

# TPG PEP Advisors, LLC

301 Commerce Street, Suite 3300  
Fort Worth, Texas 76102

(817) 871-4000

[www.tpg.com](http://www.tpg.com)

Part 2A of Form ADV: Firm Brochure  
May 15, 2020



**This brochure provides information about the qualifications and business practices of TPG PEP Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at (817) 871-4000. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about TPG PEP Advisors, LLC also is available on the Securities and Exchange Commission's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**An investment adviser's registration with the United States Securities and Exchange Commission does not imply a certain level of skill or training.**

## **ITEM 2 – MATERIAL CHANGES**

This brochure, dated May 15, 2020, updates our brochure dated March 30, 2020 to reflect that TSL Advisers, LLC, TPG Opportunities Advisers, LLC and their relying advisers are no longer our affiliates.

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#### **ITEM 4 – ADVISORY BUSINESS**

For purposes of this brochure, “we,” “us” and “our” refer to TPG PEP Advisors, LLC, together (where the context permits) with our subsidiaries that provide investment advisory services, including those that serve as general partners of the TPEP Funds (as defined below).

*Advisory Clients.* We provide investment advisory services to pooled investment vehicles that are not registered under the Investment Company Act of 1940, as amended (the “Investment Company Act”), and whose securities are not registered under the Securities Act of 1933, as amended (the “Securities Act”). We refer to these collectively as the “TPEP Funds.”

The TPEP Funds’ investors are primarily “qualified purchasers,” as defined in the Investment Company Act, and may include, among others, pension and profit sharing plans, trusts, estates, high net worth individuals, banks, thrift institutions, charitable organizations, corporations, limited partnerships and limited liability companies. We also serve as the sponsor of entities that act as feeder vehicles into certain TPEP Funds.

Our only advisory clients are the TPEP Funds.

*Organization.* TPG PEP Advisors, LLC was formed as a Delaware limited liability company in 2013 and is part of a private investment firm originally founded in 1992, which we refer to, together with its affiliates, including us, as “TPG.” Our ultimate principal owners are, indirectly, David Bonderman and James Coulter.

*Nature of Advisory Services.* As an investment adviser, we identify investment opportunities and participate in the acquisition, management, monitoring and disposition of investments for each TPEP Fund. We primarily provide investment advisory services related to investments in publicly traded equities globally across all sectors and capitalizations. We take long positions and, depending on the TPEP Fund, short positions. Although the primary focus of the TPEP Funds is generally on publicly traded equity investments, in order to gain exposure to desired asset classes or securities, or for hedging or other investment purposes, we also utilize derivative instruments, such as

- foreign currency exchange contracts;
- options;
- stock index futures contracts;
- warrants;
- forwards;
- futures contracts;
- swap agreements; and
- other commodity interests

in each case to the extent consistent with the applicable TPEP Fund's investment objectives and strategies (please see "*Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss*" below).

*Advisory Services and Related Agreements.* We generally provide investment advisory services to each TPEP Fund pursuant to a separate investment advisory agreement, each of which we refer to as an "Advisory Agreement." Each TPEP Fund's Advisory Agreement sets forth the terms of the investment advisory services we provide to the TPEP Fund. Investment guidelines for each TPEP Fund, if any, are generally established in its organizational or offering documents. We provide investment advice directly to the TPEP Funds, and not individually to the investors in the TPEP Funds.

As described more fully in Item 11 below, we and our related entities routinely enter into side letter agreements with certain investors in the TPEP Funds providing such investors with customized terms, which often results in preferential treatment.

*Amount of Client Assets.* As of December 31, 2019, we managed on a discretionary basis a total of approximately \$5,483,400,000 of client assets.

## **ITEM 5 – FEES AND COMPENSATION**

*Fees Generally.* We generally charge asset-based investment advisory fees (which in other contexts we commonly refer to as "management fees") to the TPEP Funds. Advisory fees paid by a TPEP Fund are indirectly borne by its investors. Such investment advisory fees are deducted from TPEP Fund assets and generally payable quarterly in advance, depending upon the TPEP Fund. The amount of any investment advisory fee is prorated for periods of less than a full billing cycle at the beginning or end of our provision of investment advisory services, and any prepaid amount in excess of the prorated fee will be returned upon termination of our investment advisory services. Our Advisory Agreements generally impose some restrictions on a TPEP Fund's ability to terminate the agreement.

We establish and negotiate with investors in the applicable TPEP Fund the precise amount of, and the manner and calculation of, the advisory fees. Such TPEP Fund's Advisory Agreement, organizational documents, offering documents and/or other documentation, which we refer to collectively as, together with any applicable side letters, the "Governing Documents," set forth the precise amount of, and the manner and calculation of, the advisory fees.

Certain investors in the TPEP Funds, including, for example, our affiliates and certain "friends of the firm," pay reduced or no advisory fees at our discretion (though these investors generally pay their pro rata share of certain TPEP Fund expenses).

Please see Item 11 for a description of the side letter agreements we and our related advisors enter into with certain investors in TPEP Funds that provide such investors with customized terms, including with respect to advisory fees.

Please see Item 6 for more information on incentive compensation.

*Expenses.* In addition to the investment advisory fees described above, each TPEP Fund bears all expenses, fees, charges, taxes and liabilities incurred or arising in connection with the conduct of the TPEP Fund's affairs, or in connection with its management, including, to the extent provided in the particular TPEP Fund's Governing Documents,

- legal, accounting, bookkeeping, tax compliance, auditing, consulting and other professional expenses, including those of valuation firms;
- administration fees and other expenses charged by or relating to the services of third-party providers of administration services;
- fees payable to sub-advisors including through investments in pooled investment vehicles;
- third-party and out-of-pocket research and market data expenses (including news, quotation, statistics and pricing services; software, databases and other technical and telecommunications services and equipment used in the investment management and order management processes; and consulting fees in connection with investigating and monitoring potential and existing investments);
- interest and fees (including commitment, structuring and underwriting fees) on margin loans, committed loan facilities, total return swaps and other indebtedness;
- bank service, custodial and similar fees;
- fees and expenses related to the analysis, purchase or sale of securities, whether or not the investments are consummated;
- expenses related to the purchase, monitoring, sale, settlement, custody or transfer of TPEP Fund assets (directly or through trading affiliates);
- expenses associated with activist investment activities (including public relations, tender offer and proxy solicitation expenses);
- third-party and out-of-pocket fees and expenses relating to systems and software used in connection with the operation of the TPEP Fund and investment related activities (including any accounting, risk management, trading and administrator-like functions that we perform in-house);
- fees and expenses in connection with any advisory board or committee;
- entity-level taxes;
- fees and expenses relating to the offer and sale of interests in the TPEP Funds (including organizational fees and expenses), and filing and legal fees;

- costs and expenses incurred in connection with the liquidation, winding up or termination of the TPEP Fund;
- costs and expenses incurred in connection with any meeting of investors in the TPEP Fund relating to the TPEP Fund;
- cost of insurance, including general partner liability/director and officer insurance and crime/fidelity insurance;
- expenses related to the TPEP Fund's indemnification obligations; and
- such other ordinary or extraordinary expenses associated with the operations of the TPEP Fund and its investment activities we or the general partners may deem necessary or proper to incur.

In addition, the Governing Documents typically provide that the TPEP Funds will bear certain travel expenses but we have determined that we will bear these expenses instead.

Details regarding these and additional expenses are generally disclosed to investors in each TPEP Fund's Governing Documents. For more information on brokerage practices, please see Item 12 below.

Some expenses are incurred on an aggregate basis for the benefit of multiple TPEP Funds, Other TPG Funds (as defined below) and/or TPG. We allocate the aggregate costs of these items across the applicable funds in a manner we determine to be reasonable and fair in our sole discretion. For example, we at times allocate expenses among multiple TPEP Funds in proportion to the amount invested by each in the position to which the expense relates. We allocate expenses among multiple TPEP Funds, Other TPG Funds and/or TPG on a pro rata basis in accordance with assets under management or another method that is more equitable under the circumstances. For instance, when allocating amounts (including firm-wide insurance) to TPG, TPG's allocable portion may be based on some other metric and may be a fixed percentage that we determine to be equitable.

In addition, although some expenses are incurred on behalf of a TPEP Fund, they may benefit other TPEP Funds, Other TPG Funds or TPG more broadly. For example, information TPG obtains in connection with a TPEP Fund's research, due diligence and investment activities will be valuable to Other TPG Funds. Furthermore, tools and resources developed at a TPEP Fund's expense will be the intellectual property of TPG and not the TPEP Fund. TPG may license or sell their intellectual property to third parties in the future, and the relevant TPEP Fund may not benefit from such license or sale.

We use "soft" or commission dollars. If we use soft dollars generated by a TPEP Fund to pay certain expenses that would otherwise be payable by the TPEP Fund, we intend for such payments to fall within the parameters of Section 28(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). We may use soft dollars generated by one TPEP Fund to benefit other TPEP Funds. For additional information, please see Item 12 below.

*Fees Received by TPG Capital BD, LLC.* Our affiliate TPG Capital BD, LLC (“TPG BD”) is a broker-dealer registered with the U.S. Securities and Exchange Commission (the “SEC”) and a member of the Financial Industry Regulatory Authority (“FINRA”). See Item 10 below for more information regarding TPG BD.

## **ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

The TPEP Funds generally allocate a portion of their investment profits to their general partners, which are affiliated with us, as a performance allocation, as set forth in each TPEP Fund’s Governing Documents.

There is reduced or no performance allocation with respect to certain investors, including, for example, the TPEP Fund’s general partner, its affiliates and certain “friends of the firm.”

Additionally, performance allocations made at different rates, or subject to different hurdle rates, creates an incentive for us or our affiliates to disproportionately allocate time, services or functions to vehicles making performance allocations at a higher rate (or subject to a lower hurdle rate), or to allocate investment opportunities to such vehicles. We have adopted policies and procedures that, among other things, seek to ensure that investment opportunities are allocated in a manner that we believe is consistent with the relevant Governing Documents and otherwise fair and reasonable under the circumstances, considering such factors as we deem relevant, but in our sole discretion.

Since the amount of performance allocations made to a TPEP Fund’s general partner depends on the TPEP Fund’s performance, we have an incentive to take risks in managing the TPEP Funds that we would not otherwise take in the absence of such arrangements. We also have an incentive to dispose of a TPEP Fund’s investments at a time and in a sequence that would generate the highest performance allocation, even if it would not be in the TPEP Fund’s interest to dispose of the investments in that manner. In addition, tax reform enacted in 2017 in the United States (see “*Item 8 — Methods of Analysis, Investment Strategies and Risk of Loss — Material Risks of Significant Investment Strategies — Tax Considerations*”) has generally increased, to three years, the holding period required in order for professionals to treat their performance allocations as capital gain. This creates an incentive for us to hold a TPEP Fund’s investments for longer periods in order for the gain from their dispositions to qualify for capital gain treatment under the carried interest rules, even if it would be in the TPEP Fund’s interest to hold the investments for shorter periods. See Item 11 below for additional information relating to how we generally address conflicts of interest.

## **ITEM 7 – TYPES OF CLIENTS**

See “*Item 4 – Advisory Business.*”

## **ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### ***Methods of Analysis and Investment Strategy***

We employ a private equity approach to public market investing, which means that our team takes a long-term, fundamentally oriented perspective to evaluating investments. We seek to



generate superior risk-adjusted returns on an absolute basis through proprietary, deep, bottom-up research, aimed at developing variant perceptions relative to consensus thinking.

The TPEP Funds have a broad mandate to invest in publicly traded equities globally across all sectors and market capitalizations. This broad mandate enables us to take an opportunistic approach to investing. At the same time, our team seeks to maintain a disciplined research process and only invests when we are able to gain conviction in an investment and appropriately analyze the risk/reward.

On the long side of the portfolio, we seek to invest in businesses that are trading at a substantial discount to our estimate of intrinsic value. Long positions are generally evaluated based on a company's competitive positioning, management quality, growth prospects, returns on capital and cash flow characteristics. While the approach is flexible, the common thread among our long positions is a variant view versus consensus thinking. On the short side, our team seeks to profit from selling shares when it believes that trading values overestimate the true earnings power of the company. Short positions are expected to be largely single stock absolute return shorts and are evaluated on the same merits as long positions, but from the opposite perspective. Inept management teams, low barriers to entry, lack of pricing power, weak balance sheets, low or declining returns on capital and poor cash flow characteristics are all attributes of attractive shorts.

Risk management starts at the position level. Our focus, first and foremost, is on capital preservation and assessing the margin of safety in prospective investments. We view risk as potential for permanent impairment of capital and not the volatility of a security. We manage risk through extensive fundamental analysis and disciplined portfolio construction with a re-allocation of capital to the best risk/reward scenarios. We may selectively utilize hedging instruments such as foreign currency exchange contracts, options, index futures, swap agreements and commodity derivatives to manage risk.

### ***Material Risks of Significant Investment Strategies***

The investment strategies described above, and other strategies that TPEP Funds pursue, involve a substantial degree of risk, and the TPEP Funds may lose all or a substantial portion of the value of their investments. Material risks relating to the investment strategies and methods of analysis described above are described in more detail in the applicable TPEP Fund's offering documents, and our representatives are available to discuss with potential investors the risks involved in the strategies a TPEP Fund pursues. Such material risks include the following:

*Potential Lack of Diversification.* We cannot give any assurance as to the degree of diversification that we will achieve in the TPEP Funds' portfolio. Any non-diversification would increase the risk of loss to the TPEP Funds if there was a decline in the market value of any security or sector in which a TPEP Fund has invested a large percentage of its assets. Even if the TPEP Funds achieve significant diversification, such diversification would not necessarily provide meaningful risk control, and may reduce the TPEP Funds' profit potential.

*Market Conditions and Financial Market Fluctuations.* Market and economic conditions throughout the world materially affect a TPEP Fund's investments. These conditions include

- interest rates;
- availability and terms of credit;
- credit defaults;
- inflation rates;
- economic uncertainty;
- changes in laws;
- regulatory interventions and changes in regulations;
- changes in fiscal and monetary policies;
- trade barriers;
- commodity prices;
- currency exchange rates and controls; and
- national and international political, environmental and socioeconomic circumstances, including the risks of war and the effects of terrorist attacks.

Difficult market conditions also adversely affect a TPEP Fund and its returns by reducing the value or performance of its investments or by reducing its ability to raise or deploy capital.

*Equity Risk.* The market price of securities held by the TPEP Funds will increase and/or decrease, sometimes rapidly or unpredictably. The values of equity securities may decline due to general market conditions that are not specifically related to a particular TPEP Fund investment, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may also decline due to factors that affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. Other risks of investing globally in equity securities include changes in currency exchange rates, exchange control regulations, expropriation of assets or nationalization, imposition of withholding taxes on dividend, interest or other payments, and difficulty in obtaining and enforcing judgments against non-U.S. entities. In addition, securities that we believe are fundamentally undervalued or incorrectly valued at times will not ultimately be valued in the capital markets at prices or within the time frame we anticipate. As a result, a TPEP Fund may lose all or substantially all of its investment in a particular security.

*Coronavirus Outbreak.* The global outbreak of the 2019 novel coronavirus ("COVID-19") and the measures governmental agencies and the private sector have taken to contain it, including

business closures, limitations on public gatherings, travel restrictions and quarantines, have significantly disrupted the global economy and caused severe market dislocation and volatility. While we cannot accurately forecast COVID-19's ultimate impact at this time, we expect it will have a profound and lasting effect on the TPEP Funds, the TPEP Funds' portfolio investments and our ability to manage the TPEP Funds' portfolios. For example, we anticipate the economic and market conditions resulting from the outbreak will materially and adversely affect the operations and financial position of a significant number of the TPEP Funds' portfolio investments. In addition, COVID-19 and corresponding containment efforts have impaired and will continue to impair, potentially for an extended period of time, our ability to monitor existing TPEP Fund portfolio investments as well as to execute the TPEP Funds' investment strategies. Given the extraordinary nature of COVID-19 and its inherent unpredictability, it may take years to understand the full scope of its ramifications.

*Reliance on Our Professionals.* The success of the TPEP Funds will depend in large part upon the skill and expertise of TPEP and TPG professionals. We cannot assure that any individual professional will continue to be associated with the TPEP Funds or that replacements will perform well. Our ability to recruit, retain and motivate qualified professionals is dependent in part on our ability to offer attractive incentive opportunities. There is competition among alternative asset firms, financial institutions, hedge funds, investment managers and other industry participants for hiring and retaining qualified investment professionals. Should any of our professionals join or form a competing firm, become incapacitated or in some other way cease to participate in the TPEP Funds' investment activities, the TPEP Funds' performance could be adversely affected.

Tax reform enacted in 2017 in the United States has increased the holding period required in order for professionals to treat their performance allocation as a capital gain, which may increase the amount of taxes such professionals would be required to pay with respect to their performance allocation. If additional, broader legislation were to be enacted to treat carried interest as ordinary income rather than a capital gain, the amount of taxes that our professionals would be required to pay with respect to their performance allocations would materially increase, thereby adversely affecting our ability to offer attractive incentive opportunities.

*Misconduct of Employees and of Third-Party Service Providers.* Misconduct by our employees or third-party service providers could cause the TPEP Funds to incur significant losses. Employee misconduct could include binding the TPEP Funds to transactions that present unacceptable risks and unauthorized activities or concealing unsuccessful activities (which, in either case, may result in unknown and unmanaged risks or losses). Losses could also result from actions by third-party service providers, including the failure to record transactions or improperly performing their responsibilities as administrators. 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 TPEP Funds' business prospects. Although we have adopted measures reasonably designed to prevent and detect employee misconduct and to select reliable third-party providers, we cannot give any assurance that these measures will be effective in all cases.

*Exemptions from Registration Under U.S. Commodities Laws.* While the TPEP Funds may invest in certain commodity interests (directly or indirectly through other fund investments)

including swaps, futures and currency forwards, the TPEP Funds engage in limited trading of commodity interests. Accordingly, we have filed a notice of exemption with the National Futures Association from registration with the Commodity Futures Trading Commission (the “CFTC”) as a commodity pool operator with respect to the TPEP Funds pursuant to CFTC Rule 4.13(a)(3). We therefore are not required to deliver a Disclosure Document or a certified Annual Report (as those terms are used in the CFTC’s rules). Likewise, we are exempt from registration with the CFTC as a commodity trading advisor, and as such, will not be required to satisfy certain requirements under the CFTC rules.

*Changes in the Political Environment of the United Kingdom and Europe.* In a referendum held on June 23, 2016, the United Kingdom resolved to leave the European Union (commonly referred to as “Brexit”). The United Kingdom left the European Union on January 31, 2020 and currently is negotiating its future relationship with the European Union during a transition period scheduled to end on December 31, 2020.

The initial Brexit result has led to political and economic instability and volatility in the financial markets of the United Kingdom and more broadly across Europe. The longer-term economic, legal, political and social framework between the United Kingdom and the European Union remains unclear at this stage, and this uncertainty is likely to lead in turn to ongoing political and economic uncertainty and periods of exacerbated volatility in both the United Kingdom and in wider European markets for some time. This uncertainty will also likely continue to impact the global economic climate.

*Increased Regulatory Oversight.* The financial services industry generally, and the activities of private investment funds and their managers, in particular, have in recent years been subject to intense regulatory oversight. As a result of such oversight, we anticipate that, in the normal course of business, our officers will have contact with governmental authorities and/or need to respond to inquiries or examinations and/or implementing new, or enhance existing, policies and procedures. We would also expect the TPEP Funds to be subject to regulatory inquiries concerning their securities positions and trading.

The passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) resulted in extensive rulemaking and regulatory changes that affect private fund managers, the funds that they manage and the financial industry as a whole. Pursuant to the Dodd-Frank Act, the SEC adopted rules that require reporting by registered investment advisers to private funds, which have added costs to our legal, operations and compliance obligations, and those of the TPEP Funds and their general partners, and have increased the amount of time that we spend on non-investment-related activities.

The Dodd-Frank Act currently affects a broad range of market participants with whom the TPEP Funds interact or may interact, including banks, non-bank financial institutions, rating agencies, mortgage brokers, credit unions, insurance companies, broker-dealers, futures commission merchants and swap dealers. It is difficult to predict the future of the Dodd-Frank Act or to anticipate the effect of these and other regulatory changes on us and the TPEP Funds, and such continued uncertainty may increase market volatility, making it more difficult for us to execute the investment strategy of the TPEP Funds.

In addition, on August 25, 2015, the U.S. Treasury Department's Financial Crimes Enforcement Network released a notice of proposed rulemaking that would impose anti-money laundering compliance obligations on registered investment advisers. These proposed rules (or other rules that may be proposed in the future) may further increase our compliance obligations and related costs, require us to obtain certain information or representations from investors and increase the amount of time we spend on non-investment-related activities.

The implementation of the European Union's Directive 2011/61/EC on Alternative Investment Fund Managers (the "AIFM Directive") could have an adverse effect on the continued operation of a TPEP Fund where interests are offered to or placed with investors in any European Economic Area ("EEA") Member State that has implemented the AIFM Directive. For example, there remains some uncertainty as to the manner in and extent to which the AIFM Directive is being implemented in various EEA Member States. This uncertainty increases the risk we breach in an EEA Member State the requirements imposed by the AIFM Directive. Such a breach could result in a regulatory authority or court in that or another EEA Member State requiring us to return any capital or other funds to investors or otherwise seeking to take other enforcement or remedial action against us or a TPEP Fund. This could result in a loss to the TPEP Fund.

*Potential Reporting Obligations; Other Regulatory Regimes.* Acquisitions by the TPEP Funds of equity securities at times result in reporting and compliance obligations under the Exchange Act and the Hart-Scott-Rodino Antitrust Improvements Act of 1976, or their equivalent regimes in non-U.S. jurisdictions. See Item 11 below. In addition, the TPEP Funds will be subject to tax reporting requirements in the United States and likely in other jurisdictions. The TPEP Funds will bear the costs of compliance.

*Risk Management; Operational Controls.* Although we will seek to manage investment risks by employing appropriate due diligence, analysis and pricing models prior to and during a TPEP Fund's investment in a portfolio investment, we cannot assure that these methods will expose all the considerations relevant to the investment decision. Further, the operational controls and risk management techniques we use involve third parties over whom we do not exercise control, including outsourced providers of fund administration and custody services. The proper operation of a TPEP Fund and safekeeping of its assets depend on the performance and financial wherewithal of these third parties, as well as the continued operation and security of their systems. The operational controls and risk management techniques we use also necessarily include subjective elements, making the judgment and discretion of our investment and TPG's control-side professionals fundamental to the risk management process. The greater the importance of subjective factors, the more challenging it becomes for us to control for risk, which in turn increases the likelihood of unpredictable results with respect to a portfolio investment and the TPEP Funds' overall performance.

Additional operational risks arise from such factors as processing errors, human errors, inadequate or failed internal or external processes, failures in systems and technology (including those highlighted below under "*Cybersecurity Risk*"), changes in personnel and errors caused by third parties. While we seek to minimize these events through controls and oversight, there may still be failures that could cause losses to a TPEP Fund.

*Cybersecurity Risk.* As our use of technology, particularly internet-based programs and data storage applications, increases, we may be more susceptible to operational risks specific to this technology, including unauthorized access to our information and technology systems or those of joint-venture partners or third-party service providers that hold our information and/or have access to our technology systems. These breaches could result in the misappropriation of assets or confidential information, destruction or corruption of data and/or disruption of our operations. We, our service providers and other market participants increasingly depend on complex information technology and communications systems to conduct business functions. These systems are subject to a number of different threats or risks that could adversely affect the TPEP Funds and their investors, despite our efforts and those of our service providers to adopt technologies, processes and practices intended to mitigate these risks and protect the security of our computer systems, software, networks and other technology assets, as well as the confidentiality, integrity and availability of information belonging to the TPEP Funds and their investors. For example, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of, or prevent access to our systems and those of our service providers or counterparties or data within these systems. Third parties, including nation-state or terrorist actors, may also attempt to fraudulently induce employees, customers, third-party service providers or other users of our systems to disclose sensitive information in order to gain access to our data or that of a TPEP Fund's investors or otherwise inflict harm. Whether intentional or unintentional, a cybersecurity breach may cause us, the TPEP Funds or portfolio investments to lose proprietary information, suffer data corruption or deletion, expose information to misuse or force us to pay ransom to retrieve data or face its loss. Unauthorized access could lead to

- physical damage to a computer or network system (and costs associated with system repairs),
- loss or theft of investors' funds,
- the inability to access electronic systems,
- a failure to maintain the confidentiality and privacy of sensitive information (including the loss of investors' confidential or personal information),
- loss of capabilities essential to our, the TPEP Funds' and/or the portfolio investments' operations,
- financial losses from remedial actions,
- loss of business,
- reputational harm, or
- potential liability.

Cybersecurity risks also result in ongoing preventative measures and compliance costs, including forensic analysis of the origin and scope of any cybersecurity breach, as well as increased and upgraded cybersecurity.

*Data Privacy and Security Laws.* Jurisdictions in which the TPEP Funds operate have recently adopted, or are considering adopting, stringent data privacy and cybersecurity laws, including the General Data Protection Regulation in the European Union (or “GDPR”), the California Consumer Privacy Act, the New York SHIELD Act and a range of proposed additional laws at the federal level and in California, New York, Texas, Utah, Washington and other states. The cumulative effects the recently adopted laws include

- an enhanced ability of individuals, relative to companies, to control the use of their personal data;
- increased obligations to maintain the security of data; and
- additional exposure to fines or damages for companies that do not accord individuals their specified privacy rights, that experience data breaches or that fail to maintain cybersecurity at certain levels.

We will endeavor to maintain systems that promote compliance with data privacy and security laws, both those adopted to date and those that may be adopted in the future, but there can be no assurance that these systems will be effective. Failure to comply with such laws could result in significant fines or damages that could have a material adverse effect on the TPEP Funds.

*Effect of Substantial Withdrawals.* A number of events could trigger substantial withdrawals by a TPEP Fund’s investors, including, for example,

- investment performance;
- changes in prevailing interest rates and financial market performance;
- significant change in our personnel or management;
- legal or regulatory issues that investors perceive to have a bearing on us or a TPEP Fund;  
or
- other factors.

Actions taken to meet substantial withdrawal requests from such TPEP Fund could result in prices of securities held by the TPEP Fund decreasing and in TPEP Fund expenses increasing (e.g., due to increased transaction costs incurred in the liquidation of positions or in connection with the termination of counterparty agreements). Substantial withdrawals could also significantly restrict the TPEP Fund’s ability to obtain financing or derivatives counterparties needed for its investment and trading strategies, which would have a further material adverse effect on the TPEP Fund’s performance.

*Short Sales.* We make short sales of securities on behalf of certain TPEP Funds. In a short sale, the seller sells a security that it does not own, typically a security borrowed from a broker or dealer. Because the seller remains liable to return the underlying security that it borrowed from the broker or dealer, the seller must purchase the security prior to the date on which delivery to the broker or dealer is required. The making of short sales exposes the TPEP Funds to the risk of

liability for the market value of the security that is sold, which is an unlimited risk in theory due to the lack of an upper limit on the price to which a security may rise. In addition, there can be no assurance that securities necessary to cover a short position will be available for purchase or that securities will be available for the TPEP Funds to borrow at reasonable costs. If a request for return of borrowed securities occurs at a time when other short sellers of the security are receiving similar requests, a “short squeeze” can occur, in which case the TPEP Funds would be compelled to replace borrowed securities previously sold short with purchases on the open market at the most disadvantageous time, possibly at prices significantly in excess of the proceeds received in originally selling the securities short. The SEC has in the past adopted interim rules requiring reporting of all short positions above a certain *de minimis* threshold and may adopt rules requiring public disclosure of short positions in the future. In addition, other non-U.S. jurisdictions where the TPEP Funds trade have adopted reporting requirements. If the TPEP Funds’ short positions or its strategy become generally known, it could have a significant effect on our ability to implement our investment strategy. In particular, it would make it more likely that other investors could cause a “short squeeze” in the securities held short by the TPEP Funds forcing the TPEP Funds to cover its positions at a loss. Such reporting requirements likely would also limit our ability to access management and other personnel at certain companies where we seek to take a short position. In addition, if other investors engage in copycat behavior by taking positions in the same issuers as the TPEP Funds, the cost of borrowing securities to sell short could increase significantly and the availability of such securities to the TPEP Funds could decrease significantly.

The SEC has adopted restrictions on the short sale of securities which fall more than 10% in a given day (referred to as the “circuit breaker” or “modified uptick rule”). The SEC and regulatory authorities in other jurisdictions could adopt (and in certain cases have adopted) bans or other restrictions on short sales of certain securities in response to market events. Restrictions or bans on short selling would make it more difficult for the TPEP Funds to execute certain investment strategies and may have a material adverse effect on the TPEP Funds’ ability to achieve their investment objectives and generate returns.

*Leverage.* We may utilize leverage in investing the TPEP Funds’ assets, including through trading on margin by borrowing funds and pledging cash or securities as collateral. While the use of borrowed funds increases returns if the TPEP Funds earn a greater return on the incremental investments purchased with borrowed funds than it pays for such funds, the use of leverage decreases returns if the TPEP Funds fail to earn as much on such incremental investments as it pays for such funds. The effect of leverage in these cases would therefore result in a greater decrease in the net asset value of the TPEP Funds than if the TPEP Funds were not so leveraged. Any use by the TPEP Funds of short-term margin borrowings will result in certain additional risks to the TPEP Funds. For example, the securities pledged to brokers to secure the TPEP Funds’ margin accounts could be subject to a “margin call,” pursuant to which the TPEP Funds would be required to either deposit additional funds with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. A sudden, precipitous drop in value of the TPEP Funds’ assets accompanied by corresponding margin calls could force the TPEP Funds to liquidate assets quickly, and not for what we perceive to be their fair value, in order to pay off its margin debt. In addition, the TPEP Funds may engage in certain derivatives transactions which implicitly contain leverage and subject the TPEP Funds to the same risks discussed above.



*Risks of Derivative Instruments.* The TPEP Funds from time to time use derivative instruments. Use of derivative instruments exposes the TPEP Funds to risks associated with the underlying reference asset (e.g., a foreign currency or an equity security) and the applicable markets generally, as well as the following additional risks:

Tracking – When used for hedging purposes, an imperfect or variable degree of correlation between price movements of the derivative instrument and the underlying investment sought to be hedged would likely prevent the TPEP Funds from achieving the intended hedging effect or expose the TPEP Funds to the risk of loss.

Liquidity – Derivative instruments, especially when traded in large amounts, are not liquid in all circumstances, so that in volatile markets, the TPEP Funds may not be able to close out a position without incurring a loss. In addition, daily limits on price fluctuations and speculative position limits on exchanges on which each TPEP Fund may conduct its transactions in derivative instruments would prevent prompt liquidation of positions, subjecting such TPEP Fund to the potential of greater losses.

Leverage – Trading in derivative instruments can result in large amounts of leverage. Thus, the leverage offered by trading in derivative instruments will magnify the gains and losses experienced by the TPEP Funds and would generally cause the TPEP Funds' net asset value to be subject to wider fluctuations than would be the case if the TPEP Funds did not use the leverage feature in derivative instruments.

Operations Risk – Operations risk includes the possibility of loss caused by inadequate procedures and controls, human error and system failures by a service provider. For example, trading delays or errors could prevent the TPEP Funds from benefiting from potential investment gains or avoiding losses. The liability of service providers to the TPEP Funds for losses resulting from their errors may be limited.

Over-the-Counter Trading/Counterparty Risk – The TPEP Funds will be exposed to counterparty risk to the extent they use “over-the-counter” derivatives, enter into repurchase agreements, lend their portfolio securities or allow a prime broker, if any, or an over-the-counter derivative counterparty to retain possession of collateral. If a counterparty fails to meet its contractual obligations, goes bankrupt or otherwise experiences a business interruption, the TPEP Funds would expect to miss investment opportunities or otherwise hold investments they would prefer to sell, possibly resulting in losses for the TPEP Funds. The TPEP Funds may effect transactions in “over-the-counter” or “interdealer” markets or other unregulated private markets. The lack of a common clearing facility in these markets creates counterparty risk. The participants in these markets typically are not subject to the same level of credit evaluation and regulatory oversight as are members of “exchange-based” markets. This exposes the investor to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the TPEP Funds to suffer a loss. Such “counterparty risk” is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the TPEP Funds have concentrated their transactions with a single or small group of counterparties. The TPEP Funds typically would be exposed to similar risks with respect to non-U.S. brokers in jurisdictions where there are delayed settlement periods.

There can be no assurance that a counterparty will be able or willing to make timely settlement payments or otherwise meet its obligations, especially during unusually adverse market conditions. The TPEP Funds typically are only able to close out over-the-counter transactions with the relevant counterparty, and generally are only able to transfer a position with the consent of the particular counterparty. When a counterparty's obligations are not fully secured by collateral, the TPEP Funds are essentially an unsecured creditor of the counterparty. If the counterparty defaults, the TPEP Funds will have contractual remedies, but there is no assurance that a counterparty will be able to meet its obligations pursuant to such contracts or that, in the event of default, the TPEP Funds will succeed in enforcing contractual remedies and there may be significant costs and/or delays in doing so. Counterparty risk is still present even if a counterparty's obligations are secured by collateral because the TPEP Funds' interest in collateral may not be perfected or additional collateral may not be promptly posted as required. To the extent the TPEP Funds allow a prime broker, if any, or any over-the-counter derivative counterparty to retain possession of any collateral, the TPEP Funds may be treated as unsecured creditors of such counterparty in the event of the counterparty's insolvency. Counterparty risk would be more pronounced if a counterparty's obligations exceed the amount of collateral held by the TPEP Funds (if any), the TPEP Funds are unable to exercise their interest in collateral upon default by the counterparty or the termination value of the instrument varies significantly from marked-to-market value of the instrument.

The TPEP Funds will be exposed to the credit risk of its counterparties and at times will bear the risk of settlement default. For example, although the seller under a repurchase agreement will be required to maintain the value of the securities subject to the agreement in an amount exceeding the repurchase price, default by the seller would expose the TPEP Funds, as buyer, to possible loss due to adverse market action or delay in connection with the disposal of the underlying obligations. Conversely, where the TPEP Funds act as sellers under a repurchase agreement they are exposed to the risk of the buyer defaulting in its obligation to return the securities when it is required to do so, and the TPEP Funds could realize a loss on the purchase of the underlying security to the extent that the purchase price of the underlying security is greater than the cash collateral posted by the buyer. In addition, if the seller becomes involved in bankruptcy or litigation proceedings, the TPEP Funds would likely incur delay and costs in selling the underlying security or may suffer a loss of principal and interest if the TPEP Funds are treated as unsecured creditors and are required to return the underlying collateral to the seller's estate.

Securities purchased or sold on a "when-issued" or "delayed delivery" basis involve a risk of loss if the value of the securities to be purchased declines prior to the settlement date or if the value of the securities to be sold increases prior to a settlement date.

Additionally, the TPEP Funds are exposed to documentation risk, including the risk that the parties disagree as to the proper interpretation of the terms of a contract (*e.g.*, the definition of default). If a dispute occurs, the cost and unpredictability of the legal proceedings required for the TPEP Funds to enforce its contractual rights could lead the TPEP Funds to decide not to pursue its claims against the counterparty. In that case, the TPEP Funds would generally be unable to obtain payments they believe are owed to them under over-the-counter derivatives contracts or those payments may be delayed or made only after the TPEP Funds have incurred the costs of litigation.

Due to the nature of the TPEP Funds' investments, the TPEP Funds would expect to invest in derivatives or execute a significant portion of their securities transactions through a limited number of counterparties, and events that affect the creditworthiness of any of those counterparties would therefore have a pronounced effect on the TPEP Funds. In addition, the creditworthiness of a counterparty typically would be adversely affected by larger than average volatility in the markets, even if the counterparty's net market exposure is small relative to its capital. We evaluate the creditworthiness of the counterparties to the TPEP Funds' transactions or their guarantors at the time the TPEP Funds enters into a transaction. The TPEP Funds are not restricted from dealing with any particular counterparty or from concentrating any or all transactions with one counterparty. The ability of the TPEP Funds to transact business with any one of a number of counterparties, the lack of any meaningful and independent evaluation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement for over-the-counter derivatives may increase the potential for losses by the TPEP Funds.

The TPEP Funds' use of derivatives is further impacted by U.S. financial reform legislation, which includes provisions for clearing, margin and reporting requirements for derivatives transactions and restrictions on the types of derivatives transactions that can be entered into by certain financial companies. These regulations are new and evolving and may increase the cost of entering into derivatives.

The TPEP Funds may use certain derivatives transactions, including some interest rate swaps and credit default index swaps, that are required to be cleared. In a cleared derivatives transaction, the TPEP Fund's counterparty to the transaction is a central derivatives clearing organization, or clearing house, rather than a bank or broker. Since the TPEP Funds are not members of a clearing house, and only members of a clearing house can participate directly in the clearing house, the TPEP Funds hold cleared derivatives transactions through accounts at futures commission merchants who are members of the clearing houses. The TPEP Funds make and receive payments owed under cleared derivatives transactions (including margin payments) through their accounts at clearing members. The TPEP Funds' clearing members guarantee the TPEP Funds' performance of their obligations to the clearing house. In contrast to bilateral over-the-counter derivatives transactions, following a period of advance notice to the TPEP Funds, clearing members can generally require termination of existing cleared derivatives transactions at any time and increase the amount of margin required for any cleared derivatives transaction above the amount of margin that was required at the beginning of the transaction. The TPEP Funds are subject to execution risk if they enter into derivatives transactions that are required to be cleared (or which we expect to be cleared), and no clearing member is willing to clear the transactions on the TPEP Funds' behalf. In that case, the transactions might be terminated, and the TPEP Funds could lose some or all of the benefit of any increase in the value of the transactions after the time of the trade.

*Options.* The TPEP Funds may invest in options. Purchasing put and call options, as well as writing such options, are highly specialized activities and entail greater than ordinary investment risks. Although an option buyer's risk is limited to the amount of the original investment for the purchase of the option, an investment in an option is from time to time subject to greater fluctuation than an investment in the underlying securities would entail. In theory, an uncovered call writer's loss is potentially unlimited, but in practice the loss is limited by the term of the call.

The risk for a writer of a put option is that the price of the underlying securities falls below the exercise price. The ability to trade in or exercise options likely would be restricted in the event that trading in the underlying securities interest becomes restricted. Unlike exchange-traded options, which are standardized with respect to the underlying instrument, expiration date, contract size and strike price, the terms of over-the-counter options (options not traded on exchanges) are generally established through negotiation with the other party to the option contract. While this type of arrangement allows the TPEP Funds greater flexibility to tailor options to their needs, over-the-counter options generally involve greater credit risk than exchange-traded options, which are guaranteed by the clearing organization of the exchanges where they are traded.

*Hedging.* The TPEP Funds from time to time employ hedging techniques intended to reduce the risks of adverse movements in interest rates, securities prices and currency exchange rates. While we intend such transactions to reduce certain risks, they will entail certain other risks and involve costs. We expect the TPEP Funds to benefit from the use of these hedging mechanisms, but unanticipated changes in interest rates, securities prices or currency exchange rates would typically result in a poorer overall performance for the TPEP Funds than if they had not entered into such hedging transactions.

The success of any hedging strategy will depend, in part, upon our ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments being hedged. Since the characteristics of many investments change as markets change or time passes, the success of the TPEP Funds' hedging strategy will also be subject to our ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. While the TPEP Funds enter into hedging transactions to seek to reduce risk, it is possible that such transactions would result in a poorer overall performance for the TPEP Funds than if they had not engaged in such hedging transactions. For a variety of reasons, we may not seek to establish a perfect correlation between the hedging instruments utilized and the portfolio holdings being hedged. Such an imperfect correlation risks preventing the TPEP Funds from achieving the intended hedge or exposing the TPEP Funds to risk of loss. We may be unable to or may not hedge against a particular risk because we do not regard the probability of the risk occurring to be sufficiently high as to justify the cost of the hedge, or because we do not foresee the occurrence, probability or magnitude of the risk. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of the TPEP Funds' investments. In addition, although such hedging transactions are intended to hedge economic risks, they are not always effective hedges for tax purposes. For example, the tax character of the gain or loss on the hedging transaction may differ from the character of the gain or loss on the investment, or the timing of the gain or loss for tax purposes may differ between the hedging transaction and the investment. Finally, changes to the regulations applicable to the financial instruments the TPEP Funds use to accomplish their hedging strategy, including the CFTC's current and proposed rules on position limits for derivatives, could limit the effectiveness of that strategy or require more onerous reporting.

*Initial Public Offerings.* The TPEP Funds will from time to time purchase securities of companies conducting, or that have recently conducted, initial public offerings. Special risks associated with these securities include limited liquidity and unseasoned trading, as well as a

lack of investor knowledge of the company in light of its limited operating history. These factors can contribute to substantial price volatility for the shares of these companies and, thus, for the TPEP Fund's interests. The limited number of shares available for trading in some initial public offerings may make it more difficult for the TPEP Fund to buy or sell significant amounts of shares without an unfavorable impact on prevailing market prices. In addition, some companies conducting initial public offerings are in relatively new industries or lines of business, which may not be widely understood by investors. Some of these companies may be undercapitalized or regarded as developmental stage companies, without revenue or operating income, or the near-term prospects of achieving them.

*Non-U.S. Investments.* The TPEP Funds invest outside of the United States. Such investments are subject to different, possibly greater risks than U.S. investments due to non-U.S. economic, political and legal developments, including, among other things,

- changes in currency exchange rates;
- exchange control regulations (including currency blockage);
- expropriation of assets or nationalization;
- imposition of taxes on dividends, interest payments or capital gains;
- the need for approval by government or other authorities to make investments;
- possible difficulty in obtaining and enforcing judgments against non-U.S. entities; and
- other factors beyond our control.

Furthermore, issuers of non-U.S. securities are subject to different, often less comprehensive accounting, reporting or disclosure requirements than U.S. issuers. The securities markets of some countries in which the TPEP Funds invest have substantially less volume than those in the United States, and securities of certain companies in these countries are less liquid and more volatile than securities of comparable U.S. companies. Accordingly, these markets typically are subject to greater influence by adverse events generally affecting the market, and by large investors trading significant blocks of securities, than is usual in the United States. Brokerage commissions and other transaction costs on securities exchanges in non-U.S. countries are generally higher than in the United States. Non-U.S. securities settlements will in some instances be subject to delays and related administrative uncertainties. In some countries there are restrictions on investments or investors such that the only practicable way for the TPEP Funds to invest in such markets is by entering into swaps or other derivatives transactions with their prime brokers or others. Such transactions involve counterparty risks that are not present in the case of direct investments and that we may not be able to control. To the extent such non-U.S. laws and regulations do not provide the TPEP Funds with equivalent rights and privileges necessary to promote and protect the TPEP Funds' interest in any such proceeding, portfolio investments would generally be adversely affected. We will analyze risks in the applicable foreign countries before making such investments, but cannot assure that these risks will not adversely affect the TPEP Fund's assets.

The risks described above are particularly relevant to the extent the TPEP Funds make investments in emerging market countries. Emerging market countries generally are subject to greater risks of expropriation, confiscatory taxation, nationalization, political, economic or social instability and other negative developments.

*Interest Rate Risks.* The TPEP Funds have exposure to interest rate risks, meaning that changes in prevailing interest rates could negatively affect the TPEP Funds. Factors that affect market interest rates include

- inflation;
- slow or stagnant economic growth, or recession;
- unemployment;
- money supply and the monetary policies of the Board of Governors of the U.S. Federal Reserve System;
- international disorders; and
- instability in domestic and foreign financial markets.

We expect the TPEP Funds to periodically experience imbalances in the interest rate sensitivities of their assets and liabilities and the relationships of various interest rates to each other. In a changing interest rate environment, we may not be able to manage this risk effectively. Failure to manage interest rate risk effectively could adversely affect the TPEP Funds' performance.

*Portfolio Turnover.* We do not expect to place any limit on the rate of portfolio turnover, and we will sell portfolio securities without regard to the time the TPEP Funds have held them when, in our opinion, investment considerations warrant such action. A high rate of portfolio turnover involves correspondingly greater expenses than a lower rate, may reduce a TPEP Fund's investment gains or create a loss for investors and would result in additional taxable costs for investors depending on the tax provisions applicable to them.

*Cash and Other Investments.* The TPEP Funds will generally invest at least a portion of their assets in cash or cash items for investment purposes, pending other investments or as provision of margin for futures or forward contracts. These cash items are generally expected to be of high quality at the time of investment and may include a number of money market instruments such as negotiable or non-negotiable securities issued by or short-term deposits with the U.S. and non-U.S. governments and agencies or instrumentalities thereof, bankers' acceptances, high quality commercial paper, repurchase agreements, bank certificates of deposit and short-term debt securities of U.S. or non-U.S. issuers that we deem creditworthy. The TPEP Funds may also hold interests in investment vehicles that hold cash or cash items. While investments in cash items generally involve relatively low risk levels, they at times produce lower than expected returns, and could result in losses. Investments in cash items and money market funds could provide less liquidity than anticipated by the TPEP Funds at the time of investment.

*Lending of Securities.* The TPEP Funds are able to lend portfolio securities to broker-dealers and other financial institutions. The advantage of such loans is that the TPEP Funds continue to receive the interest or dividends on the loaned securities, while at the same time earning interest on the collateral, which is invested in short-term obligations. If the borrower fails to maintain the requisite amount of collateral, the loan automatically terminates, and the TPEP Funds could use the collateral to replace the securities while holding the borrower liable for any excess of replacement cost over collateral. On termination of the loan, the borrower is required to return the securities to the TPEP Funds; any gains or loss in the market price during the loan would inure to the TPEP Funds. In the event of the bankruptcy of the other party to a securities loan, the TPEP Funds could experience delays in recovering the securities they lent. To the extent that the value of the securities the TPEP Funds lent has increased, the TPEP Funds could experience a loss if such securities are not recovered.

*Custodial Risk.* Each TPEP Fund's prime brokers will have custody of the TPEP Fund's securities, cash, distributions and rights accruing to the TPEP Fund's securities accounts. SEC rules require the prime brokers to maintain physical possession and control of fully paid securities held in a TPEP Fund's account and to establish certain reserves for the benefit of customers. However, subject to certain limitations, a prime broker generally has the ability to loan, pledge and rehypothecate the securities in a TPEP Fund's account, as is typical market practice, and may have insufficient assets to meet all of its obligations to customers in the event of its insolvency. If this were to occur, a TPEP Fund would typically not have a right to recover its securities held by the prime broker, but would rather have only an unsecured claim and participate pro rata with other customers of the prime broker in the proceeds of the sale of customer securities. Also, even if a prime broker does have sufficient assets to meet all customer claims, there could be a delay before a TPEP Fund receives assets to satisfy its claims. In order to manage the risks associated with prime broker insolvency, we have established relationships with multiple prime brokers. However, we may not be able to maintain these relationships. In addition, we would likely not be able to identify potential solvency concerns with respect to the TPEP Funds' prime brokers or to transfer assets from one prime broker to another prime broker in a timely manner. The prime brokers may hold the TPEP Funds' securities through third parties such as clearing corporations, other brokers or banks. In addition, the TPEP Funds from time to time hold securities, cash and other assets directly with banks or other third parties not associated with the prime brokers. As a result, the TPEP Funds are subject to credit risk with respect to such third parties as well as with respect to the prime brokers. In addition, certain of the TPEP Funds' assets are held by non-U.S. affiliates of the TPEP Funds' prime brokers and entities other than the prime brokers. Assets held by such non-U.S. affiliates may be subject to legal regimes that provide fewer or different investment protections than the United States. If a TPEP Fund has over-collateralized derivative contracts, it is likely to be an unsecured creditor of any such counterparty in the event of its insolvency. Also, even if a TPEP Fund's prime broker or such other third parties do have sufficient assets to meet all claims, there could be a delay before the TPEP Funds receive assets to satisfy its claims. We may change a TPEP Fund's brokerage arrangements any time without prior notice to its investors. There are likely to be operational and other delays associated with changes in prime brokerage arrangements.

*Tax Considerations.* We expect the TPEP Funds to be subject to income or withholding taxes and/or tax return filing obligations in various jurisdictions in which they conduct investment activities. The rate of any withholding taxes and the creditability of such taxes typically depend

on the facts and circumstances relating to the particular investment and generally would differ for each investment. There are significant uncertainties regarding the interpretation and application of the broad-based reform of the U.S. Internal Revenue Code of 1986, as amended (the “Code”) that was signed into law on December 22, 2017 (the “Tax Act”). While additional guidance on the Tax Act is expected, the timing, scope and content of such guidance are not known. Changes the Tax Act made to the Code and any further changes in tax laws or interpretation of such laws may be adverse to the TPEP Funds.

#### **ITEM 9 – DISCIPLINARY INFORMATION**

Not applicable.

#### **ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

*TPG Capital BD, LLC.* Our affiliate TPG BD is a broker-dealer registered with the SEC and a member of FINRA. TPG BD

- places securities and instruments issued by
  - certain private investment funds that we and our related entities manage individually or through our principals; and
  - other entities not related to us or our related entities;
- participates in the syndication of opportunities to co-invest in portfolio companies alongside certain Other TPG Funds and third parties;
- participates in underwriting syndicates and/or selling groups with respect to securities and instruments issued by portfolio companies of Other TPG Funds (whether in primary or secondary offerings);
- acts as arranger (or in a similar capacity) with respect to loans or lines of credit to Other TPG Funds, portfolio companies of Other TPG Funds and third-party borrowers (or in respect of similar debt instruments);
- in some cases, will act as a broker in transactions on behalf of Other TPG Funds; and
- provides advisory and structuring services to Other TPG Funds and their portfolio companies, including in respect of the acquisition or disposition of securities or derivatives.

TPG BD from time to time acts as the sole, lead or managing financial institution in these transactions when consistent with its authorization as a registered broker-dealer.

*Other Investment Advisers.* The following investment advisers are affiliates of ours:

- TPG Global Advisors, LLC;



- TPG Capital Advisors, LLC;
- TPG RE Finance Trust Management, L.P.; and
- TPG Real Estate Advisors, LLC,

along with their respective relying advisers.

For a description of material conflicts of interest created by the relationship among us and our affiliated advisers, as well as a description of how such conflicts are addressed, please see Item 11 below.

*General Partners of TPEP Funds.* Various entities serve as general partners of the TPEP Funds, and are our related persons. For a description of material conflicts of interest created by the relationship among us and the general partners, as well as a description of how such conflicts are addressed, please see Item 11 below.

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

##### ***Code of Ethics***

We have adopted a comprehensive Code of Ethics that is applicable to, among others, all of our officers and employees, certain temporary personnel and certain of our affiliates and their officers and employees (collectively, “TPEP Personnel”). The Code of Ethics, which is designed to comply with Rule 204A-1 under the Investment Advisers Act of 1940, as amended (the “Advisers Act”), establishes guidelines for professional conduct and personal trading procedures, including certain pre-clearance and reporting obligations. Transactions in certain permitted investments must be “pre-cleared” by TPEP’s Chief Compliance Officer or his/her designee.

Under the Code of Ethics, TPEP Personnel also are required to file certain periodic reports with the Chief Compliance Officer or his/her designee as required by Rule 204A-1 under the Advisers Act. The records of any such trades by TPEP Personnel will not be open to inspection by the investors. Our management may from time to time implement additional internal policies or restrictions on trading by TPEP Personnel and their family/household that are in addition to the requirements of our Code of Ethics.

We will provide a copy of the Code of Ethics to any TPEP Fund or prospective client upon request.

##### ***Participation or Interest in Client Transactions; Related Person Investments***

Please see “Conflicts of Interest” below for information regarding circumstances in which we or a related person

- recommends to TPEP Funds, or buys or sells for TPEP Funds’ accounts, securities in which we or a related person has a material financial interest;

- invests in the same securities that we or a related person recommends to TPEP Funds;
- recommends securities to TPEP Funds, or buys or sells securities for TPEP Fund accounts, at or about the same time that we or a related person buys or sells the same securities for our own (or the related person's own) account; and
- encounters related conflicts of interest.

### ***Conflicts of Interest***

We have a number of related investment advisers that focus primarily on different investment strategies, although such investment strategies overlap with ours from time to time. We refer to the funds and accounts managed by these related advisers as the “Other TPG Funds.”

The TPEP Funds benefit from their relationship with the broader TPG network. For example, the TPEP Funds have access to the contacts and industry knowledge of TPG investment teams, enhancing the TPEP Funds' research capabilities and investment decision-making. Additionally, we expect to consult with internal TPG experts on specific industry issues, trends and other matters to complement the TPEP Funds' investment process. These relationships, however, also give rise to a number of actual, potential and apparent conflicts of interest between the TPEP Funds, on the one hand, and TPG and the Other TPG Funds, on the other.

The following discussion describes certain of these actual, potential or apparent conflicts of interest and how we manage them. This summary is not intended to be an exhaustive list of all conflicts or their potential consequences. Identifying potential conflicts of interest is complex and fact-intensive, and it is not possible to foresee every conflict of interest that may arise during the TPEP Funds' lives. In particular, we may in the future identify additional conflicts of interest that currently are not apparent to us or the broader alternative investments industry, as well as conflicts of interest that arise or increase in materiality as we and TPG develop new investment platforms or business lines and otherwise adapt to dynamic markets and an evolving regulatory environment. To the extent we identify conflicts of interest in the future, we may, but assume no obligation to, disclose these conflicts and their implications to investors through a variety of channels, including in subsequent brochures or in other written or oral communications to investors more generally.

We have established policies and procedures to address some types of conflicts, including designating each TPEP Fund's adviser to represent that fund's interests. In most cases, however, the resolution of the conflict will depend entirely on the exercise of our discretion in light of the relevant facts and circumstances at the time, including the immediate and long-term interests of the relevant funds. The specific weight ascribed to each of the relevant factors is a subjective judgment about which reasonable people may differ, and such judgments will remain in our complete discretion. Such conflicts are often resolved by the same or overlapping professionals within our organization and TPG, and conflicts will not necessarily be resolved in the TPEP Funds' favor.

### *Conflicts Arising Generally from the Investment Activities of Other TPG Funds*

TPG is one of the largest diversified alternative investment firms in the world and engages in a broad range of investment activities. The investment opportunities pursued by (and in some cases required to be offered to) the Other TPG Funds involve both public and private companies across the globe, in nearly every industry and in various stages of development. The TPEP Funds will face trading and other restrictions as a result of the activities of the Other TPG Funds, as described below. These restrictions could limit the TPEP Funds' ability to make investments we identify as promising, dispose of investments on our desired timeframe or fully execute our investment strategy more generally, all of which could negatively impact the TPEP Funds. For example, the restrictions could prevent a TPEP Fund from exiting a declining investment, possibly for an extended period of time, which in turn could cause the TPEP Fund to incur substantial losses.

*Possession of Material Non-Public Information.* As a result of the expansive activities of the Other TPG Funds, they regularly obtain non-public information regarding companies and other investment opportunities. Since TPG does not currently maintain permanent information barriers among most of its businesses, we generally impute non-public information received by one investment team to all other investment professionals, including all of the personnel who make TPEP Fund investments. Thus, in the absence of an information barrier, if a TPEP Fund or an Other TPG Fund receives non-public information with respect to a company, the TPEP Funds would face, as a result of securities law prohibitions on trading on the basis of material non-public information, restrictions on their ability to pursue a transaction with respect to that company. To prevent this outcome in certain circumstances, we erect temporary information barriers to restrict the transfer of non-public information between the TPEP Funds and the Other TPG Funds. In these instances, however, a TPEP Fund's ability to benefit from TPG expertise outside any such barrier is limited. In addition, in the event that a temporary information barrier designed to protect a TPEP Fund is breached, even if inadvertently, the TPEP Funds will likely face the same restrictions on their investment activities as they would have faced had the temporary information barrier not been established in the first place.

*Contractual Restrictions.* The Other TPG Funds enter into agreements that may restrict from time to time the TPEP Funds' investment activities. For example, non-disclosure agreements Other TPG Funds sign with target companies often include "standstill" provisions that bar the Other TPG Funds and their affiliates (which generally includes the TPEP Funds) from acquiring the target companies' securities. In addition to "standstills," Other TPG Funds are subject to contracts whose provisions could affect the TPEP Funds. For example, the limited partnership agreements (or other constitutional documents) of certain Other TPG Funds restrict (i) affiliates (which generally includes the TPEP Funds) from acquiring or disposing of interests in entities that relate to the Other TPG Funds' existing or prospective portfolio companies and/or (ii) the Other TPG Funds from making an investment in or related to a company in the TPEP Funds' portfolios. These provisions can give rise to conflicts in the event, for instance, an Other TPG Fund is presented with an investment opportunity involving a company in a TPEP Fund's portfolio. We may resolve such a conflict in favor of the Other TPG Fund, which, as a consequence of the governing document provisions, could, for example, bar the TPEP Funds from further trading a security already in their portfolio or in rare circumstances compel the TPEP Funds to alter or completely exit their position.

*New Businesses.* We expect TPG to continue to sponsor and manage new investment vehicles, including by engaging in strategic transactions involving the acquisition of or business combination with other investment platforms. Establishing or acquiring new investment vehicles could increase the prevalence of the conflicts described in the preceding two paragraphs and thus lead to additional restrictions on the TPEP Funds' ability to trade certain securities. We also expect that the investment strategies and other activities of future investment vehicles and businesses will overlap with those of the TPEP Funds. Any overlap among future investment vehicles and businesses and the TPEP Funds would give rise to conflicts of interest, such as those related to competition for the same or related investment opportunities, TPG resources or capital from investors.

*Conflicts Relating to Investments by a TPEP Fund and Other TPEP Funds*

The allocation of investment opportunities among the TPEP Funds gives rise to certain conflicts of interest. We intend to allocate investment opportunities in a manner we believe to be appropriate in light of the interests of all the entities involved. While we expect allocations to generally be pro rata in proportion to the relative equity or targeted capacity of each TPEP Fund, in certain circumstances we allocate an investment opportunity primarily or exclusively to certain TPEP Funds, thereby limiting or foreclosing the other TPEP Funds' participation. In particular, certain TPEP Funds are "long only" investment vehicles that only hold long positions in the public equity securities included in other TPEP Funds' long portfolios. These vehicles, in certain circumstances, such as with respect to relatively illiquid securities, do not invest in a security included in the other TPEP Funds' long portfolios or invest a smaller proportion of their available capital.

In addition, if in our discretion, any TPEP Fund should not participate in a particular investment opportunity for legal, tax or regulatory reasons, we will generally allocate such investment opportunity only to the unaffected TPEP Funds. For example, as a result of FINRA rules governing offerings of "new issue" securities, certain TPEP Funds generally do not acquire any securities in an offering that constitutes a "new issue." Other factors that may affect whether we allocate to a TPEP Fund an investment opportunity include the TPEP Fund's level of cash, expected subscriptions or redemptions and the transaction costs involved. To the extent an investment is not allocated pro rata, a TPEP Fund would bear a disproportionate share of the income or loss related to it, and the investment activities of the TPEP Funds would differ.

In addition, we will generally combine purchase and sale orders for the TPEP Funds, with each entity paying its pro rata share of the total commissions and other costs and receiving its pro rata share of the total sale proceeds. Such simultaneous, identical portfolio transactions may be detrimental, however, including if they were to decrease the proceeds the TPEP Funds receive for their sales or increase the prices the TPEP Funds pay for their purchases.

We generally allocate expenses relating to making and monitoring common investments pro rata among the participating TPEP Funds. However, we will allocate expenses in another manner if we determine it is fair and equitable in our discretion, taking into account such factors as we consider relevant.

### *Conflicts Arising in the Allocation of Our Professionals' Time and Attention*

Our personnel will devote such time to the activities of the TPEP Funds as we determine to be necessary to properly conduct the TPEP Funds' business affairs. We generally expect that all of the officers and employees responsible for advising a TPEP Fund will have responsibilities with respect to the other TPEP Funds, including funds and accounts raised in the future. In addition, certain officers and other employees may also have responsibilities to Other TPG Funds. Conflicts of interest arise in allocating the time, services or functions of these individuals. For example, our personnel may have an incentive to devote more time to positions that are in the portfolios of TPEP Funds that are expected to generate the highest performance allocation. Moreover, TPG personnel who are not solely part of the TPEP platform will focus on Other TPG Funds and may have limited time or attention for TPEP investments.

### *Conflicts Arising from the TPEP Funds' Performance Allocation Structure*

Tying each TPEP Fund's general partner's compensation directly to the performance of such TPEP Fund creates an incentive for us to make more speculative investments than we otherwise would in the absence of such performance-based compensation. In addition, because the performance allocation depends in part on the unrealized appreciation of the TPEP Funds' assets, it at times will be greater than if the performance allocation were based solely on realized gains. In addition, we will calculate the performance allocation separately with respect to each subscription to or withdrawal from the TPEP Funds by a particular investor in order to reflect appropriately the different times investors may have subscribed to the TPEP Funds or withdrawn from the TPEP Funds and the net asset values of the TPEP Funds at such times. As a result, an investor's individual investment in a TPEP Fund could give rise to a performance allocation even if the TPEP Fund's general partner would not have been due a performance allocation had all of such investor's investments been aggregated for purposes of calculating the performance allocation.

### *Conflicts Related to Transactions Among the TPEP Funds and Other TPG Funds*

The TPEP Funds may participate in transactions in which we or TPG is directly or indirectly interested. In connection with such transactions, the TPEP Fund, on the one hand, and the other party to the transaction, on the other hand, will likely have conflicting interests, including with respect to consideration.

Certain TPEP Funds pursue the same investment program and thus, with few exceptions (including in respect of "new issue" securities), hold the same securities, with each commonly held position generally comprising approximately the same percentage of each TPEP Fund's total equity under management. The relative weight of a security in each such TPEP Fund's portfolio may vary in the ordinary course of the relevant TPEP Funds' business. For example, a TPEP Fund could become underweight in a particular security relative to the other TPEP Fund if it has net capital inflows during a month disproportionate to the net capital inflows, if any, of the other TPEP Fund, or if the other TPEP Fund has a disproportionate net capital outflow. In months when net capital inflows or outflows result in a sufficiently large divergence between relevant TPEP Funds, we enter into "rebalancing" transactions to bring the TPEP Funds' exposure to commonly held investments back into line with each other.

We assess whether to engage in rebalancing transactions at the end of each month, once we have sufficient visibility into the net capital inflows or outflows expected at the beginning of the following month. If we expect to enter into rebalancing transactions, we determine, as of the close of trading on the final trading day of the month, the weight of each position in each relevant TPEP Fund by dividing the value of the position by the TPEP Fund's total equity under management, after giving pro forma effect to any pending capital inflows to or outflows from the TPEP Funds. We then calculate the difference between the weights of commonly held investments. With certain exceptions, when the difference of a particular position exceeds a set threshold, we take the following steps to rebalance the relevant TPEP Funds' positions:

- We calculate the number of shares that one TPEP Fund must sell and the other TPEP Fund must purchase in order for each TPEP Fund's exposure to be brought back into balance.
- We set the price at which each rebalancing transaction will occur at the relevant security's fair value, as measured by the security's closing price on that day (i.e., the final trading day of the month).
- We instruct the relevant TPEP Funds' broker or brokers to "cross" trades before markets open on the subsequent trading day (i.e., the first trading day of the following month) so that the one TPEP Fund sells that number of shares and the other TPEP Fund purchases that number of shares, in each case for cash consideration at the rebalancing price.
- The relevant TPEP Funds' broker or brokers execute these instructions and generally receive customary brokerage commission or other fees or remuneration, with each TPEP Fund paying any commission or fees with respect to its side of the transaction.

We follow these steps in order to effectuate rebalancing transactions at market prices and with minimal brokerage commission fees and other costs.

A TPEP Fund participating in a rebalancing transaction could be a purchaser or a seller, depending on whether it experienced disproportionate net capital outflows or inflows relative to the other TPEP Fund. The relevant TPEP Funds will not engage in rebalancing transactions in the manner described above in certain circumstances, including

- in the case of restricted securities or securities for which market quotations are not readily available;
- if the TPEP Funds hold part of a position in a company in derivative form (such as swaps) or other instruments that are not exchanged traded (in which case the TPEP Funds will achieve the rebalanced portfolio allocation through open market purchases and sales);
- if the TPEP Funds hold all of a position in a company in derivative form (such as swaps) (in which case the TPEP Funds will achieve the rebalanced portfolio allocation by adjusting the instruments with the relevant counterparties);

- if the rebalancing transactions would give rise to adverse tax or regulatory consequences; or
- if the TPEP Funds possess material non-public information regarding the issuer of the securities.

With respect to TPEP Funds that pursue the same investment program but generally do not enter into “rebalancing” transactions with each other when contributions of capital or withdrawals of capital from such TPEP Funds change the ratio or assets between them, we may attempt to achieve a rebalanced portfolio allocation through open market purchases and sales.

In certain rare instances, we may cause a TPEP Fund to purchase investments from or sell investments to an Other TPG Fund or another TPEP Fund in a transaction other than a rebalancing trade. This creates the risk that the TPEP Fund will not receive the best possible price because the transaction was not exposed to public market forces. In addition, TPG and its professionals may have investments in or receive fees from the related party providing an incentive to favor the other TPEP Fund or Other TPG Fund.

In order to mitigate these conflicts of interest, we generally will seek to ensure that any such transactions and related disclosures are made consistent with applicable laws and agreements (including obtaining any requisite approvals) and our policies and procedures. In particular, we generally will seek to ensure that the transaction is, in our judgment, in the best interests and in compliance with any investment guidelines or restrictions, of any TPEP Fund involved. In effecting these transactions, we intend to effect the purchase or sale at a price that is comparable to the one that could be obtained through an arm’s-length transaction with a third party and that is otherwise fair to both parties. The willingness of a third-party investor to make an investment on the same or similar terms as a TPEP Fund, or the view of a third-party service provider generally, will demonstrate the fairness of the transaction to such TPEP Fund. We will maintain documentation to memorialize the basis for determining fairness in pricing. Neither we nor any of our affiliates may receive any commissions for effecting a cross-fund transaction.

### *Principal Transactions*

Section 206 of the Advisers Act regulates principal transactions among an investment adviser and its affiliates, on the one hand, and the investment adviser’s clients, on the other. The Advisers Act generally requires that, when an investment adviser or its affiliate proposes to purchase a security from, or sell a security to, an advisory client (what is commonly referred to as a “principal transaction”), the adviser must make certain disclosures to the client of the terms of the proposed transaction and obtain the client’s consent.

We have established certain policies and procedures reasonably designed to comply with the requirements of the Advisers Act as they relate to principal transactions, including that the requisite disclosures be made to the applicable TPEP Fund regarding any proposed principal transactions, if required by the Advisers Act or applicable law, and a TPEP Fund’s prior consent to the transaction be received.

### *Conflicts Related to Transactions Alongside Other TPG Funds*

Although we do not expect the TPEP Funds to regularly have investments in common with the Other TPG Funds, when this happens, the TPEP Fund could be disadvantaged as a result of:

- legal restrictions on the combined position that may be taken for all accounts we manage, thereby limiting the size of such TPEP Fund's position (examples include industry-specific limitations that arise in sectors like healthcare, trucking and banking);
- restrictions on the acquisition or disposition of the investment that result from the Other TPG Funds' limited partnership (or similar) agreements or nondisclosure agreements signed by the Other TPG Funds (see "*Conflicts Arising Generally from the Investment Activities of Other TPG Funds – Contractual Restrictions*") or their receipt of material non-public information (see "*Conflicts Arising Generally from the Investment Activities of Other TPG Funds – Possession of Material Non-Public Information*");
- the difficulty of liquidating an investment for more than one account where the market cannot absorb the sale of the combined positions;
- an Other TPG Fund serving on a committee in a proceeding under Chapter 11 of the U.S. Bankruptcy Code; and
- other regulatory or legal restrictions on transactions.

Additionally, in certain circumstances we may want to avoid Exchange Act reporting requirements and rules that compel "disgorgement" of trading profit, in each case that would arise, for example, when TPG, in the aggregate, exceeds certain beneficial ownership thresholds. These restrictions could make an investment less attractive than it would otherwise be and reduce or entirely inhibit a TPEP Fund's ability to acquire or dispose of particular investments at a desired time or price.

In addition, we and Other TPG Funds may express inconsistent views of a commonly held investment, or of market conditions more generally, or an Other TPG Fund may have a different term, structure, investment strategy or investment period. As a result, the actions of an Other TPG Fund could affect the value of the TPEP Fund's investment. For instance, a sale by the Other TPG Fund of its stake in a public company could put downward pressure on the value of the TPEP Fund's interest in the same company. The Other TPG Fund is under no obligation to act in a way that furthers or protects the interests of the TPEP Fund. An Other TPG Fund could earn a return on its investment that exceeds the TPEP Fund's return.

### *Conflicts Related to Investments by Other TPG Funds*

Other TPG Funds occasionally invest in competitors or customers of or service providers or suppliers to companies in the TPEP Funds' portfolios. These circumstances give rise to a variety of conflicts of interest. For example, the Other TPG Fund or its portfolio company may take actions for commercial reasons that have adverse consequences for a company in which the TPEP Funds have a long position, such as seeking to increase its market share at the expense of the company in the TPEP Funds' portfolio (as a competitor), withdrawing business from the



company in the TPEP Funds' portfolio in favor of a competitor that offers the same product or service at a more competitive price (as a customer), increasing prices in lock-step with other enterprises in the industry (as a supplier) or commencing litigation against the company in the TPEP Funds' portfolio (in any capacity). An Other TPG Fund may also obtain information while dealing with its portfolio companies that it is prohibited from acting on or disclosing to us as a result of confidentiality requirements or applicable law, even though such action or disclosure would be in the TPEP Funds' interests. The Other TPG Funds are under no obligation to take into account the TPEP Funds' interests in advising their portfolio companies or otherwise managing their assets.

#### *Conflicts Related to Investing in Different Levels of the Capital Structure*

The Other TPG Funds invest in a broad range of asset classes throughout the corporate capital structure, including loans and debt securities, preferred equity securities and common equity securities. Accordingly, it is possible that a TPEP Fund will hold an interest in one part of a company's capital structure while an Other TPG Fund holds an interest in another; similarly, a TPEP Fund may be "short" a company that an Other TPG Fund is "long". Decisions taken by the Other TPG Fund in these circumstances to further its interests may be adverse to the interests of a TPEP Fund.

For example, a TPEP Fund could acquire a significant equity stake in a company whose debt securities are already held by an Other TPG Fund. As a creditor of the company, the Other TPG Fund could take actions, consistent with its obligations to maximize the return to its investors, that would be adverse to the interests of the TPEP Fund as a holder of more junior securities. The Other TPG Fund, for instance, could cause the acceleration of the portfolio company's debt or exercise other rights it has that could precipitate a sharp decline in the value of the equity held by the TPEP Fund. The Other TPG Fund would be under no obligation to take any action or refrain from taking any action to prevent or mitigate any losses by the TPEP Fund.

#### *Conflicts Related to a Master-Feeder Structure*

Certain of the TPEP Funds execute their investment strategy by investing all or substantially all of their assets in master funds. This structure poses conflicts of interest among the TPEP Funds invested in such master fund because, for tax or other reasons, some investments or potential investments by such master fund might be more appropriate or desirable for investors in one TPEP Fund than for investors in another TPEP Fund.

#### *Conflicts of Interest Among a Diverse Set of Investors*

The TPEP Funds' investors are a diverse group of investors who have different investment programs and are subject to different legal, tax and regulatory regimes. For example, the investors in the TPEP Funds include taxable and tax-exempt entities and have been organized in various jurisdictions. The nature and diversification of the TPEP Funds' investments, as well as the manner in which they make, structure, hold and exit them, may therefore lead to a more favorable legal, tax or regulatory outcome for some investors. In selecting investments appropriate for the TPEP Funds, we generally consider the investment objectives of the TPEP Funds as a whole, not the investment objectives of any investor individually. To the extent we

are able to structure certain investments based in part on the legal, tax and regulatory constraints of investors, we will not take into account such interests as they relate to each individual investor. An investor in a TPEP Fund generally bears its share of the costs associated with a structure designed to address the concerns of the TPEP Fund investor base generally, regardless of whether the particular investor itself benefitted.

#### *Conflicts Related to the Valuation of Assets and Liabilities*

Each TPEP Fund's general partner has delegated to us the responsibility of valuing its assets and liabilities. We will either

- value the assets of the TPEP Funds in accordance with U.S. generally accepted accounting principles ("GAAP"), including Financial Accounting Standards Board Accounting Standards Codification Topic 820, Fair Value Measurements, or such other rules required by GAAP; or
- follow some other prudent valuation method that we consider in the circumstances to reflect more fairly the value of a particular investment.

It is possible that our valuation policy will lead to different valuations than those produced pursuant to Accounting Standards Codification Topic 820. In this case, the valuation presented in the TPEP Funds' audited financial statements will differ from that used to determine the net asset value of the TPEP Funds, which in turn is used to calculate contributions and withdrawals as well as advisory fees and performance allocations. A significant degree of judgment and discretion is inherent in valuing assets.

While we follow rigorous valuation methodologies and procedures that are designed to ensure that our fair value determinations are the product of the foregoing policy, and while in most cases we will base our valuation of the securities held by the TPEP Funds entirely on market prices, we have incentives to arrive at higher valuations. First, advisory fees and performance allocations are calculated based in part on our valuations; arriving at higher valuations would lead to higher advisory fees and performance allocations. Second, we regularly report to investors in the TPEP Funds, prospective investors and the investor community more generally metrics of the TPEP Funds' performance, such as rates of return, whose calculation depends on the value of the TPEP Funds' investments. These reports are an indication of the overall health of the TPEP Funds and are important to our efforts to attract investors to TPEP Funds and Other TPG Funds. An objective of our valuation methodologies and procedures is to eliminate any influence these incentives may have on our fair value determinations.

For the purpose of calculating the TPEP Funds' net asset value, we will, and are entitled to, rely on, and will not be responsible for the accuracy of, financial data the TPEP Funds' prime brokers, market makers or independent third-party pricing services furnish us. We also may use and rely on industry standard financial models in pricing certain securities or other assets.

#### *Conflicts Related to Strategic Transactions*

TPG is a broad-based alternative investment platform that may engage in strategic transactions, including the acquisition of, or combination with, other investment platforms, without regard to

whether any such platform would have an investment mandate similar to the TPEP Funds'. Nothing in the Governing Documents prohibits or restricts such strategic transactions.

In the event that TPG, its affiliates or any others engage in any such transaction or otherwise engage in any actions or any other event occurs that results in an assignment (including for purposes of the Advisers Act) of the Advisory Agreements or any other agreement (including because of any change in TPG's control group), and as a result we or any other entity must seek the consent of the TPEP Fund under applicable law, the general partner or Board of Directors of the TPEP Fund will not seek the consent of the limited partners or shareholders of such TPEP Fund but will have the authority to act for the TPEP Fund in determining whether or not to provide any required consent.

Since the general partner or Board of Directors of the TPEP Fund is under common control with us and we each may have a financial interest in the consummation of any such transaction that is different from the interests of the TPEP Fund or its limited partners, the general partner or Board of Directors of the TPEP Fund will likely have a conflict of interest in making this determination. Pursuant to the Governing Documents, the general partner or Board of Directors of the TPEP Fund is under no obligation to seek approval from the TPEP Fund's limited partners as to any such consent, and the limited partners will not have the right to remove the general partner or Board of Directors or cause the TPEP Fund to terminate the Advisory Agreement, transfer their interests or otherwise exit the TPEP Fund, or exercise any other rights or remedies (other than remedies provided in the TPEP Fund's Governing Documents).

#### *Conflicts Arising from Customized Terms Provided to Certain Investors*

Investors increasingly expect to make investments in private investment funds on customized terms. We accommodate these expectations in our discretion by entering into written agreements, which we refer to as "side letters," or establishing separate accounts that provide such investors with customized terms. These customized terms typically result in preferential treatment with respect to, among other things,

- waiving, reducing or calculating differently advisory fees or performance allocation;
- different admission dates, withdrawal dates, lock-up periods and other restrictions with respect to the applicable TPEP Fund;
- withdrawal rights from the applicable TPEP Fund, including in the event of adverse regulatory or other events;
- waiving minimum subscriptions in the applicable TPEP Fund;
- the revocation of withdrawal notices in respect of the applicable TPEP Fund;
- the regulatory reporting obligations of the applicable TPEP Fund;
- the right to transfer interests in the applicable TPEP Fund;
- additional confidentiality protections or waiver of existing confidentiality obligations;

- “most favored nations” clauses;
- notice and/or information rights;
- manner of distributions; or
- any other terms, whether economic, procedural or otherwise.

We will consider many factors in deciding whether to accord investors in TPEP Funds customized terms via a side letter and expect to grant preferential treatment to the following types of investors:

- investors that have made or have proposed to make relatively large commitments to the TPEP Fund or Other TPG Funds or that are anticipated to be important to future TPG fundraising campaigns;
- investors that have a broader strategic relationship with TPG;
- investors that are subject to specific legal, tax or regulatory requirements or policies applicable to them; and
- other investors meeting other criteria we consider reasonable in our discretion.

We have no obligation to disclose or offer any such additional rights, terms or conditions to any other investor in such TPEP Fund, except to the extent required by the Governing Documents of the applicable TPEP Fund.

#### *Favorable Terms Provided to Affiliates and Related Persons*

The employees, business associates and other “friends of the firm” of TPG are typically able to invest directly or indirectly in TPEP Funds on terms that are more favorable than those offered to other investors. Such favorable terms may involve, among other things, a waived or reduced advisory fee and/or performance allocation, and the waiver or reduction of other restrictions. We have no obligation to disclose or offer such favorable terms to any other investor in the TPEP Funds, except to the extent required by the Governing Documents of the applicable TPEP Funds.

#### *Third-Party Placement Agents*

We from time to time enter into arrangements with third parties to raise capital for a TPEP Fund. Such placement agents typically receive a flat fee or in some cases a percentage of the investments they bring to the TPEP Fund. We generally expect to bear such fees (directly or indirectly through fee offsets) instead of the TPEP Funds. Basing the placement agent’s compensation on an investor’s decision to invest creates a conflict of interest by incentivizing the placement agent to attract investors to a TPEP Fund when it may not be in the investors’ best interests to subscribe.

### *Personal Trading*

The Governing Documents do not prohibit us, the TPEP Funds or their respective general partners, or their employees, members or principals (or any other person) from buying or selling securities or commodity interests for their own account. We maintain compliance policies and procedures, including personal trading policies, however, that are designed to reduce potential conflicts of interest related to personal trading.

### *Conflicts Arising from Other Relationships with TPG-Related Persons*

We, in our discretion, may contract for ourselves or on behalf of the TPEP Funds with

- any related person of TPG (including, for example, a portfolio investment of an Other TPG Fund or a family member of TPG personnel); or
- a person with which TPG has a relationship or from which TPG otherwise derives financial, personal or other benefit to perform services (including brokerage services).

In such circumstances, TPG will have a financial, personal or other business incentive to recommend the related or other person even if another person is more qualified to provide the applicable services or can provide such services at a lesser cost.

### *Conflicts Arising from Business with Certain Investors*

We have service providers, including for example, investment bankers and outside legal counsel, who are investors in TPEP Funds and/or who provide services to businesses that are our competitors. We have a conflict of interest with the TPEP Funds in recommending the retention or continuation of a service provider if such recommendation, for example, is motivated by a belief that the service provider will continue to invest in the TPEP Funds or Other TPG Funds or will provide us information about our competitors. There is a possibility that we, because of such belief or for other reasons, will favor such retention or continuation even if a better price and/or quality of service could be obtained from another person.

### *Conflicts Related to Legal Counsel and Other Service Providers Engaged by the TPEP Funds and Other TPG Funds*

The TPEP Funds and Other TPG Funds will often engage common legal counsel and other advisors to represent all of the TPEP Funds and/or Other TPG Funds in a particular transaction, including a transaction in which a TPEP Fund or Other TPG Fund has conflicting interests because it has invested in different securities of the company. In the event of a significant dispute or divergence of interest between a TPEP Fund or Other TPG Funds, such as in a work-out or other distressed situation, separate representation will typically become desirable, in which case the TPEP Funds and the Other TPG Funds may hire separate counsel in our sole discretion, and in litigation and other circumstances, separate representation will occasionally be required. Law firms engaged to represent TPEP Funds and Other TPG Funds, partners in those firms or entities affiliated with those firms may be investors in such TPEP Fund or Other TPG Funds, and may also represent one or more portfolio investments or limited partners of such TPEP Fund and/or Other TPG Funds.

### *Conflicts Arising from the Rates of Third-Party Advisors and Other Service Providers*

The TPEP Funds will retain or pay for advisors and service providers, including accountants, administrators, lenders, bankers, brokers, attorneys, sourcing persons and consultants. Some of these advisors and service providers also provide services to or have other relationships with TPG. While we will generally seek to engage advisors and service providers on behalf of the TPEP Funds on the basis of the quality of the advice and other services provided, these relationships may influence our decision to select or recommend an advisor or service provider to perform services for the TPEP Funds (the cost of which will generally be borne directly or indirectly by the TPEP Funds). In certain circumstances, advisors and other service providers may charge rates or establish other terms for advice and services provided to TPG, Other TPG Funds or any of their respective affiliates or portfolio companies that are different from and more favorable than those charged in respect of advice and services provided to the TPEP Funds. Moreover, whereas we typically negotiate on a matter-specific basis the rates or amounts payable for such services, the TPEP Funds may sometimes pay higher rates or amounts than we would for such services.

### *Conflicts Arising from Interpreting the Provisions of the Governing Documents and Other Relevant Documents and Other Legal Requirements*

The Governing Documents are detailed agreements that establish complex arrangements among the TPEP Funds, investors in the TPEP Funds, us, the general partner of the TPEP Funds, and other entities and individuals. Questions arise under these agreements regarding the parties' rights and obligations in certain situations, some of which will not have been contemplated at the time of the agreements' drafting and execution. In these instances, the operative provisions of the agreements, if any, may be broad, general, ambiguous or conflicting, and permit more than one reasonable interpretation. At times there will not be a provision directly applicable to the situation. While we will construe the relevant agreements in good faith and in a manner consistent with our legal obligations (and, when appropriate, in consultation with external legal counsel), the interpretations we adopt will not necessarily be, and need not be, the interpretations that are the most favorable to most investors.

## **ITEM 12 – BROKERAGE PRACTICES**

### ***Investment or Brokerage Discretion***

For each of the TPEP Funds, we have sole discretion over the purchase and sale of investments (including the size of such transactions) and the broker or dealer, if any, to be used to effect transactions. We seek the best price and execution available except to the extent we are permitted to pay higher brokerage commissions in exchange for brokerage and research services (as discussed below). "Best execution" means obtaining for a TPEP Fund the lowest total cost (in purchasing a security) or highest total proceeds (in selling a security), subject to the circumstances of the transaction and the quality and reliability of the executing broker or dealer.

In selecting brokers or dealers, we generally consider various factors, including:

- the broker-dealer's reputation, experience and financial stability;

- the broker-dealer's ability to maintain our anonymity;
- the broker-dealer's ability to provide competitive pricing;
- the transaction's size and timing;
- the broker-dealer's ability and willingness to commit capital and provide prompt and accurate execution and settlement;
- whether the broker-dealer makes a market in a security and/or finds sources of liquidity;
- the nature of the market for the security and the difficulty of execution;
- the broker-dealer's trading expertise, including its ability to minimize total trading costs and to trade without unduly impacting the market;
- the belief that the broker-dealer charges fair and reasonable fees for trades, and that the TPEP Funds have been treated fairly and honestly in prior trades;
- the quality of execution and service rendered by the broker-dealer in prior transactions;
- any proprietary research and investment ideas; and
- our overall relationship with the broker-dealer.

We have formal arrangements with certain specific brokers or dealers to receive research or other services beyond transaction execution in exchange for higher brokerage commissions from client transactions (so-called "soft dollar" arrangements). In addition, we may select brokers or dealers who provide us with research reports and services, including:

- proprietary broker-dealer company research and analyses;
- oral and written reports, statistics and advice about the economy, industries and individual securities' or company investment opportunities;
- reports on underwriting activity, bank rates, loan defaults, loan new issuance volumes and other capital markets statistics; and
- opportunities to confer with company management.

In accordance with Section 28(e) of the Exchange Act, broker-dealers providing such services will from time to time be paid commissions on transactions for the TPEP Funds in excess of those that other broker-dealers not providing such services might charge so long as we determine in good faith the amount of commissions is reasonable in relation to the value of the brokerage and research services provided. Any such research service may be broadly useful and of value to us in rendering investment advice to all or a significant portion of the TPEP Funds, or may be relevant and useful for the management of one or only a few of the TPEP Funds' accounts, regardless of whether such account or accounts paid commissions to the broker-dealer through

which the research service was provided. Recognizing the value of the brokerage and research services provided, we from time to time will allow a brokerage commission or negotiated term in excess of that which another broker might have charged for effecting the same transaction. A conflict of interest exists when a broker-dealer provides such research services, as we will have an incentive to favor such broker-dealer over another that may charge lower commissions.

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

### ***Trade Aggregation***

In pursuing our investment objectives, we cause the TPEP Funds to purchase and sell publicly traded securities through brokers. If we have determined to sell or purchase a publicly traded security at the same time for more than one TPEP Fund, we will seek to ensure that combined orders for all TPEP Funds are generally placed while assigning pre-order allocations. If an order for more than one TPEP Fund cannot be fully executed, we typically “bunch” buy or sell orders for two or more TPEP Funds into a single large order, and place the bunched order with a single broker or dealer for execution. In many instances, such “bunching” of orders can result in lower commissions, a more favorable net price or more efficient execution than if each TPEP Fund’s order were placed separately. There may, however, be instances in which order bunching results in a less favorable transaction than a particular TPEP Fund would have obtained by trading separately. Similarly, when orders are not bunched, there may be circumstances when purchases or sales of portfolio securities for one or more TPEP Funds will have an adverse effect on other TPEP Funds. We are not obligated to place all transactions on a “bunched” basis. We generally will seek to avoid putting any TPEP Fund at an advantage or disadvantage compared to other TPEP Funds that are buying or selling the same security. Each TPEP Fund participating in a “bunched” order generally will participate at the same price as all other participants, and all transaction costs on the order will be allocated pro rata to all participating TPEP Funds.

## **ITEM 13 – REVIEW OF ACCOUNTS**

### ***Review of Accounts***

We provide continuous advisory services for the TPEP Funds. The portfolio investments of each TPEP Fund are primarily reviewed by us and our dedicated team of investment professionals. TPG provides general oversight and advice with respect to our investment decisions.

### ***Reporting***

We generally do not provide formal written reports to any TPEP Fund unless specifically requested by the general partner of the vehicle. We generally report to investors in a TPEP Fund in accordance with the applicable Governing Documents.



#### **ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION**

For information regarding any economic benefits we receive from non-clients, including a description of related conflicts of interest, please see “*Item 10 – Other Financial Industry Activities and Affiliations*” above. In addition, we and our related persons, in certain instances, receive discounts on products and services provided by portfolio companies held by Other TPG Funds and/or the customers or suppliers of such portfolio companies.

#### **ITEM 15 – CUSTODY**

Not applicable.

#### **ITEM 16 – INVESTMENT DISCRETION**

Pursuant to the Advisory Agreement of each TPEP Fund, and subject to the direction and control of the general partner of such TPEP Fund, we generally perform the day-to-day investment operations of the TPEP Fund in accordance with the terms and conditions of the Advisory Agreement and partnership agreement of the TPEP Fund.

#### **ITEM 17 – VOTING CLIENT SECURITIES**

We have been delegated the authority to vote proxies (which, for these purposes, includes other corporate actions, such as consent requests) regarding securities held by the TPEP Funds. We have adopted and implemented policies and procedures reasonably designed to ensure that we vote proxies in the best interests of the TPEP Funds. In exercising our voting discretion, we seek to avoid any direct or indirect conflict of interest between the TPEP Funds and the voting decision.

It is our general policy to vote or to give consent on all matters presented to security holders in any proxy or similar request, and our policies and procedures have been designed with that in mind. However, we reserve the right to abstain on any particular vote or otherwise to withhold our vote or consent on any matter if, in the judgment of certain of our professionals, the costs associated with voting such proxy outweigh the benefits to the applicable TPEP Funds or if the circumstances make such an abstention or withholding otherwise advisable and in the best interest of the applicable TPEP Funds.

The TPEP Funds generally cannot direct our vote.

Our Chief Compliance Officer or his/her delegate (a “Proxy Reviewer”) is responsible for monitoring proxy decisions for any actual or perceived conflicts of interests. All proxy voting decisions require a mandatory conflicts of interest review by a Proxy Reviewer, which includes consideration of whether we or any investment professional or other person recommending how to vote the proxy has an interest in how the proxy is voted that may present a conflict of interest. When the Proxy Reviewer deems appropriate in his/her sole discretion, unaffiliated third parties may be used to help resolve conflicts. In this regard, the Proxy Reviewer has the power to retain independent fiduciaries, consultants or professionals to assist with proxy voting decisions and/or to delegate voting or consent powers to such fiduciaries, consultants or professionals.

When voting proxies on behalf of TPEP Funds, we vote in a manner that we believe is consistent with the best interest of the TPEP Funds, which may include agreeing with a third party to vote on a matter in a particular manner if we deem such agreement to be in the best interest of the TPEP Funds. We do not permit proxy voting decisions to be influenced in any manner that is contrary to, or dilutive of, this guiding principle.

In accordance with the requirements of the Advisers Act, we maintain records of our proxy voting for at least five years and, at a TPEP Fund's request, will furnish proxy voting information, free of charge, to the requesting TPEP Fund within a reasonable period of time (usually within ten business days). TPEP Funds may request proxy voting information by contacting the Chief Compliance Officer at (817) 871-4000 or by writing to TPG PEP Advisors, LLC, Attn: Chief Compliance Officer, at 301 Commerce St., Suite 3300, Fort Worth, Texas 76102.

#### **ITEM 18 – FINANCIAL INFORMATION**

Not applicable.