1. *Advisory Services.*

We serve as the investment adviser, with discretionary trading authority, to certain private investment vehicles, the securities of which are offered to investors on a private placement basis (each, a "Fund" and collectively, the "Funds"). The Funds include:

Aviation Income Return (AIR) Fund, which comprises the following:

- (1) Aviation Income Return (AIR) Japanese Unit Trust, a Cayman Islands unit trust; and
- (2) Aviation Income Return (AIR) Offshore Fund Ltd., a Cayman Islands exempted company, which serves as the master fund into which Aviation Income Return (AIR) Japanese Unit Trust invests substantially all of its assets through a "master feeder" structure.

Aviation Income Return EX Fund, which comprises the following:

- (1) Aviation Income Return EX Unit Trust, a Cayman Islands unit trust.

In addition, we serve as the manager of a separately managed account that is owned by an institutional investor.

We serve as the investment adviser, with non-discretionary trading authority, to Structured Asset Loan Specialized for Aviation (“SALSA”) accounts. Our responsibilities related to SALSA accounts include arranging for certain Japanese institutional clients to purchase aviation-related securities from non-affiliated broker dealers and providing ongoing reports on those transactions.

We also serve as an arranger with respect to loans from institutional investors to finance the acquisition of commercial aircraft by airlines. Our responsibilities related to the loan arranging services include arranging loans exclusively; the loans are not reflected in assets under management as we do not provide continuous and regular supervisory or management services with respect to the arranged loans. These loan arrangement services are provided on an opportunistic basis and are not expected to be a core component of the Investment Adviser’s business.

In providing services to an advisory client, we manage the client assets in accordance with the terms of the governing documents applicable to such client.

2. Investment Strategies and Types of Investments.

Our investment focus is on sourcing, buying, trading and managing aviation related securities and understanding their structures. We also seek to identify and exploit market inefficiencies and trading opportunities.

Investments we make for clients may include all types of aviation, aerospace and general macro-economic benchmark securities, including fixed income instruments, particularly equipment trust certificates (“ETCs”), enhanced equipment trust certificates (“EETCs”), and asset-backed securities (“ABS”). Forward contracts are used for currency hedging purposes.

Our investment strategies include the following:

- Investment Grade Trading. This strategy focuses on mid to high grade fixed income securities and derivatives, issued or backed by companies and assets in the aviation sector. These securities include ETCs and EETCs, backed by high quality assets, with credit ratings are equal to or higher than Baa3 by Moody’s or BBB- by S&P or Fitch.
- High Yield Trading. This strategy focuses on high yield fixed income instruments and derivatives issued or backed by companies and assets, including ETCs and EETCs, with credit ratings are below Baa3 as rated by Moody’s or BBB- as rated by S&P or Fitch.
- Currency and Rates. This strategy seeks to minimize the impact of currency fluctuations for investors that subscribe in non-U.S. dollar classes by participating in the global currency markets through the hedge trading of spot and forward contracts on currencies.
- Event Oriented Strategies. This strategy seeks to capitalize on announced and anticipated events that are expected to impact the price of a certain instrument. Such events may

include company specific mergers, acquisitions, restructurings, liquidations, bankruptcies, grounding of fleets, as well as macro-economic events such as interest rate movements, economic indicator announcements, political unrest and terror attacks. Following a detailed analysis of an event or potential event, we may structure transactions designed to capitalize on the anticipated price movement.

* * *

The descriptions set forth in this Brochure of specific advisory services that we offer to our clients, and investment strategies pursued and investments made by us on behalf of our clients, should not be understood to limit in any way our investment activities. We may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that we consider appropriate, subject to each client's investment objectives and guidelines. The investment strategies we pursue are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any client will be achieved.

C. Availability of Customized Services for Individual Clients.

Our investment decisions and advice with respect to each Fund are subject to each Fund's investment objectives and guidelines, as set forth in its respective offering documents or in the case of a separate account, the investment management agreement.

The Investment Adviser in its role as investment adviser to Funds may from time to time agree to supplements, clarifications, or variations of the terms of a Fund's offering, subscription, or organizational documents in "side letters" or similar agreements which may vary rights or privileges among investors in some Funds.

From time to time, the Investment Adviser may also provide investment advisory services with respect to certain separately managed accounts. Such other managed accounts and the Funds may have investment objectives or may implement investment strategies that are identical or substantially similar to each other. Accordingly, these clients (including any entities or accounts managed by Carlyle or their respective members, principals, employees or affiliates) may invest in many of the same instruments.

D. Assets Under Management.

Our assets under management as of December 31, 2019 managed on a discretionary basis are \$989,081,000¹ and on a non-discretionary basis are \$156,741,000. These figures have been computed on the basis of net asset value and differ from the Regulatory Assets Under Management figure shown in Part 1A.

¹ Discretionary assets under management is calculated by adding the aggregate net asset value of private fund investors with the contractual mandate size of the separately managed account.

ITEM 5

FEES AND COMPENSATION

A. Advisory Fees and Compensation.

The fees applicable to each Fund are set forth in detail in each Fund's offering documents. These fees can vary in amount and in methodology from product to product and therefore may not lend themselves to a single summary in this Brochure; prospective investors are therefore urged to carefully review the offering documents and to raise any questions with us.

The precise amount of, and the manner and calculation of, the management fees for each Fund is disclosed in the organizational and offering documents of each Fund. The management fees are negotiated collectively with the investors of each Fund, and are subject to waiver or reduction by the Investment Adviser. The private funds are charged an annual management fee that is calculated as a percentage of net asset value ("Management Fees").

The private funds are subject to an incentive allocation, which is subject to hurdle rates that vary from client to client ("Performance Compensation").

The SALSA accounts are subject to information receipt fees that vary from account to account. The information receipt fees are based on the notional value of the underlying security in the SALSA account.

B. Payment of Fees.

For the Funds, fees and compensation paid to the Investment Adviser or its affiliates by clients are generally deducted from the assets of such clients. For discretionary accounts, Management Fees are generally deducted on a monthly basis and Performance Compensation is generally deducted on an annual basis. For the managed accounts (discretionary and non-discretionary), fees are paid by the client directly as we do not have custody of such assets. Fees for discretionary accounts are paid on a quarterly basis, whereas fees for SALSA accounts are paid when interest is paid by the underlying fixed income security. For loans that are arranged by the Investment Adviser, loan arranger fees are paid by the borrower at the time that the loan is arranged.

C. Additional Fees and Expenses.

In general, each client bears its own expenses, including, without limitation, the Management Fee; the Performance Compensation; investment expenses, whether or not such investments are consummated (such as brokerage commissions (discussed in Item 12 below), expenses relating to clearing and settlement charges, custodial fees, bank service fees and interest expenses); investment-related travel expenses (which are travel expenses related to the purchase, sale or transmittal of, or due diligence regarding, the client's investments, whether or not such investments are consummated, incurred by the Investment Adviser); professional fees (including, without limitation, expenses of consultants, investment bankers, attorneys, accountants and other experts) relating to investments; fees and expenses associated with the board of directors of the Funds, registered office expenses of the Funds, fees and expenses relating to software tools,

programs or other technology utilized in managing the client (including, without limitation, third-party software licensing, implementation, data management and recovery services and custom development costs); research and market data (including, without limitation, any computer hardware and connectivity hardware (e.g., telephone and fiber optic lines) incorporated into the cost of obtaining such research and market data); order management systems; administrative expenses (including, without limitation, fees and expenses of the client's administrator); the cost of directors and officers and errors and omissions liability insurance for the directors, the Investment Adviser and the Fund's general partner (as applicable); legal fees and related expenses; external accounting and valuation expenses (including, without limitation, the cost of accounting software packages); audit and tax preparation expenses; fees of the members of the board of directors of the client who are not associated with the Investment Adviser; costs of providing electronic access to client reports and information and printing and mailing reports and notices; entity-level taxes; corporate licensing; regulatory expenses (including, without limitation, filing preparation and fees, including for filings required to be made by the Investment Adviser); organizational expenses; expenses incurred in connection with the offering and sale of securities of the client and other similar expenses related to the client (other than any fees payable to any placement agent, which will be paid by the Investment Adviser indirectly by reducing the Management Fees owed to the Investment Adviser); indemnification expenses; and extraordinary expenses.

The Investment Adviser seeks to allocate expenses fairly, equitably, and consistent with the documents governing the Investment Adviser's relationship with each client. When allocating expenses, the Investment Adviser must interpret the governing documentation of private funds and the managed account(s) and make determinations whether expenses are allocated and paid, in full or in part, by a private fund, private funds, managed account(s) and/or the Investment Adviser, which creates a conflict of interest. The Investment Adviser has implemented written policies, procedures, and guidelines that are reasonably designed to mitigate conflicts of interest.

D. Additional Compensation and Conflicts of Interest.

Neither the Investment Adviser nor any of its supervised persons accepts compensation (e.g., brokerage commissions) for the sale of securities or other investment products.

The Investment Adviser may, from time to time, arrange loans from institutional investors to finance the acquisition of commercial aircraft by airlines. The Investment Adviser earns a fixed fee, which typically based on the size of the loan, for arranging loans. The Investment Adviser may arrange loans to airlines that are issuers of securities that are held by the Funds and other discretionary and non-discretionary clients of the Investment Adviser.

ITEM 6

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

We and our affiliates accept performance-based compensation from certain clients, while other clients are assessed fixed fees based on interest paid through maturity of underlying securities or amount of deployed capital. As a result, we and our affiliates face certain conflicts of interest that may arise when an investment adviser accepts performance-based fees from some clients, but not from other clients since we may have an incentive to favor clients with performance-based compensation (or higher performance-based compensation) than those clients without performance-based compensation (or lower performance-based compensation). Additionally, performance-based compensation may create an incentive for us to make riskier or more speculative investments on behalf of a client than would be the case in the absence of such compensation. We seek to manage and mitigate these conflicts by reviewing opportunities for a specific client platform and by reviewing performance of each client in an effort to detect unusual allocations and performance.

Performance-based fees are subject to regulation under Section 205 of the Investment Advisers Act of 1940, as amended (the “Advisers Act”), and Rule 205-3 thereunder. Therefore, the Adviser seeks to ensure that any client or investors in a client that are directly or indirectly assessed performance fees satisfy the qualifications of Rule 205-3 under the Advisers Act and have been advised of such fees and their risks.

ITEM 7

TYPES OF CLIENTS

We provide investment advice to the Funds, as described above, the SALSA platform (which is described in Item 4), and we serve as the manager of a separately managed account that is owned by an institutional investor. We also arrange loans from institutional investors directly to the purchasers of commercial aircraft. We typically require investors in Funds to be “accredited investors” as defined in Regulation D, “qualified purchasers” as defined in the Investment Company Act of 1940, as amended, or “non-U.S. persons” as defined in Regulation D. The governing documents for the Funds outline the minimum size of investments, which can be reduced or waived on a discretionary basis in the sole discretion of the Investment Adviser.

ITEM 8

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

A. Methods of Analysis and Investment Strategies.

The descriptions set forth in this Brochure of specific advisory services that we offer to clients, and investment strategies pursued and investments made by us on behalf of clients, should not be understood to limit in any way our investment activities. We may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that we consider appropriate, subject to each client's investment objectives and guidelines. The investment strategies we pursue are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any client will be achieved.

Our investment focus is on sourcing, buying, trading and managing aviation related securities and understanding their structures. We believe that there are ample investment opportunities due to the cyclical nature of the aviation industry and the wide spreads that these instruments have typically enjoyed.

We seek to identify and exploit market inefficiencies and trading opportunities. We believe we can achieve this by capitalizing upon our deep understanding of aviation asset values and extensive knowledge of business cycles within the aviation industry.

In general, our objective is to achieve superior risk-adjusted returns on an ongoing basis through the adoption of a multi-step approach to selecting and actively managing the securities for a client's portfolio. In pursuing this investment objective, we expect to utilize multiple investment vehicles and allocate risk capacity to investment strategies based on our view of existing and potential investment opportunities in the aviation-related securities industry. Prior to investing in specific securities, asset and credit analyses will first be undertaken. This will consist of research of the underlying asset values and structures, where applicable. We will employ a number of risk controls that are designed to limit a client's exposure to excessive risks. We will then seek to capitalize upon market inefficiencies and identify arbitrage opportunities through sourcing, trading and managing aviation-related securities for the client's portfolio.

Investments are focused on aviation, aerospace and general macro-economic benchmark securities, including fixed income instruments, such as ETCs and EETCs, ABS and government debt. Forward contracts are used for currency hedging purposes. Investments in financial instruments may be made both on exchanges and over-the-counter, and through private placements.

The main risks to be considered in the management of a client's portfolio will include: (i) market risk, including political and regulatory risk, market liquidity risk and credit market availability risk; (ii) individual positions risk, such as credit risk of issuers, liquidity risk, counterparty risk, correlation and sensitivity risk; (iii) portfolio risk, such as correlation and sensitivity risk, company and asset concentration risk, liquidity risk and current marks risk; (iv) industry specific risk, such as macro and micro level risks; and (v) global economic risk, such as

macro and micro level risks. The risks identified herein are examples of some, but not all, possible risks.

We seek to control portfolio risks through the regular evaluation of each investment's risk and by managing the amount of risk associated with each investment. We will gather real-time data regarding market movements, investment movements and any other market intelligence. Frequent mark-to-market portfolio monitoring will help us monitor the investments.

B. Material, Significant or Unusual Risks Relating to Investment Strategies.

The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in the clients advised by us. These risk factors include only those risks we believe to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis employed by us. **Investors should review the offering documents and other governing documents of an applicable Fund or product to understand the risks and actual and potential conflicts of interest associated with such fund or product.**

Risk of Loss. No guarantee or representation is made that a client's investment program, including, without limitation, a client's investment objective, diversification strategies or risk monitoring goals, will be successful. Investment results may vary substantially over time. No assurance can be made that profits will be achieved or that substantial or complete losses will not be incurred. Past investment results are not necessarily indicative of their future performance.

General Economic and Market Conditions. Success will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of a client's investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect the level and volatility of the prices and the liquidity of a client's investments. Volatility or illiquidity could impair a client's profitability or result in losses. A client may maintain substantial trading positions that can be adversely affected by the level of volatility in the financial markets.

United Kingdom's Exit from the European Union. On January 31, 2020, the UK formally left the EU ("Brexit"). This triggered a transition period that is set to end on December 31, 2020, during which the UK and EU will negotiate their future relationship. During the transition period, the UK will continue to follow the EU's rules and its trading relationships will remain the same. If the UK and EU are unable to negotiate a free trade agreement during the 11-month transition period, the UK faces the prospect of having to trade with no deal in place, which could result in potential trade barriers, such as tariffs on UK exports to the EU. In addition to trade negotiations, the UK and EU will need to negotiate on matters related to border-crossing policies, security and law enforcement. The political discourse in the UK and EU with respect to Brexit may result in conditions that cause airlines, and by extension client investments, to suffer losses.

Cayman Islands Placed on European Union List of Non-Cooperative Jurisdictions. On February 18, 2020, it was announced that the Cayman Islands has been placed on the EU's list of non-cooperative jurisdictions for tax purposes. The Cayman Islands government issued a press release on February 18, 2020 affirming that the jurisdiction introduced appropriate legislative

changes on February 7, 2020 relating to the EU's criteria, but that the listing appears to stem from such legislation not being enacted by February 4, 2020, which was the date of the EU's Code of Conduct Group meeting to advise the EU Finance Ministers prior to the Finance Ministers' decision regarding the listing on February 18, 2020. The Cayman Islands government press release states that the Cayman Islands remains fully committed to cooperating with the EU, and will continue to constructively engage with them with the view to be delisted as soon as possible. It is unclear as to whether the Cayman Islands being placed on such list will have a significant, or any, effect on a fund, any feeder vehicle or alternative investment vehicles, their respective investors, or a fund's investments. There can be no assurance that the Cayman Islands will be delisted, or that being placed on such list (and any subsequent legislative actions related thereto) will not have a materially adverse effect on a fund, any feeder vehicle or alternative investment vehicles, a fund's investments or investors, particularly those residing or domiciled in the EU.

Pay-to-Play Laws, Regulations and Policies. In light of controversies and highly-publicized incidents involving money managers, a number of states and municipal pension plans have adopted so-called "pay-to-play" laws, regulations or policies which prohibit, restrict or require disclosure of payments to (and/or certain contacts with) state officials by individuals and entities seeking to do business with state entities, including investments by public retirement funds. The SEC also has adopted rules that, among other things, prohibit an investment adviser from providing advisory services for compensation with respect to a government plan investor for two years after the adviser or certain of its executives or employees make a contribution to certain elected officials or candidates. The Investment Adviser is subject to policies and procedures to account for these pay-to-play laws, regulations or policies, and to comply with the New York Attorney General's Public Pension Fund Reform Code of Conduct (the "Pension Fund Reform Code"), which governs its interactions with U.S. public pension funds. If the Investment Adviser or its employees or affiliates fail to comply with the Pension Fund Reform Code or such pay-to-play laws, regulations or policies, such non-compliance could have an adverse effect on a client by, for example, providing the basis for the withdrawal of the affected government plan investor.

Short-Term Market Considerations. The Investment Adviser's trading decisions may be made on the basis of short-term market considerations, and the portfolio turnover rate could result in significant trading-related expenses.

Leverage and Borrowing.

Leverage for Investment Purposes. Leverage may be applied through a limited use liquidity facility to enable the applicable currency-hedged fund to remain fully invested. The leverage facility cannot be used to facilitate redemptions or to allow clients to make additional investments, thereby increasing their exposure to assets.

Costs. Borrowings will be subject to interest, transaction and other costs, and other types of leverage also involve transaction and other costs. Any such costs may or may not be recovered by the return on a client's portfolio.

Diversification and Concentration. The Investment Adviser may select investments that are concentrated in a limited number or types of Securities. In addition, a client's portfolio may become significantly concentrated in securities related to a single or a limited number of issuers,

industries, sectors, strategies, countries or geographic regions. This limited diversification may result in the concentration of risk, which, in turn, could expose clients to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in such securities.

Hedging Transactions. The Funds may enter into hedging transactions to seek to reduce the impact of currency fluctuation. Such transactions may result in a poorer overall performance for clients than if they had not engaged in any such hedging transaction and there can be no assurance that currency hedging activities will be successful.

Fundamental Analysis. Certain trading decisions made by the Investment Adviser may be based on fundamental analysis. Data on which fundamental analysis relies may be inaccurate or may be generally available to other market participants. To the extent that any such data are inaccurate or that other market participants have developed, based on such data, trading strategies similar to a client's trading strategies, clients may not be able to realize their investment goals. In addition, fundamental market information is subject to interpretation. To the extent that the Investment Adviser misinterprets the meaning of certain data, clients may incur losses.

Small and Medium-Capitalization Companies. Investments in securities of smaller-capitalization companies involve higher risks in some respects than do investments in securities of larger "blue-chip" companies. For example, prices of securities of small-capitalization and even medium-capitalization companies are often more volatile than prices of securities of large-capitalization companies and may not be based on standard pricing models that are applicable to securities of large-capitalization companies. Furthermore, the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to investors) may be higher than for larger, "blue-chip" companies. Finally, due to thin trading in the securities of some small-capitalization companies, an investment in those companies may be illiquid.

Non-U.S. Investments. Investing in the securities of companies outside of the United States involves certain considerations not usually associated with investing in securities of U.S. companies or the U.S. government, including political and economic considerations, such as greater risks of expropriation, nationalization, confiscatory taxation, imposition of withholding or other taxes on interest, dividends, capital gains, other income or gross sale or disposition proceeds, limitations on the removal of assets and general social, political and economic instability; the relatively small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; the evolving and unsophisticated laws and regulations applicable to the securities and financial services industries of certain countries; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict a client's investment opportunities. In addition, accounting and financial reporting standards that prevail outside of the U.S. generally are not as high as U.S. standards and, consequently, less information is typically available concerning companies located outside of the U.S. than for those located in the U.S. As a result, clients may be unable to structure their transactions to achieve the intended results or to mitigate all risks associated with such markets. It may also be difficult to enforce a client's rights in such markets. For example, securities traded on non-U.S. exchanges and the non-U.S. persons that trade these instruments are not subject to the jurisdiction of the SEC or the CFTC or the securities

and commodities laws and regulations of the U.S. Accordingly, the protections accorded to clients under such laws and regulations are unavailable for transactions on non-U.S. exchanges and with non-U.S. counterparties.

Non-U.S. Exchanges. The Funds may trade on exchanges or markets located outside the U.S. Trading on such exchanges or markets is not regulated by the SEC and the CFTC and may, therefore, be subject to more risks than trading on U.S. exchanges, such as the risks of exchange controls, expropriation, burdensome taxation, moratoria and political or diplomatic events. Risks in investments in on-U.S. securities may also include reduced and less reliable information about issuers and markets, less stringent accounting standards, illiquidity of securities and markets, higher brokerage commissions and custody fees.

Cyber Security Breaches, Identity Theft, Privacy Breaches and Other Threats. Cybersecurity incidents and cyber-attacks have been occurring globally at a more frequent and severe level and will likely continue to increase in frequency in the future. There has been an increase in the frequency and sophistication of the cyber and security threats that the Investment Adviser faces, with attacks ranging from those common to businesses generally to those that are more advanced and persistent, which may target the Investment Adviser because it processes, stores and transmits large amounts of electronic information, including information relating to the transactions of the clients and personally identifiable information regarding investors and employees. Similarly, service providers of the Investment Adviser or a client, especially an administrator, may process, store and transmit such information. As a result, the Investment Adviser may face a heightened risk of a security breach, online extortion attempt, or disruption with respect to this information resulting from an attack by computer hackers, foreign governments, cyber extortionists or cyber terrorists. If successful, these types of attacks on the Investment Adviser's network or other systems could have a material adverse effect on our business and results of operations, due to, among other things, the loss of investor or proprietary data, interruptions or delays in our business and damage to the Investment Adviser's reputation. Suppliers, contractors, investors, and other third parties with whom the Investment Adviser does business also experience cyber threats and attacks that are similar in frequency and sophistication. In many cases, the Investment Adviser has to rely on the controls and safeguards put in place by their suppliers, contractors, investors and other third parties to defend against, respond to, and report these attacks.

The Investment Adviser's information and technology systems may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, security threats (including ongoing cybersecurity threats to and attacks on our information technology infrastructure), infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes, typhoons, earthquakes, wars, terrorist attacks and other similar events. Measures designed to manage risks relating to these types of events cannot provide absolute security. The techniques used to obtain unauthorized access to data, disable or degrade service or sabotage systems change frequently and may be difficult to detect for long periods of time. If these systems are compromised, become inoperable for extended periods of time or cease to function properly, significant investment may be required to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions

in the Investment Adviser's and/or its client's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors, employees, and portfolio companies. A cybersecurity incident or data privacy breach could have numerous material adverse effects, including on the operations, liquidity and financial condition of a client. Cyber threats and/or incidents or data privacy breaches could cause financial costs from the theft of client assets (including proprietary information and intellectual property) as well as numerous unforeseen costs including, but not limited to: costs related to regulatory intervention or fines (including under the European General Data Protection Regulation or similar data protection regulations), litigation costs, preventative and protective costs, remediation costs and costs associated with reputational damage, any one of which could be materially adverse to a client. The costs related to cyber or other security threats or disruptions or data privacy breaches may not be fully insured or indemnified by other means.

Public Health Risks, Epidemics and Pandemics. Countries have been susceptible to epidemics, such as severe acute respiratory syndrome, avian flu, H1N1/09 flu and most recently, the COVID-19 coronavirus pandemic. The COVID-19 pandemic has resulted in, among other events, unprecedented global travel restrictions and regional and country-wide quarantines, slowing and/or the complete idling of certain significant U.S. and global businesses and sectors and general economic and market turmoil and uncertainty. Further, key U.S. public health officials expect the COVID-19 pandemic will worsen in the near term. The impacts on markets, business activity and the U.S. and global economy, as well as potential changes in U.S. economic and fiscal policies that may be adopted to address the pandemic and related externalities, are not yet fully identified or understood. In this regard, views and other forward looking statements expressed in this Brochure are based upon assumptions that may no longer be valid. Accordingly, the COVID-19 pandemic and other outbreaks of infectious diseases in the future could have a negative impact on the performance of investments and more generally the Investment Adviser's ability to implement its investment strategies.

Deteriorating Current Market Conditions. The ongoing COVID-19 coronavirus pandemic and oil price shocks resulting from disputes among members of the Organization of Petroleum Exporting Countries ("OPEC"), together with, among other events, the ensuing global market turmoil, unprecedented global travel restrictions and regional and nationwide quarantines that have been implemented by several governments and the slowing and/or complete idling of certain significant U.S. and global businesses and sectors, have led to a market correction in the U.S. and elsewhere, and have led most market participants and commentators to expect an economic downturn in North America, Europe and/or globally. Political and economic leaders in the U.S. and abroad have begun implementing measures to attempt to address the increasing uncertainty in global markets and the global economy. Such measures have included and may include in the future additional travel bans impacting the movement of people and goods between the U.S. and other major economic centers and material monetary and/or fiscal policy changes. In addition, key public health officials in the U.S. have indicated that they believe the COVID-19 pandemic will worsen in the near term, which would be expected to lead to increased social and

economic uncertainty. Moreover, no actual or potential resolution of the OPEC disputes regarding production and output levels has been publicly disclosed.

To the extent that current conditions continue (or worsen as some expect), the Investment Adviser expects that there will be adverse impacts on the availability of credit to businesses as well as on asset prices, and more generally the public and private markets, which in each case, could impact the Investment Adviser's ability to implement its investment objective, consummate transactions and/or adequately assess and react to actual and potential downside risks of investments. In addition, the full impacts of the pandemic and energy price shocks on markets, business activity and the U.S. and global economy, as well as potential changes in U.S. economic and fiscal policies that may be adopted to address the pandemic, price shocks and related externalities, are not yet fully identified or understood.

GDPR Compliance Risk. Data protection and regulations related to privacy, data protection and information security could increase costs, and a failure to comply could result in fines, sanctions or other penalties, which could materially and adversely affect the results of operations of an investment.

Certain investments may be subject to regulations related to privacy, data protection and information security in the jurisdictions in which they do business. As privacy, data protection and information security laws are implemented, interpreted and applied, compliance costs may increase, particularly in the context of ensuring that adequate data protection and data transfer mechanisms are in place.

EU data protection law was previously derived from the Data Protection Directive (Directive 95/46/EC) and was implemented by national legislation across all 28 EU member states. On May 25, 2018, the General Data Protection Regulation (EU 2016/679) (the "GDPR") replaced the existing legislation. The GDPR seeks to harmonize national data protection laws across the EU, whilst at the same time, modernising the law to address new technological developments. As a regulation, the GDPR is binding on data controllers and data processors in all EU member states, immediately upon coming into effect, without the need for implementation in each member state. The GDPR notably has a greater extra-territorial reach and will have a significant impact on data controllers and data processors either with an establishment in the EU, or which offer goods or services to EU data subjects or monitor EU data subjects' behaviour within the EU. The new regime imposes more stringent operational requirements on both data controllers and data processors and introduces significant penalties for non-compliance with fines of up to 4% of total annual worldwide turnover or €20 million (whichever is higher), depending on the type and severity of the breach.

The current ePrivacy Directive (2002/58/EC) will also be repealed by the EU Commission's Regulation on Privacy and Electronic Communications (the "ePrivacy Regulation") which aims to reinforce trust and security in the digital single market by updating the legal framework on ePrivacy. The ePrivacy Regulation is in the process of being finalised and is expected to come into force in 2020 at the earliest, although there would be a further transitional period before it becomes effective (the details of which are uncertain).

Compliance with current and future privacy, data protection and information security laws could significantly impact current and planned privacy and information security related practices, the collection, use, sharing, retention and safeguarding of personal data and some of our current and planned business activities. A failure to comply with such laws could result in fines, sanctions or other penalties, which could materially and adversely affect results of operations and overall business, as well as have an impact on reputation.

Data Protection. The Cayman Islands Data Protection Law, 2017 ("DPL") is due to come into force in September 2019. The DPL is compatible with data protection rules in the EU and shares many of the same definitions and provisions with the GDPR. It is intended to regulate the collection, storage and processing of personal data in the Cayman Islands and to give individuals greater control over that data. The DPL applies to the Fund and any personal data provided to the Fund will be within the scope of the DPL regardless of where the investor providing that data is located. Breaches of the DPL could result in fines of up to CI\$100,000 per breach, imprisonment for a term of up to 5 years, or both. Other monetary penalties of up to CI\$250,000 are also possible under the law.

California has also passed the California Consumer Privacy Act of 2018 (the "CCPA"). The CCPA generally applies to businesses that collect personal information about California consumers, and either meet certain thresholds with respect to revenue or buying and/or selling consumers' personal information. The CCPA imposes stringent legal and operational obligations on such businesses as well as certain affiliated entities that share common branding. The CCPA is enforceable by the California Attorney General. Additionally, if unauthorized access, theft or disclosure of a consumer's personal information occurs, and the business did not maintain reasonable security practices, consumers could file a civil action (including a class action) without having to prove actual damages. Statutory damages range from \$100 to \$750 per consumer per incident, or actual damages, whichever is greater. The Attorney General also may impose civil penalties ranging from \$2,500 to \$7,500 per violation.

Other jurisdictions, including other U.S. states, have proposed or are considering similar privacy laws, which if enacted could impose similarly significant costs, potential liabilities and operational and legal obligations. Such privacy laws and regulations are expected to vary from jurisdiction to jurisdiction, thus increasing costs and operational and legal burdens on regulated entities. Further, compliance with current and future privacy laws could significantly impact current and planned privacy and information security related practices, the collection, use, sharing, retention and safeguarding of personal data and some of our current and planned business activities. Any such privacy law could materially and adversely affect the results of operations and overall business of the Fund and/or its portfolio companies, as well as have a negative impact on their respective performance.

Uncertain Economic and Political Environment. Consumer, corporate and financial confidence may be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts, localized or global financial crises or other sources of political, social or economic unrest. Such erosion of confidence may lead to or extend a localized or global economic downturn. A climate of uncertainty may reduce the availability of potential investment opportunities, and increases the difficulty of modeling market conditions, potentially

reducing the accuracy of financial estimates. In addition, limited availability of credit for consumers, homeowners and businesses, including credit used to acquire businesses, in an uncertain environment or economic downturn may have an adverse effect on the economy generally and on the ability of the Fund to execute its strategy. This may slow the rate of future investments by the Fund and result in longer holding periods for investments. Furthermore, such uncertainty or general economic downturn may have an adverse effect upon the Fund's investments.

Aviation Industry Risk. The aviation industry is susceptible to downturns as a result of various events, including fluctuation of fuel prices, geopolitical conflicts and/or terrorist attacks, general economic conditions, regulatory changes, epidemic diseases and severe weather conditions. The occurrence of any such event may have an adverse effect of the performance of the strategies pursued by the Investment Adviser.

Risk of Limited Number of Investments. A client may participate in a limited number of investments and, as a consequence, the aggregate return of such client may be substantially adversely affected by the unfavorable performance of even a single investment. In addition, other than as set forth in the applicable client's governing documents (or investment management agreement in the case of a separately managed account or as required by applicable law), investors have no assurance as to the degree of diversification of an client's investments, either by geographic region or transaction type.

Affiliation with The Carlyle Group. There are risks related to Carlyle's ownership interest in the Investment Adviser. These relate to the risk of third-party litigation, the potential for increased regulatory scrutiny, and Carlyle's ability to influence the Investment Adviser.

Carlyle Policies and Procedures. Policies and procedures implemented by Carlyle or its affiliates from time to time (including as may be implemented in the future) to mitigate potential conflicts of interest and address certain regulatory requirements and contractual restrictions may reduce the synergies across the Investment Adviser's areas of operation or expertise that a client expects to draw on for purposes of pursuing attractive investment opportunities.

Material Non-Public Information. By reason of their responsibilities in connection with their other activities, from time to time, certain personnel of the Investment Adviser may acquire confidential or material non-public information or be otherwise restricted from initiating transactions in certain securities. Due to these restrictions, a Fund or other clients may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold.

The Investment Adviser has erected an information barrier to segregate the flow of material, non-public information between the Investment Adviser and the rest of Carlyle. The purpose of this information barrier is, among other things, to insulate material, non-public information, such that the investment activities of the Investment Adviser, on the one hand, and the rest of Carlyle, on the other hand, are not otherwise restricted because one business unit may have material, non-public information that would be imputed to the other business unit in the absence of an information barrier.

The establishment and maintenance of the information barrier discussed above means the Investment Adviser will generally not be able to use, act on or otherwise be aware of confidential information otherwise known by or in the possession of the rest of Carlyle (and vice-versa), and collaboration between personnel associated with the Investment Adviser, on the one hand, and personnel of the rest of Carlyle, on the other hand, may be limited, reducing potential synergies.

Misconduct of Personnel or Third-Party Service Providers. There have been a number of highly publicized cases involving fraud or other misconduct by employees in the financial services industry in recent years, and there is a risk that employee misconduct could occur with respect to the Investment Adviser. Misconduct by employees or by third-party service providers could cause significant losses to clients. Employee misconduct could include, among other things, binding a client to transactions that exceed authorized limits or present unacceptable risks and other unauthorized activities or concealing unsuccessful investments (which, in either case, may result in unknown and unmanaged risks or losses), or otherwise charging (or seeking to charge) inappropriate expenses to a client. In addition, employees and third-party service providers may improperly use or disclose confidential information, which could result in litigation or serious financial harm, including limiting the client's business prospects or future activities. It is not always possible to deter misconduct by employees or service providers, and the precautions the Investment Adviser takes to detect and prevent this activity may not be effective in all cases.

Trade Policies. Changes in trade policies among the United States and other countries, in particular, the imposition of new or higher tariffs, could have a material adverse effect on the Fund's revenues and operating results. For example, original equipment manufacturers ("OEMs") (including Boeing and Airbus) may seek to offset the impact of increased tariffs by increasing the price of aircraft, engines and/or components.

Political leaders in the U.S. and certain European nations have recently been elected on protectionist platforms, fueling doubts about the future of global free trade. The U.S. government has indicated its intent to alter its approach to international trade policy and in some cases to renegotiate, or potentially terminate, certain existing bilateral or multi-lateral trade agreements and treaties with foreign countries, and has made proposals and taken actions related thereto. In addition, the U.S. government imposed tariffs on certain foreign goods, including steel and aluminum, and has indicated a willingness to impose additional tariffs on imports of other products. Some foreign governments, including China, have instituted retaliatory tariffs on certain U.S. goods and have indicated a willingness to impose additional tariffs on U.S. products. Global trade disruption, significant introductions of trade barriers and bilateral trade frictions, together with any future downturns in the global economy resulting therefrom, could adversely affect the financial performance of a client and its investments. In particular, although the U.S. and China have agreed to a partial trade deal with respect to their ongoing trade dispute, certain issues remain unresolved, which is expected to be an ongoing source of instability, potentially resulting in significant currency fluctuations and/or have other adverse effects on international markets, international trade agreements and/or other existing cross-border cooperation arrangements (whether economic, tax, fiscal, legal, regulatory or otherwise). While this dispute has already had negative economic consequences on the U.S. markets, to the extent that this trade dispute escalates

into a “trade war” between the U.S. and China, there could be additional significant impacts on the industries in which the Fund participates and other adverse impacts on client investments.

Tariffs on OEM’s products may adversely affect client’s profitability. Many aircraft and engine OEMs operate in foreign countries. Accordingly, OEMs may be subject to many of the risks of international operations, including governmental controls and tariff restrictions. Tariffs could make the OEM’s products less attractive. OEMs may begin implementing short-term price adjustments to offset such tariffs and transition their production and supply chains to new locations, which could indirectly disrupt the Fund’s business. Increases in tariffs or the failure to resolve current international trade disputes could have a material adverse effect on the Fund’s business and operating results.

Enhanced Scrutiny and Certain Effects of Potential Regulatory Changes. There continue to be discussions regarding enhanced governmental scrutiny and/or increased regulation of the private equity industry and, more generally, there is an increased focus on tax avoidance strategies employed by businesses. There can be no assurance that any such scrutiny, regulation or focus will not have an adverse impact on the Fund’s activities, including the ability of the Fund to effectively and timely address new rules and regulations, execute its investment strategy or achieve its investment objectives. In particular, the Fund may be required to incur additional costs and expenses in implementing structural changes in the conduct of the Fund’s business, including to establish greater substance in certain jurisdictions in which the Fund invests or proposes to invest, and the Fund may also become directly or indirectly subject to additional tax liabilities (for example through restrictions on or denial of the deductibility of interest expenses against taxable profits). The foregoing may make it less attractive or impractical to continue to invest in one or more jurisdictions. Furthermore, it is unclear what further legal or regulatory changes may be implemented within those jurisdictions in which the Fund operates, which changes may result in increased costs and expenses being incurred by the Fund in order to ensure compliance with any new regimes.

Such scrutiny by politicians, regulators and market commentators of private equity firms, other alternative asset managers and their investments, combined with public perception that certain alternative asset managers, including private equity firms, contributed to the global financial crisis of 2008, may complicate or prevent the Fund’s efforts to consummate investments, both in general and relative to competing bidders outside of the alternative asset space. As a result, the Fund may invest in fewer transactions or incur greater expenses or delays in completing investments than it otherwise would have.

Finally, increased reporting, registration and compliance requirements may divert the attention of personnel and the management teams of the Fund’s manager, and may furthermore place the Fund at a competitive disadvantage to the extent that Carlyle Aviation (as defined below) is required to disclose sensitive business information.

C. Risks Associated With Particular Types of Securities.

Given the discretion we have in managing client portfolios, any one or more of the risks listed in the previous section may be incurred by our clients. However, because it may be useful

in understanding our investment program, set forth below is a non-exclusive list of certain risks related to securities and other instruments that may be utilized within a client's portfolio:

Debt Securities Generally. Debt securities of all types of issuers may have speculative characteristics, regardless of whether they are rated. The issuers of such instruments (including sovereign issuers) may face significant ongoing uncertainties and exposure to adverse conditions that may undermine the issuer's ability to make timely payment of interest and principal in accordance with the terms of the obligations.

Interest Rate Risk. Changes in interest rates can affect the value of a client's investments in fixed-income instruments. Increases in interest rates may cause the value of a client's debt investments to decline. The Funds may experience increased interest rate risk to the extent it invests, if at all, in lower-rated instruments, debt instruments with longer maturities, debt instruments paying no interest (such as zero-coupon debt instruments) or debt instruments paying non-cash interest in the form of other debt instruments.

Prepayment Risk. The frequency at which prepayments (including voluntary prepayments by the obligors and accelerations due to defaults) occur on debt instruments will be affected by a variety of factors including the prevailing level of interest rates and spreads as well as economic, demographic, tax, social, legal and other factors. Generally, obligors tend to prepay their fixed rate obligations when prevailing interest rates fall below the coupon rates on their obligations. Similarly, floating rate issuers and borrowers tend to prepay their obligations when spreads narrow.

In general, "premium" securities (securities whose market values exceed their principal or par amounts) are adversely affected by faster than anticipated prepayments, and "discount" securities (securities whose principal or par amounts exceed their market values) are adversely affected by slower than anticipated prepayments. Since many fixed rate obligations will be discount instruments when interest rates and/or spreads are high, and will be premium instruments when interest rates and/or spreads are low, such debt instruments may be adversely affected by changes in prepayments in any interest rate environment.

The adverse effects of prepayments may impact a client's portfolio in two ways. First, particular investments may experience outright losses, as in the case of an interest-only instrument in an environment of faster actual or anticipated prepayments. Second, particular investments may underperform relative to hedges that the Investment Adviser may have constructed for these investments, resulting in a loss to a client's overall portfolio. In particular, prepayments (at par) may limit the potential upside of many instruments to their principal or par amounts, whereas their corresponding hedges often have the potential for unlimited loss.

Zero-Coupon and Deferred Interest Bonds. Zero-coupon bonds and deferred interest bonds are debt obligations issued at a significant discount from face value. The original discount approximates the total amount of interest the bonds will accrue and compound over the period until maturity or the first interest accrual date at a rate of interest reflecting the market rate of the security at the time of issuance. While zero-coupon bonds

do not require the periodic payment of interest, deferred interest bonds generally provide for a period of delay before the regular payment of interest begins. Such investments experience greater volatility in market value due to changes in interest rates than debt obligations that provide for regular payments of interest.

High-Yield. Bonds or other fixed-income securities that are “higher yielding” (including non-investment grade) debt securities are generally not exchange traded and, as a result, these securities trade in the over-the-counter marketplace, which is less transparent and has wider bid/ask spreads than the exchange-traded marketplace. High-yield securities face ongoing uncertainties and exposure to adverse business, financial or economic conditions, which could lead to the issuer’s inability to meet timely interest and principal payments. High-yield securities are generally more volatile and may or may not be subordinated to certain other outstanding securities and obligations of the issuer, which may be secured by substantially all of the issuer’s assets. High-yield securities may also not be protected by financial covenants or limitations on additional indebtedness. The market values of certain of these lower-rated and unrated debt securities tend to reflect individual corporate developments to a greater extent than do higher-rated securities, which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than are higher-rated securities. Companies that issue such securities may be highly leveraged and may not have available to them more traditional methods of financing. In addition, clients may invest in bonds of issuers that do not have publicly traded equity securities, making it more difficult to hedge the risks associated with such investments.

The Funds may invest in obligations of issuers that are generally trading at significantly higher yields than had been historically typical of the applicable issuer’s obligations. Such investments may include debt obligations that have a heightened probability of being in covenant or payment default in the future or that are currently in default and are generally considered speculative. The repayment of defaulted obligations is subject to significant uncertainties. Defaulted obligations might be repaid only after lengthy workout or bankruptcy proceedings, during which the issuer might not make any interest or other payments. Typically such workout or bankruptcy proceedings result only in partial recovery of cash payments or an exchange of the defaulted security for other debt or equity securities of the issuer or its affiliates, which may in turn be illiquid or speculative.

Corporate Debt. Bonds, notes and debentures issued by corporations may pay fixed, variable or floating rates of interest, and may include zero-coupon obligations. Corporate debt instruments may be subject to credit ratings downgrades. Other instruments may have the lowest quality ratings or may be unrated. In addition, clients may be paid interest in kind in connection with their investments in corporate debt and related financial instruments (e.g., the principal owed to clients in connection with a debt investment may be increased by the amount of interest due on such debt investment). Such investments may experience greater market value volatility than debt obligations that provide for regular payments of interest in cash and, in the event of a default, clients may experience substantial losses.

Mezzanine Debt. Mezzanine debt is typically junior to the obligations of a company to senior creditors, trade creditors and employees. The ability of clients to influence a company's affairs, especially during periods of financial distress or following an insolvency, will be substantially less than that of senior creditors. Mezzanine debt instruments are often issued in connection with leveraged acquisitions or recapitalizations in which the issuers incur a substantially higher amount of indebtedness than the level at which they had previously operated. Default rates for mezzanine debt instruments have historically been higher than for investment-grade instruments. In the event of the insolvency of a portfolio company of clients or similar event, a client's debt investment therein will be subject to fraudulent conveyance, subordination and preference laws.

Stressed Debt. Stressed issuers are issuers that are not yet deemed distressed or bankrupt and whose debt securities are trading at a discount to par, but not yet at distressed levels. An example would be an issuer that is in technical default of its credit agreement, or undergoing strategic or operational changes, which results in market pricing uncertainty. The market prices of stressed and distressed instruments are highly volatile, and the spread between the bid and the ask prices of such instruments is often unusually wide.

Non-Performing Nature of Debt. Certain debt instruments may be non-performing or in default. Furthermore, the obligor or relevant guarantor may also be in bankruptcy or liquidation. There can be no assurance as to the amount and timing of payments, if any, with respect to such debt instruments.

Troubled Origination. When financial institutions or other entities that are insolvent or in serious financial difficulty originate debt, the standards by which such instruments were originated, the recourse to the selling institution, or the standards by which such instruments are being serviced or operated may be adversely affected.

Derivative Instruments Generally. Derivative instruments may be subject to various types of risks, including market risk, liquidity risk, the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty, legal risk and operations risk. Derivatives traded over-the-counter may not have an authoritative source of valuation and the models used to value such derivatives is subject to change. Special risks may apply in the future that cannot be determined at this time with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available. The regulatory and tax environment for derivative instruments in which clients may participate is evolving, and changes in the regulation or taxation of such securities may have a material adverse effect on clients.

Forward Contracts. Banking authorities generally do not regulate trading in forward contracts. The principals who deal in the forward contract market are not required to continue to make markets in such contracts. There have been periods during which certain participants in forward markets have refused to quote prices for forward contracts or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. The imposition of credit controls or price risk limitations by governmental authorities may limit such forward trading to less than that which the Investment Adviser would otherwise recommend, to the

possible detriment of clients. In its forward trading, clients will be subject to the risk of the failure of, or the inability or refusal to perform with respect to its forward contracts by, the principals with which clients trade. Fund assets on deposit with such principals will also generally not be protected by the same segregation requirements imposed on certain regulated brokers in respect of customer funds on deposit with them. The Investment Adviser may order trades for clients in such markets through agents. Accordingly, the insolvency or bankruptcy of such parties could also subject clients to the risk of loss.

ETCs and EETCs. An ETC generally represents an interest in the assets of one or more pass-through trusts that hold equipment notes, typically issued by an airline or other company that owns aircraft, secured by a pool of aircraft (and may also include related assets such as engines or spare parts) which may be owned by the airline outright, owned by the airline subject to a mortgage or other financing, or even scheduled for delivery to the airline. An EETC is an ETC which is senior to all other debt obligations of the ETC obligor or issuer. The Fund may invest in EETCs or ETCs, or may make direct investments in equipment notes.

Because payments on ETCs and EETCs depend on payments on underlying equipment notes, the performance of ETCs and EETCs, like the performance of equipment notes, depend on the financial and operating condition of the obligor on the underlying equipment notes. Accordingly the risks of investing in ETCs and EETCs, as well as direct investments in equipment notes, include risks associated with investments in the airline industry, such as high competition, difficulty in controlling labor costs and pension obligations, seasonal and changing demand for air travel, fuel costs and operating expenses (including security), regulatory and legal oversight as well as challenges related to doing business globally, insurance costs, the risk of accidents and the risk of hostile acts.

Moreover, the value of the aircraft securing underlying equipment notes is typically based on appraisals that are based on assumptions and methodologies which differ among appraisers, and may in some cases be prepared without physical inspection of the related aircraft. This may result in valuations that are materially different among different appraisal firms. Because appraisals are only estimates of value, they should not be relied upon as a measure of realizable value. The proceeds realized upon a sale of an aircraft may be less than its appraised value.

In addition, if a default occurs under an indenture for the underlying equipment notes, the holder of the notes or the trustee for the ETC or EETC may not be the party which controls remedies, in which case it will not have rights to participate in directing the exercise of remedies. Holders of equipment notes may not realize the full amount of the outstanding principal balance. For any holder of an ETC or a EETC, the equipment notes might, in the exercise of remedies, be sold for less than their outstanding principal amount, in which case holders of ETCs or EETCs may suffer a material loss, and such investors will not have recourse against the obligors on the equipment notes for any shortfall.

Finally, while under normal market conditions there is a secondary market for resale of many issues of equipment notes, ETC or EETC, the liquidity of the secondary market may vary from time to time. At certain times, particularly under stressed market conditions, the secondary market may not be sufficiently liquid to allow for the sale, or the sale at reasonable prices, of equipment notes, ETC or EETC owned by clients.

ABS Generally. The investment characteristics of ABS differ from traditional debt securities. Among the major differences are that interest and principal payments are made more frequently, usually monthly, and that the principal may be prepaid at any time because the underlying loans or other assets generally may be prepaid at any time.

Aviation-backed ABS are subject to many of the same risk factors as ETCs and EETCs, including the financial health of the underlying obligors, the valuation of the aircraft collateral, default risk and the risk that markets for ABS instruments may become illiquid.

Currencies. A principal risk in trading currencies is the rapid fluctuation in the market prices of currency contracts. Prices of currency contracts traded by clients are affected generally by relative interest rates, which in turn are influenced by a wide variety of complex and difficult to predict factors such as money supply and demand, balance of payments, inflation levels, fiscal policy, and political and economic events. In addition, governments from time to time intervene, directly and by regulation, in these markets, with the specific effect, or intention, of influencing prices which may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations.

Distressed Obligations. The obligations of issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems (including companies involved in bankruptcy or other reorganization and liquidation proceedings) are likely to be particularly risky investments although they also may offer the potential for correspondingly high returns. Among the risks inherent in investments in troubled entities is the risk that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments may also be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate, recharacterize debt as equity or disenfranchise particular claims. Such companies' obligations may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies. In addition, there is no minimum credit standard that is a prerequisite to a client's investments in any security. Obligations in which clients invest may be less than investment grade. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. There is no assurance that the value of the assets collateralizing a client's investments will be sufficient or that prospects for a successful reorganization or similar action will become available. In any reorganization or liquidation proceeding relating to a company in which clients invest, clients may lose their entire investment, may be required to accept cash or securities with a value less than their original investment and/or may be required to accept payment over an extended period of time. Under such circumstances, the returns generated from a client's investments may not compensate the investors adequately for the risks assumed. In addition, under certain circumstances, payments and distributions may be disgorged if any such payment is later determined to have been a fraudulent conveyance or a preferential payment.

In liquidation (both in and out of bankruptcy) and other forms of corporate reorganization, there exists the risk that the reorganization either will be unsuccessful (due to, for example, failure to obtain requisite approvals), will be delayed (for example, until various liabilities, actual or contingent, have been satisfied) or will result in a distribution of cash or a new security the value of which will be less than the purchase price to the client of the security in respect to which such distribution was made.

Illiquid Securities. Valuation of illiquid securities may be difficult or uncertain because there may be limited information available about the issuers of such securities. The market prices, if any, for such securities tend to be volatile and may not be readily ascertainable, and clients may not be able to sell them when they desire to do so or to realize what it perceives to be their fair value in the event of a sale. The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. The Funds and managed account(s) may not be able to readily dispose of such illiquid investments and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time. As a result, clients may be required to hold such securities despite adverse price movements. Even those markets which the Investment Adviser expects to be liquid can experience periods, possibly extended periods, of illiquidity. Occasions have arisen in the past where previously liquid investments have rapidly become illiquid.

Restricted Securities. Restricted securities cannot be sold to the public without registration under the Securities Act. Unless registered for sale, restricted securities can be sold only in privately negotiated transactions or pursuant to an exemption from registration (*e.g.*, under Rule 144A of the Securities Act). Although these securities may be resold in privately negotiated transactions, because there is often little liquidity for these securities, they may be difficult and take a substantial amount of time to sell, and the prices realized from these sales could be less than those originally paid by clients. Restricted securities may involve a high degree of business and financial risk which may result in substantial losses.

Undervalued Securities. The identification of investment opportunities in undervalued securities is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. While investments in undervalued securities offer the opportunity for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from a client's investments may not adequately compensate for the business and financial risks assumed.

Unlisted Securities. Unlisted securities may involve higher risks than listed securities. Because of the absence of any trading market for unlisted securities, it may take longer to liquidate, or it may not be possible to liquidate, positions in unlisted securities than would be the case for publicly traded securities. Companies whose securities are not publicly traded may not be subject to public disclosure and other investor protection requirements applicable to publicly traded securities.

ITEM 9
DISCIPLINARY INFORMATION

The Investment Adviser and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of the Investment Adviser or its personnel. For information regarding Carlyle, please see Part 1 and Part 2 of Form ADV of the various Carlyle-affiliated investment advisers, available at: <http://www.adviserinfo.sec.gov/>.

ITEM 10

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

A. Broker-Dealer Registration Status.

The Investment Adviser and its supervised persons are not registered as broker-dealers and do not have any application pending to register as a broker-dealer or registered representative of a broker-dealer.

TCG Capital Markets L.L.C. (“TCG Capital Markets”), an affiliate of the Investment Adviser, is a FINRA registered broker/dealer that operates as part of the Carlyle Capital Solutions platform (“CCS”) and engages in the placement of securities of corporate issuers in private transactions, among other related activities, including marketing and fundraising. In addition, TCG Capital Markets is registered as a broker/dealer with the SEC and in 48 states and the District of Columbia.

TCG Capital Markets engages in the underwriting, syndication and placement of securities of corporate issuers in private transactions, among other related activities, including U.S.-based marketing and fundraising activities on behalf of the Investment Adviser. The Investment Adviser does not use TCG Capital Markets to execute trades on behalf of clients and does not hold funds or securities for, or owe money or securities to, clients of the Investment Adviser.

In addition to TCG Capital Markets, there are other U.S. and non-U.S. broker-dealer affiliates of Carlyle whose activities are unrelated to the activities of the Investment Adviser. For information regarding Carlyle, please see Part 1 and Part 2 of Form ADV of the various Carlyle-affiliated investment advisers, available at: <http://www.adviserinfo.sec.gov/>.

B. Material Relationships or Arrangements with Industry Participants.

The Carlyle Group

As discussed in Item 4 above, the Investment Adviser is affiliated with Carlyle. The Investment Adviser operates separately from, and carries out its investment process independent of, Carlyle and other Carlyle-affiliated investment advisers.

Carlyle is a global alternative asset management firm with business operations across several business segments. Although the Investment Adviser is a separately-registered investment adviser and carries out its investment operations independently of Carlyle, the Investment Adviser’s status as part of the larger Carlyle organization raises certain actual and potential conflicts of interest, as discussed below.

Further, the Investment Adviser intends to share or leverage certain operational functions and resources at Carlyle, such as corporate accounting, information technology, and compliance. Because Carlyle has many different asset management and advisory businesses and operates on a global basis, the Investment Adviser may be subject to greater regulatory oversight than it would be absent its relationship with Carlyle. The Investment Adviser and its clients also may be subject to certain legal and other restrictions on their investment activities as a consequence of the Carlyle

relationship including, for example, limitations imposed by non-U.S. regulatory authorities, or restrictions on the purchase or sale of, or exercise of voting or other rights with respect to, the debt instruments of an issuer when a Carlyle advisory client holds the equity of the issuer and the issuer is an affiliate of Carlyle.

Carlyle and its directors, members, managers, partners, shareholders, officers, employees, agents and affiliates (including the Investment Adviser and its officers, employees, agents and affiliates) may conduct any other business, including any business within the securities industry, whether or not such business competes with the Investment Adviser. Without limiting the generality of the foregoing, Carlyle and its affiliated companies and persons act and will continue to act as general partner, investment adviser or investment manager for others, manage funds, separate accounts or capital for others, have, make and maintain investments in their own name or through other entities and may serve as officers, directors, consultants, partners or stockholders of one or more investment funds, partnerships, securities firms or advisory firms.

For the purposes of this brochure, references to the “Investment Adviser” include its affiliates specified above, but do not include references to Carlyle. For additional information regarding Carlyle-affiliated investment advisers, such as Carlyle Global Credit Investment Management L.L.C. and CELF Advisors LLP, including persons related to such advisers that may act as investment advisers or sub-advisers or commodity pool operators please see Part 2 of Form ADV of such particular investment adviser, available at: <http://www.adviserinfo.sec.gov/>.

C. Material Conflicts of Interest Relating to Other Investment Advisers.

We do not recommend or select other investment advisers for our clients. The Investment Adviser is affiliated with CAML, which files as an exempt reporting adviser with the SEC, and with Carlyle Aviation PDP Management LLC, which is a registered investment adviser.

ITEM 11
**CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS
AND PERSONAL TRADING**

A. Code of Ethics.

We strive to adhere to the highest industry standards of conduct based on principles of professionalism, integrity, honesty and trust. In seeking to meet these standards, we have adopted a Code of Ethics (the “Code”). The Code incorporates the following general principles that all employees are expected to uphold:

- employees must at all times place the interests of clients first;
- all personal securities transactions must be conducted in a manner consistent with the Code and any actual or potential conflicts of interest or any abuse of an employee’s position of trust and responsibility must be avoided;
- employees must not take any inappropriate advantage of their positions;
- information concerning the identity of securities and financial circumstances of clients, including a client’s investors, must be kept confidential; and
- independence in the investment decision-making process must be maintained at all times.

Clients may request a copy of the Code by contacting us at the address or telephone number listed on the first page of this document.

As noted above, the Investment Adviser is also subject to written policies and procedures to account for the pay-to-play regulations promulgated by the SEC, and to comply with the New York Attorney General’s Public Pension Fund Reform Code of Conduct, which governs the Investment Adviser’s interactions with U.S. public pension funds.

The Investment Adviser may take disciplinary measures against any of the Investment Adviser’s personnel who violate the Code, including, without limitation, imposing penalties, reducing compensation, demotion, requiring unwinding of any applicable trade, requiring disgorgement of trading gains, suspending or terminating employment, or any combination of the foregoing. The Investment Adviser’s personnel are also required to promptly report any violation of the Code of which they become aware.

B. Securities in which the Investment Adviser or a Related Person Has a Material Financial Interest.

1. *Cross Trades*

The Investment Adviser may determine that it would be in the best interests of certain clients to transfer a security from one client to another (each such transfer, a “Cross Trade”) for a variety of reasons, including, without limitation, tax purposes, liquidity purposes, to rebalance the

portfolios of the clients, or to reduce transaction costs that may arise in an open market transaction. If the Investment Adviser decides to engage in a Cross Trade, the Investment Adviser will determine that the trade is in the best interests of each client involved in it and take steps to ensure that the transaction is consistent with the duty to obtain best execution for each of those clients. Further, no cross trades may be effected without the express written approval of the Investment Adviser's chief compliance officer.

The Investment Adviser may execute Cross Trades with the assistance of a broker-dealer who executes and books the transaction. Alternatively, a Cross Trade between two clients may occur as an "internal cross", where the Investment Adviser instructs the custodian for the clients to book the transaction at the price determined in accordance with the Investment Adviser's valuation policy. If the Investment Adviser effects an internal cross, the Investment Adviser will not receive any fee in connection with the completion of the transaction.

2. Principal Transactions

To the extent that Cross Trades may be viewed as principal transactions due to the ownership interest in a client by the Investment Adviser or its personnel, the Investment Adviser will comply with the requirements of Section 206(3) of the Advisers Act, including that any such transactions will be considered on behalf of investors in such a client and approved or disapproved by (i) an advisory board comprised of representatives of such investors or (ii) a committee consisting of one or more persons selected by the Investment Adviser (or its affiliate), and any valuation approved by such a committee will be determined by an independent third party that has appropriate experience in providing such valuations. Further, no principal transactions may be effected without the express written approval of the Investment Adviser's chief compliance officer.

C. Investing in Securities that the Investment Adviser or a Related Person Recommends to Clients.

The Code places restrictions on personal trades by employees, including that they disclose their personal securities holdings and transactions to the Investment Adviser on a periodic basis, and requires that employees pre-clear certain types of personal securities transactions, such as investments in equities, bonds, options, private placements and initial public offerings. Employees are also required to pre-clear any investments in aviation-related securities and, in general, requests to trade in aviation-related securities will only be considered if the request is to dispose of aviation-related securities positions that were established prior to being employed by the Investment Adviser.

The Investment Adviser, its affiliates and its employees may give advice or take action for their own accounts and other clients that may differ from, conflict with or be adverse to advice given or action taken for clients. These activities may adversely affect the prices and availability of other securities or instruments held by or potentially considered for one or more clients.

The Investment Adviser has established policies and procedures to monitor and resolve conflicts with respect to investment opportunities in a manner it deems fair and equitable, including the restrictions placed on personal trading in the Code, as described above, and regular monitoring of employee transactions and trading patterns for actual or perceived conflicts of interest, including

those conflicts that may arise as a result of personal trades in the same or similar securities made at or about the same time as client trades.

D. Conflicts of Interest Created by Contemporaneous Trading.

It is the policy of the Investment Adviser to allocate investment opportunities among all clients in a fair and equitable manner, to the extent practical and in accordance with each client's applicable investment strategies, over a period of time.

The default rules that determine what "fair and equitable" allocations are as follows:

- For all purchases of securities, trades are allocated on a pro rata basis, on the basis of capital (or, if applicable, on "buying power"); and
- For all sales of securities, trades are allocated on a pro rata basis, which may be on the basis of capital or on the basis of the position size in the various accounts.

The Investment Adviser will have no obligation to purchase or sell a security for, enter into a transaction on behalf of, or provide an investment opportunity to any client solely because the Investment Adviser purchases or sells the same security for, enters into a transaction on behalf of, or provides an opportunity to any client if, in its reasonable opinion, such security, transaction or investment opportunity does not appear to be suitable, practical or desirable for the client. The Investment Adviser's discretionary clients are typically managed according to a risk framework that specifies exposure limits in a number of categories (*e.g.*, credit rating, issuer exposure, individual security exposure, regional exposure, etc.). A client may not be eligible to participate in a transaction executed by the Investment Adviser if the transacted security does not fit a client's investment mandate or if the transacted security, if allocated to a client, would cause a client to breach the limits laid out in the applicable risk framework.

E. Other Potential Conflicts

From time to time, the Investment Adviser and its affiliated persons may come into possession of material non-public or other confidential information with respect to an issuer of publicly traded securities. In such circumstances, the Investment Adviser generally would be prohibited, by law, policy and/or contract, for a period of time from (i) unwinding a client position in such issuer, (ii) establishing an initial client position or taking any greater client position in such issuer and/or (iii) pursuing other investment opportunities related to such issuer. In addition, the Investment Adviser maintains an information barrier between itself and the personnel, systems and offices of CAML, Carlyle Aviation Partners and other Carlyle-affiliated registered investment advisers. Staff of Carlyle Aviation Partners provide services to its affiliated specialty aviation asset managers. The information barrier is designed to prevent the introduction of material, non-public information to the Investment Adviser's personnel from other affiliates. Accordingly, should the Investment Adviser or any of its affiliated persons come into possession of material non-public or other confidential information with respect to an issuer, the Investment Adviser generally would be prohibited from communicating such information to clients, and the Investment Adviser will not have responsibility or liability for failing to disclose such information to clients as a result of following their policies and procedures designed to comply with applicable law.

Allocations. Each client may pursue investment opportunities similar to those pursued by another client. Allocation decisions can raise conflicts, for example, if clients have different fee structures. The allocation of investment opportunities among clients will be determined by the Investment Adviser in its good faith judgment and in accordance with the organizational documents of the relevant clients.

Intangible Benefits. The Investment Adviser and its personnel can be expected to receive certain intangible and/or other benefits and/or perquisites arising or resulting from their activities on behalf of clients that will not be subject to the management fee offset or otherwise shared with clients or investors. For example, airline travel or hotel stays incurred as fund or account expenses typically result in cash rebates, “miles,” “points” or credit in loyalty/status programs, and such benefits and/or amounts will, whether or not de minimis or difficult to value, inure exclusively to such personnel (and not the clients and/or investors) even though the cost of the underlying service is borne by the clients and/or investors. Although the Investment Adviser has never charged travel-related expenses to clients and/or investors, such expenses may be incurred in the future.

Loan Arranger Activity. The Investment Adviser may arrange loans to airline borrowers that are also issuers of securities that fall within the investment mandate of the Investment Adviser’s clients. The Investment Adviser could be incentivized to manage portfolios on behalf of clients in a manner that is intended to be viewed favourably by the prospective loan borrower. For example, the Investment Adviser may be incentivized to purchase securities that it would otherwise not purchase or hold securities that it would otherwise sell. This risk is partially mitigated by the risk frameworks that apply to discretionary clients that prescribe various risk limits and limitations on the types of investments that may be traded on behalf of a client mandate.

ITEM 12 BROKERAGE PRACTICES

A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions.

As noted previously, we have full discretionary authority to manage the Funds, including authority to make decisions with respect to which securities are bought and sold, the amount and price of those securities, the brokers or dealers to be used for a particular transaction, and commissions or markups and markdowns paid. The Investment Adviser's authority is limited by its own internal policies and procedures and each Fund's investment guidelines.

Portfolio transactions for each client are allocated to brokers and dealers on the basis of numerous factors and not necessarily lowest pricing. Brokers and dealers may provide other services that are beneficial to us and/or certain clients, but not beneficial to all clients. Subject to best execution, in selecting brokers and dealers to execute transactions, provide financing and securities on loan, hold cash and short balances and provide other services, we may consider, among other things, the following:

- Financial stability;
- Speed, likelihood and timeliness of execution;
- Ability to complete the transaction adequately through to clearance, confirmation and delivery;
- The value of the research provided and useful ideas
- Access to secondary markets;
- Responsive personnel;
- Trading experience;
- Familiarity and expertise with the trading security; and
- Track record in achieving best results on similar transactions.

Additionally, any new broker is subject to the Investment Adviser's financial review process and subject to an appropriate background search in order to ensure that there are no regulatory concerns or pending disciplinary proceedings.

Accordingly, the commission rates (or dealer markups and markdowns) charged to the Funds by brokers or dealers in the foregoing circumstances may be higher than those charged by other brokers or dealers who may not offer such services. The Investment Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost or spread. Generally, neither the Investment Adviser nor the Funds separately compensate any broker or dealer for any of these other services.

We maintain policies and procedures to review the quality of executions, including periodic reviews by its investment professionals.

1. *Research and Other Soft Dollar Benefits.*

The Investment Adviser currently does not expect to receive or use soft dollars.

Although not currently anticipated, the Investment Adviser may pay a broker-dealer commissions (or markups or markdowns with respect to certain types of riskless principal transactions) for effecting Fund transactions in excess of that which another broker-dealer might have charged for effecting the transaction in recognition of the value of the brokerage and research services provided by the broker-dealer. The Investment Adviser will effect such transactions, and receive such brokerage and research services, only to the extent that they fall within the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934, as amended, and subject to prevailing guidance provided by the SEC regarding Section 28(e). The Investment Adviser believes it is important to its investment decision-making processes to have access to independent research.

Also, consistent with Section 28(e), research products or services generated by one or more Funds may be used by the Investment Adviser to service one or more other clients, including clients that may not have paid for the soft dollar benefits. The Investment Adviser does not seek to allocate soft dollar benefits to client accounts in proportion to the soft dollar credits the client accounts generate. Where a product or service obtained with soft dollars provides both research and non-research assistance to the Investment Adviser (*i.e.*, a “mixed use” item), the Investment Adviser will make a good faith allocation of the cost which may be paid for with soft dollars. In making good faith allocations of costs between administrative benefits and research and brokerage services, a conflict of interest may exist by reason of the Investment Adviser’s allocation of the costs of such benefits and services between those that primarily benefit the Investment Adviser and those that primarily benefit the Funds.

When the Investment Adviser uses client brokerage commissions (or markups or markdowns) to obtain research or other products or services, the Investment Adviser receives a benefit because it does not have to produce or pay for such products or services. The Investment Adviser may have an incentive to select or recommend a broker-dealer based on the Investment Adviser’s interest in receiving research or other products or services, rather than on its clients’ interest in receiving most favorable execution.

At least annually, the Investment Adviser considers the amount and nature of research and research services provided by broker-dealers, as well as the extent to which such services are relied upon, and attempts to allocate a portion of the brokerage business of its Funds on the basis of that consideration. Broker-dealers sometimes suggest a level of business they would like to receive in return for the various products and services they provide. Actual brokerage business received by any broker-dealer may be less than the suggested allocation, but can (and often does) exceed the suggested level, because total brokerage is allocated on the basis of all of the considerations described above. In no case will the Investment Adviser make binding commitments as to the level of brokerage commissions it will allocate to a broker-dealer, nor will it commit to pay cash if any informal targets are not met. A broker-dealer is not excluded from receiving business because it has not been identified as providing research products or services.

2. Brokerage for Client Referrals.

Neither the Investment Adviser nor any related person receives client referrals from any broker-dealer or third party.

3. *Directed Brokerage.*

The Investment Adviser does not recommend, request or require that, a client direct the Investment Adviser to execute transactions through a specified broker-dealer.

A. Order Aggregation.

The Investment Adviser currently manages fund structures, a separately managed account and also provides non-discretionary investment advisory services to SALSA clients. To the extent that the Investment Adviser may trade for multiple clients simultaneously, if the Investment Adviser determines that the purchase or sale of a security is appropriate with regard to multiple clients, the Investment Adviser may, but is not obligated to, purchase or sell such a security on behalf of such clients with an aggregated order, for the purpose of reducing transaction costs, to the extent permitted by applicable law. When an aggregated order is filled through multiple trades at different prices on the same day, each participating client will receive the average price, with transaction costs generally allocated *pro rata* based on the size of each client's participation in the order (or allocation in the event of a partial fill) as determined by the Investment Adviser. In the event of a partial fill, allocations may be modified on a basis that the Investment Adviser deems to be appropriate, including, for example, in order to avoid odd lots or *de minimis* allocations. When orders are not aggregated, trades generally will be processed in the order that they are placed with the broker or counterparty selected by the Investment Adviser. As a result, certain trades in the same security for one client (including a client in which the Investment Adviser and its personnel may have a direct or indirect interest) may receive more or less favorable prices or terms than another client, and orders placed later may not be filled entirely or at all, based upon the prevailing market prices at the time of the order or trade. In addition, some opportunities for reduced transaction costs and economies of scale may not be achieved.

B. Trade Errors.

The Investment Adviser maintains an internal trade error policy that will apply in the absence of any specific regulatory or contractual provisions (*e.g.*, for an account that constitutes "plan assets" under ERISA). Among other things, this policy requires that the Investment Adviser's personnel correct errors as soon after discovery as reasonably practical, report errors to the Chief Compliance Officer, and reverse losses suffered as a result of the Investment Adviser's gross negligence or willful misconduct.

ITEM 13

REVIEW OF ACCOUNTS

A. Frequency and Nature of Review of Client Accounts or Financial Plans.

We perform various daily, weekly, monthly, quarterly and periodic reviews of each client's portfolio. Such reviews are conducted by the members of the investment team, our portfolio manager, or compliance group.

B. Factors Prompting Review of Client Accounts Other than a Periodic Review.

A review of a client account may be triggered by any unusual activity or special circumstances.

C. Content and Frequency of Account Reports to Clients.

We generally provide annual audited financial statements to our clients within 90 days of the applicable client's fiscal year end.

Investors in the Funds receive a letter from the Investment Adviser, no less frequently than quarterly, documenting the performance of their Fund, along with a commentary by the Investment Adviser, although the Investment Adviser may provide certain investors with information on a more frequent and detailed basis if agreed to by the Investment Adviser. Information also may be available through a fund administrator's password-protected website. In addition, the Investment Adviser issues investors tax reports and audited financial statements concerning their respective Funds within 90 days of the end of the Fund's fiscal year. While all investors generally receive similar information, to the extent an investor receives additional information (that other investors have not received), which is in addition to information provided in a Fund's regular reports to investors, such information may provide such investor with greater insight into the Fund's activities. This may enhance such investor's ability to make investment decisions with respect to the Fund and possibly affect such investor's decision to request a redemption from the Fund.

ITEM 14
CLIENT REFERRALS AND OTHER COMPENSATION

A. Economic Benefits for Providing Services to Clients.

We do not receive economic benefits from non-clients for providing investment advice and other advisory services. As noted in Item 4, we may arrange loans from institutional investors to airlines and will receive a loan arranger fee in connection with such loans.

B. Compensation to Non-Supervised Persons for Client Referrals.

Neither we nor any of our related persons directly or indirectly compensates any person who is not a supervised person, including placement agents, for referrals to the Funds. Morgan Stanley MUFG Securities Co., Ltd. is a third-party distributor compensated to assist with referring clients to the SALSA platform and to assist with introducing Japanese institutional investors; we may utilize other placement agents from time to time.

ITEM 15 CUSTODY

The Investment Adviser is deemed to have custody of client funds and securities in instances when it has the authority to obtain client funds or securities, for example, by deducting advisory fees from a client's account or otherwise withdrawing funds from a client's account. Account statements related to the clients are sent by qualified custodians to the Investment Adviser.

The Investment Adviser is subject to Rule 206(4)-2 under the Advisers Act (the "Custody Rule") for its Fund clients. However, it is not required to comply (or is deemed to have complied) with certain requirements of the Custody Rule with respect to each Fund for which it has custody because it complies with the provisions of the so-called "Pooled Vehicle Annual Audit Exception", which, among other things, requires that each such Fund be subject to audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and requires that each such Fund distribute its audited financial statements to all investors within 120 days of the end of its fiscal year.

ITEM 16

INVESTMENT DISCRETION

The Investment Adviser serves as the management company with discretionary trading authority to each Fund and the separately managed account.

Our investment decisions and advice with respect to each Fund are subject to each Fund's investment objectives and guidelines, as set forth in its offering documents.

The Investment Adviser or an affiliate of the Investment Adviser entered into an investment management agreement, or similar agreement, with each Fund pursuant to which the Investment Adviser or that affiliate was granted discretionary trading authority.

The SALSA accounts are non-discretionary.

Loans arranged by the Investment Adviser to finance the acquisition of commercial aircraft by airlines are non-discretionary.

ITEM 17

VOTING CLIENT SECURITIES

A. Policies and Procedures Relating to Voting Client Securities.

In compliance with Advisers Act Rule 206(4)-6, the Investment Adviser has adopted proxy voting policies and procedures. The general policy is to vote proxy proposals, amendments, consents or resolutions (collectively, “Proxies”) in a prudent and diligent manner that will serve the applicable client’s best interests and is in line with each client’s investment objectives. It is not expected that the clients will hold equity securities, thus we do not expect to participate in proxy votes.

We may take into account all relevant factors, as determined by us in our discretion, including, without limitation:

- the impact on the value of the securities;
- the anticipated costs and benefits associated with the proposal;
- the effect on liquidity; and
- customary industry and business practices.

In certain circumstances, the Investment Adviser may refrain from voting Proxies where we believe that voting would be inappropriate, taking into consideration the cost of voting the Proxies and the anticipated benefit to its clients. Generally, clients may not direct our vote in a particular solicitation.

Conflicts of interest may arise between the interests of the clients on the one hand and us or our affiliates on the other hand. If we determine that we may have, or be perceived to have, a conflict of interest when voting Proxies, we will vote in accordance with our proxy voting policies and procedures. Clients may obtain a copy of our proxy voting policies and our voting record upon request.

ITEM 18
FINANCIAL INFORMATION

The Investment Adviser is not required to include a balance sheet for its most recent fiscal year, is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to clients, and has not been the subject of a bankruptcy petition at any time during the past ten years.

ITEM 19
REQUIREMENTS FOR STATE REGISTERED ADVISERS

This item is not applicable as the Investment Adviser is not registered in any state.