

**Form ADV Part 2A**

**Darby International Capital LLC**

**Vienna, Virginia**

**September 2020**

**This brochure provides information about the qualifications and business practices of Darby International Capital LLC (“Darby” or the “Firm”). If you have any questions about the contents of this brochure, please contact Richard Frank, Jr., Darby’s Chief Compliance Officer (“CCO”) at (202) 412-8857 or richardfrankjr@doil.com.**

**The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

**Additional information about Darby International Capital LLC is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Any reference to Darby International Capital LLC as a “registered investment adviser” or being “registered” does not imply a certain level of skill or training.**

## **ITEM 2 - MATERIAL CHANGES**

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This is the Firm's initial submission of this Brochure. In the future, this Item will be used to report any material changes.

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## ITEM 4 – ADVISORY BUSINESS

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Darby International Capital LLC (“**Darby**” or the “**Firm**”), a Delaware limited partnership, was organized in August 2020 and is headquartered in Vienna, VA. Richard Frank, Jr. and Ignacio Aicardi are the members and control people of Darby.

Darby will provide investment advisory services to pooled investment vehicles (each a “**Fund**, or together the “**Funds**”). Darby will manage the Funds pursuant to investment guidelines set forth in the relevant governing and offering documents of the Funds, including any limited partnership agreement, investment management agreement, sub-advisory agreement, private placement memorandum and/or subscription agreement (each an “**Offering Document**”, and collectively, the “**Offering Documents**”). The Offering Documents contain more detailed information about the Funds, including a description of the investment objective and strategy or strategies employed by the Funds and related restrictions that serve as a limitation on Darby’s advice or management. Each Investor is strongly encouraged to undertake appropriate due diligence, including but not limited to a review of relevant Offering Documents and the additional details about Darby’s investment strategies, methods of analysis and related risks in Item 8 of this Brochure in considering whether Darby’s advisory services or an investment in a Fund are appropriate to its own circumstances based on all relevant factors including, but not limited to, the individual investor’s (each an “**Investor**” and collectively the “**Investors**”) own investment objectives, liquidity requirements, tax situation and risk tolerance before making an investment decision.

Darby will not tailor its advisory services to the Investors, or provide Investors with the right to specify, or restrict the Funds’ investment objectives or any investment or trading decisions. Accordingly, an investment in a Fund does not create a client-adviser relationship between such Investors and Darby. Each of the Funds are expected to rely on the exception from the definition of an “investment company” provided by Section 3(c) (7) of the U.S. Investment Company Act of 1940, as amended (the “**1940 Act**”).

Each of the Funds will have a general partner or other governing entity (each, a “**General Partner**”). Each General Partner will have ultimate responsibility for decisions relating to management and operations made on behalf of the relevant Funds and has ultimate responsibility for the investment decisions made on behalf of such Fund. Each General Partner intends to delegate investment management and advisory responsibilities for the relevant Fund to Darby.

Additional detailed information about Darby is provided below, including information about Darby’s advisory services, investment approach, personnel and affiliations.

Darby will not participate in wrap fee programs.

Darby currently have no assets under management but intends to advise assets in excess of the asset eligibility level requirements within 120 days of being approved as a registered investment adviser with the U.S. Securities and Exchange Commission (the “**SEC**”). In accordance with Rule 203A-2 of the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”), Darby intends to update this Form ADV Part 2A (along with the Form ADV Part 1) to reflect, among other things, its regulatory assets under management within 120 days of registration to indicate that it has met the asset eligibility requirements for registration.

## ITEM 5 – FEES AND COMPENSATION

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Darby and its affiliates receive management fees and/or carried interest, a performance allocation or similar profit allocations from the Funds. The Funds may also indirectly incur or generate other fees payable to Darby, depending on the nature of the portfolio activities. Certain fees generally will reduce management fees otherwise payable to Darby as described below.

The Funds may also bear certain out-of-pocket expenses incurred by Darby in connection with the services provided. The following sections discuss the most common fees and expenses, which are described in more detail in the relevant Offering Documents for the Funds.

### Management Fees

As an investment adviser to the Funds, as further described in the Offering Documents, Darby will receive an annual management fee, generally paid on a quarterly basis, in advance, at a negotiated rate documented in the governing documents and/or investment advisory contract with respect to a Fund. Specific rates with respect to any Fund are set forth in that Fund's Offering Documents. Additionally, Darby may waive or reduce management fees for certain Investors in its discretion.

Generally, Darby's investment advisory contracts with the Funds will terminate within a reasonable period of time following one party's receipt of written notice of termination (for any (or no) reasons set forth in the investment advisory contract) from the other party. Investors in the Funds do not generally have the ability to terminate the investment advisory contracts between such Funds and Darby. Similar advisory services may be available from other investment advisers at lower cost.

### Performance-Based Arrangements

Please see Item 6 for a discussion of the performance-based arrangements payable to Darby in respect of the Funds.

### Other Fees

In connection with the Funds and its investments, Darby may receive transaction, management, investment banking, monitoring, closing, topping, break-up, and other similar fees ("**Other Fees**"). If any, 100% of such Other Fees will be applied to reduce the management fee for the following quarterly period (net of any unrecouped expenses which Darby or the General Partner has elected to pay on behalf of the Funds), provided, that Other Fees shall not encompass any fees or other compensation paid (whether in cash or in-kind) to Darby or its affiliates in consideration of it providing bona fide consulting or other similar services to clients, including entities associated with an investment but shall encompass the portion of such consulting or other similar fees allocable to the Funds' investment in an investment; and provided, further, that Other Fees shall not include any of the foregoing fees that Darby has elected to share with the Funds, but shall include any of the foregoing fees that Darby or General Partner has retained. To the extent such offsets would reduce the management fee for a given quarterly period below zero, such offsets will be carried forward and reduce future installments of the management fee. If upon termination of the Funds there remains any unapplied balance of the management fee offset, Darby will promptly refund to each Investor a cash amount equal to the Investor's prorated share of the

unapplied balance of the management fee offset, based on the share of the management fee funded by capital contributions by such Investor or otherwise attributable to such Investor. For the avoidance of doubt, any fees paid to the Funds in connection with investments will not be included in Other Fees, but rather will be considered as investment proceeds that are subject to the distribution provisions, as prescribed in the Offering Documents.

#### Expenses Applicable to the Funds

The Funds will be responsible for, or reimburse Darby's operational expenses and all expenses related to each Fund's own operations ("**Fund Expenses**") including, without limitation: fees and expenses of custodians and administrators; any U.S. federal, state, local, foreign or other taxes or other governmental charges levied against the Funds and all expenses incurred in connection with any tax audit or any other investigation, settlement or review of the Funds; out-of-pocket costs and expenses related to preparation of tax reports, tax returns and filings for the Investors or the Funds; fees and disbursements of valuation agents, accountants, auditors, legal counsel and other professional advisors (including expenses of consultants, independent appraisal agents and experts) relating to and for any portfolio companies or holdings (and any boards thereof), investments, the Funds or any subsidiary of the Funds; all fees and other out-of-pocket expenses related to the investigation of investment opportunities and the acquisition, ownership, financing, monitoring, hedging or sale of investments (whether or not consummated); meetings of any boards, committees, subcommittees or partners or other equity holders of the Funds; reasonable travel and lodging expenses of any advisory committee member, and expenses of the investment committee and the Funds' other committees, other than fees and expenses of those members of such committees affiliated with Darby; the issuance and redemption of equity by the Funds and establishment, maintenance, operation and winding-up, as applicable of any subsidiary of the Funds; all costs related to litigation involving the Funds, directly or indirectly, including, without limitation, attorneys' fees incurred in connection therewith, or indemnification, exculpation, hold-harmless and contribution obligations of the Funds or other extraordinary expenses and liabilities relating to the affairs of the Funds; the costs of any litigation, director and officer liability or other insurance and indemnification or extraordinary expense or liability relating to the affairs of the Funds; the fees and expenses associated with any preparation and filings related to Form PF, CPO-PQR, AIFMD and other regulatory filings which seek information about the Funds.

#### Expenses Applicable to Organization of a Fund

Generally, each Fund, if established, will bear, and will reimburse Darby (or the General Partner of the particular Fund) for offering, start-up and organizational expenses of the Fund, including legal, accounting, filing, travel and other such expenses.

#### Transaction Fees

It is anticipated that the Funds may charge issuers a front-end fee and a commitment fee ("**Transaction Fees**") on undisbursed balances. These fees are usually paid to the Fund, but to the extent such fees, plus all other fees, including, without limitation, all appraisal fees, directors' fees, monitoring fees or success fees, are paid to Darby or an affiliate thereof, the amount of such fees shall reduce the management fee on a dollar for dollar basis, but not below zero. For the avoidance of doubt, travel costs and out of pocket expenses will not constitute Transaction Fees. Any Transaction Fees that had not been applied to reduce the Advisory Fee at the time of

dissolution of the Fund will be paid to the Fund by Darby or an investment adviser of a particular Fund and distributed to the Investors pro rata.

The recipients of this Brochure should refer to the relevant governing documents of each Fund for specific information about expenses to be borne by each specific Fund advised by Darby.

Neither Darby nor any of its supervised persons accept compensation for the sale of securities or other investment products.

## **ITEM 6 – PERFORMANCE-BASED FEES**

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Darby shall be entitled to a performance-based “carried interest” that may vary from Fund to Fund. Performance-based arrangements for each of the Funds are described in the relevant Offering Documents for the Funds. All performance-based fees or allocations may be subject to modification (e.g., higher preferred return rates), waiver or reduction. Performance-based compensation arrangements are appropriate only for sophisticated clients and Investors as they may create certain risks and conflicts of interest, including those discussed further below.

Performance allocations for the Funds generally represent a share of distributions made by a Fund in excess of the relevant Investors’ invested capital, its allocable share of fees and expenses and a preferred return hurdle.

Performance fees or carried interest profit allocations are subject to regulation under Section 205 of the Advisers Act and Rule 205-3 thereunder. Therefore, Darby seeks to ensure that any Fund or Investors that are directly or indirectly assessed performance fees or are subject to carried interest profit allocations satisfy the qualifications of Rule 205-3 under the Advisers Act and have been advised of such fees or allocations and their risks.

For any Fund, performance fees or carried interest allocations generally do not exceed 20% of profits, and may be subject to certain preferred return hurdles, catch-up allocations and clawback provisions. The manner of calculation and application of performance fees or carried interest profit allocations are disclosed in the Offering Documents for, and detailed in the governing agreements of, each Fund.

The existence of these performance-based distributions may create various potential conflicts of interest, including an incentive for Darby to make investments on behalf of the Funds that are riskier than would be the case if Darby were not entitled to receive such performance-based distributions, or to favor certain accounts based on pecuniary or compensatory interests. Darby maintains policies and procedures, including its Code of Ethics, reasonably designed to mitigate these and other conflicts.

## **ITEM 7 – TYPES OF CLIENTS**

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Darby shall provide discretionary investment advisory services to the Funds, each a privately offered pooled investment vehicle, and not individually to the Investors in the Funds. The Investors in the Funds will be “accredited investors” in reliance upon the exemption from registration provided by Section 4(a)(2) of the Securities Act of 1933, as amended (the “**Securities Act**”), and Regulation D promulgated thereunder and the Investors in certain of the Funds also are “qualified purchasers”, as such term is defined in Section 2(a)(51) of the 1940 Act, and the rules

and regulations promulgated thereunder. In addition, Darby may, in the future, offer investment advisory services to other pooled investment vehicles.

Darby generally imposes an initial investment minimum to establish a client relationship or to invest in the Funds, but may waive or change any such minimums in its discretion. Investors or clients may also be subject to additional qualifications based on, among other things, legal or regulatory requirements associated with the vehicle or investment strategy. Account opening and maintenance requirements are described in more detail in the relevant Offering Documents.

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

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Darby intends to use various methods of analysis and investment strategies in formulating its investment advice to the Funds. Any investment in securities involves a risk of loss that all of Darby's clients should be prepared to bear.

The investment strategy for the Funds shall be formulated by Darby in a manner that reflects its investment philosophy and will be consistent with each Fund's objectives. Darby has not established any specific holding periods with respect to the Funds' investments.

Darby's principal investment objective in advising the Funds is to realize current income and achieve capital appreciation primarily by investing in a diversified portfolio of structured loans with equity kickers to companies located or operating in Latin America, with primary emphasis on Brazil, Colombia, Mexico and Peru and a selective, opportunistic emphasis on other countries in Latin America. Darby will seek to build portfolios that provides for both a current yield and an attractive total return with significant risk mitigation. To this end, in advising the Funds Darby will pursue a prudent diversification of risk with respect to sector allocation, single issuer exposure and geographic distribution.

### **Investment Structures**

In advising the Funds, Darby will seek to make investments primarily in the form of structured credit obligations, in which risk/return characteristics bridge the gap between those of senior bank debt and equity, composed of a contractual yield on the debt (predominantly in the form of cash interest, but at times also including PIK interest), and additional returns associated with equity kickers.

This return is calculated on the basis of the following two main elements:

*Market conditions:* Assumptions regarding gross returns on structured credit are based on market intelligence. The assumed gross returns on the structured loans to portfolio companies are based on conditions prevailing in both the senior bank debt and private equity markets in the different sectors and geographic markets targeted by the particular Fund. The interest spreads assumed in the financial model for the Funds take into account that structured credit returns, which typically are between those for equity and senior bank debt, are affected by the existing liquidity in both private equity and senior bank debt markets in Latin America.

*Fund costs:* Fund costs include start-up and operating expenses, as well as loan losses calculated on the basis of assumed loan default and recovery rates. Default rates and recovery



assumptions are derived from Darby's own experience with its Latin America and Asia private debt funds, available data on U.S. and Western European structured credit, and the experience of investment team members with senior and subordinated debt performance in Latin America.

The Funds will seek investment opportunities whose risk/return profile lie between that of equity and senior bank debt and that share characteristics of each. Structured credit investors target returns that are higher than those associated with traditional (senior) loans. In advising the Funds, Darby will seek to realize such higher returns through a combination of cash yield from base interest and additional returns from sharing in the financial success of the company. Darby will invest primarily through senior, or senior structurally subordinated, debt with associated equity participation features such as conversion rights, profit participation rights, rights to PIK interest, warrants and options to acquire shares at a favorable cost, or other instruments or contractual rights that will allow the Funds to participate in the equity of the portfolio company and provide for a share in its profits and capital value appreciation.

Except in the case of direct equity investments (as discussed below), the Funds' investments generally will be structured to more closely resemble the characteristics of debt rather than equity, often with associated collateral and restrictive covenants. The terms of a Fund's loans typically will include representations and warranties, financial covenants such as coverage ratios, restrictions on incurrence of additional debt, restrictions on dividend pay-outs, and a robust package of affirmative and negative covenants typical of cross-border USD loan transactions.

Darby expects to make investments in its "Focus Sectors" (as listed below) primarily on a corporate finance basis. Darby anticipates that the majority of investments, by original cost, will be corporate financings in which a structured loan is extended on the strength of the issuer's balance sheet and cash flow, as well as its general (as opposed to single-purpose) business undertakings.

Within the corporate finance area, the Funds' activity is expected to focus on middle-market companies with a proven management track record, modest financial leverage, and stable operating cash flows that require long-term risk capital, typically for expansion, acquisition, debt refinancing, buy-out (LBOs, MBOs), or capital restructuring purposes. Darby expects the majority of investments to be non-sponsored transactions (i.e. those not realized in tandem with private equity funds) while, on a highly selective basis, Darby will invest the capital of the Funds in sponsored transactions, primarily for growth capital and only in cases where the Funds controls, or will have strong influence over, the structured credit investment.

## **Equity Investments**

In addition, Darby may also invest the assets of the Funds in equity investments on a standalone basis.

## **Geographic Focus**

As noted above, the central premise underlying Darby's investment proposition is the favorable long-term economic prospects and the continued progress in corporate and financial reform in Latin America, coupled with the shortage of long-term capital in the region. Darby will focus the Funds' investment activities in Latin America, primarily in, but not limited to: Brazil, Colombia, Mexico and Peru.

## **Company and Sector Focus**

Consistent with Darby's global strategy, the Funds will target middle-market companies –typically with EBITDA of between US\$5 million and US\$20 million. Darby will generally adopt a sector-agnostic investment strategy, focusing on companies with a proven management track record, modest financial leverage, stable operating cash flows and generally requiring long-term non-controlling risk capital to pursue expansion, refinancing or acquisition financing transactions.

Darby expects to focus the investment activity of the Funds in sectors that are expected to benefit from the ongoing economic developments in Latin America. These “Focus Sectors” include, amongst others:

- Infrastructure and logistics-related assets;
- Natural resources and agribusiness industries;
- Manufacturing;
- Business services;
- Healthcare;
- Consumer products; and
- Education.

## **Investment Diversification Policy**

In establishing the investment portfolios of the Funds, Darby intends to establish investment diversification within each portfolio, taking into account such factors that may include: the sizing of each single portfolio company or position, industry sector, country, and debt vs. equity or other types of securities.

## **Discipline Due Diligence Process**

Darby incorporates a disciplined due diligence process when analyzing potential investments and determining whether or not to invest a Fund's assets in a particular company. Darby's screening process is methodical and structured and incorporates the following steps:

- Sourcing and Deal Origination
- Pre-Due Diligence
- Preliminary Investment Committee
- Due Diligence Review
- Final Investment Committee; and
- Final Negotiation

Upon Darby making an investment on behalf of the Funds, Darby continuously monitors the portfolio companies in the Funds and reports to the investment committee on a frequent basis.

## **Exit from Portfolio Investments**

The primary means of exit from a structured loan is generally through contractual terms of amortization. Therefore, the achievement of a Fund's return targets is not dependent on higher

multiple exits, as is usually the case for private equity investments. A substantial portion of expected returns is embedded in the debt component of the instrument.

However, an important part of a Fund's return still depends upon the realization of significant value from the rights to participate in a portfolio company's equity or profits. Accordingly, Darby's investment decisions on behalf of the Funds will be guided by considerations pertaining to the availability and feasibility of exits from equity positions. For the equity kicker portion of an investment, there are a number of possible exit strategies that Darby utilize depending upon the nature and circumstances of each transaction. These include public offerings, a sale to strategic investors, the exchange of equity participation rights for a cash payment through "put" structures, or the mandatory redemption of preferred stock.

Once an exit opportunity is identified, Darby will present an exit proposal to Darby's investment committee for approval. Upon receiving approval from the investment committee, Darby will proceed to finalize negotiations, complete and execute legal documentation, and exit from the investment.

### **Key Risk Factors**

An investment in the Funds involves a high degree of risk. The following list of risk factors does not purport to be a complete disclosure of all risks that may be relevant to a decision to purchase an interest in the Funds. Prospective Investors in the Funds should carefully consider the following investment risks and considerations, as well as the risks and considerations described in the relevant Offering Documents for each Fund, in evaluating the Fund(s) and their business before deciding to purchase an interest in a particular Fund(s). As a result of these considerations, as well as other risks inherent in any investment, there can be no assurance that Darby or a Fund advised by Darby, will meet their investment objectives or otherwise be able to successfully carry out their investment programs, or that an Investor in a Fund will receive a return of capital.

### ***No Assurance of Investment Return***

Darby cannot provide assurance that they will be able to choose, make, and realize investments in any particular opportunity. There can be no assurance that the Funds will be able to generate returns for its Investors or that the returns will be commensurate with the risks of investing in the type of transactions described herein. There can be no assurance that any Investor will receive any distribution from the Funds. Accordingly, an investment in the Funds should only be considered by persons or entity that can afford a loss of their entire investment. There can be no assurance that Darby will be successful in executing the Funds' strategies, and notwithstanding prior experience of Darby, past performance is not indicative of future results.

### ***Reliance on General Partner, Darby, the Portfolio Management Team, and Key Principals***

The success of the Funds are substantially dependent on certain Darby employees, including the portfolio management team, and the ability of Darby to identify and consummate suitable investments. Should one or more of these individuals become incapacitated or in some other way cease to participate in management of the Funds, its performance could be adversely affected. There can be no assurance that any of these individuals will continue to be affiliated with Darby and/or the Funds throughout its term.

### ***No Operating History***

Although Darby is a newly formed entity, many of the investment professionals at Darby have worked together in the past, incorporating a similar investment strategy. Despite the many years of working together, there can be no assurance that the Funds or the Firm will repeat past performance.

### ***Market Conditions***

Darby's strategies in advising the Funds relies, in part, upon the continuation of existing market conditions (including, for example, supply and demand characteristics) through the expiration of the term of the Funds. Additionally, the underlying credit performance of project finance, real estate, commercial lending and infrastructure assets may deteriorate to the extent that economic or market conditions worsen. The recent global outbreak of COVID-19 (more commonly known as the Coronavirus) has disrupted economic markets and the prolonged economic impact is uncertain. Some economists and major investment banks have expressed concern that the continued spread of the virus globally could prolong a world-wide economic downturn. No assurance can be given that the investments can be acquired or disposed of on favorable terms or that the market for such assets will remain stable or improve, since this will depend, in part, upon events and factors outside of the control of Darby.

### ***Derivatives***

In advising the Funds, Darby may utilize derivative instruments as part of its investment strategy as well as for hedging purposes. These instruments are highly volatile, involve certain special risks, and expose Investors to a high risk of loss. The low initial margin deposits normally required to establish a position in such instruments permit a high degree of leverage. As a result, a relatively small movement in the price of a contract may result in a profit or a loss, which is high in proportion to the amount of funds, actually placed as initial margin and may result in unquantifiable further loss exceeding any margin deposit. Further, when used for hedging purposes there may be an imperfect correlation between these instruments and the investments or market sectors being hedged. Transactions in over-the-counter derivatives may involve additional risk as there is no exchange or market on which to close out an open position. It may be impossible to liquidate an existing position, to access the value of a position, or to assess the exposure to risk.

### ***Debt Securities***

The Funds may invest in debt securities, which may be rated below investment grade or unrated by any recognized credit-rating agency. Such securities are typically subject to greater risk of loss of principal and interest than higher-rated debt securities, due to a possible default by, or bankruptcy of, the issuers of the securities. The Funds may invest in debt securities which rank junior to other outstanding securities and obligations of the issuer, all or a significant portion of which may be secured on substantially all of that issuer's assets. The Funds may invest in debt securities, which are not protected by financial covenants or limitations on additional indebtedness. The Funds may invest in distressed debt securities which are subject to the significant risk of the issuer's inability to meet principal and interest payments on the obligations (credit risk) and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer, and general market liquidity risk (market risk). The Funds will therefore be subject to credit, liquidity, and interest rate risks.

In addition, evaluating credit risk for debt securities involves uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult. Furthermore, the market for credit spreads is often inefficient and illiquid, which can make it difficult to accurately calculate discounting spreads for valuing financial instruments.

### ***Environmental Risks***

Many of our the loans, bonds or debt instruments to which the Funds will be exposed via its investments will be made to infrastructure projects and other projects that may be subject to numerous statutes, rules, and regulations relating to environmental protection. Under various federal, state, local, and foreign environmental statutes, rules, and regulations, a current or previous owner or operator of real property may be liable for non-compliance with applicable environmental and health and safety requirements and for the costs of investigation, monitoring, removal, or remediation of hazardous materials. These laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of hazardous materials. The presence of these hazardous materials on a property could also result in personal injury, property damage or similar claims by private parties. Any liability resulting from non-compliance or other claims relating to environmental matters can have a material adverse effect on the results of operations, financial condition, liquidity and prospects of an infrastructure project's ability to generate cash flow that would be used, in part, to meet its debt service obligations.

Climate change and climate change legislation or regulations may adversely impact one or more of the Fund's operations and markets. There is growing recognition that energy consumption is a contributor to global warming, greenhouse effects, and potential climate change. A number of governments or governmental bodies have introduced or are contemplating legislative and regulatory change in response to the potential impacts of climate change including pending U.S. legislation. Assessments of the potential impact of future climate change legislation, regulation, and international treaties and accords are uncertain, given the wide scope of potential regulatory change in countries in which the Funds operate. The potential physical impacts of climate change on the Funds' operations are highly uncertain, and will be particular to the geographic circumstances. These may include changes in rainfall patterns, shortages of water or other natural resources, changing sea levels, changing storm patterns and intensities, and changing temperature levels. It is possible that assets could be destroyed by climate change consequences and assets could be "stranded" by new climate change regulation. If such events were to occur, one or more of the Funds could be adversely impacted.

### ***International Investments***

The Funds will make investments in a number of different countries, some of which may prove to be unstable. As a general matter, international investments pose numerous risks, including the risk of adverse political developments, nationalization, confiscation without fair compensation, civil unrest, or war. In addition, laws, regulations and conditions in foreign countries may impose restrictions or risks that would not exist in the United States and may require financing and structuring alternatives that differ significantly from those customarily used in the United States. Darby will analyze risks in the applicable foreign countries before making such investments, but no assurance can be given that a political or economic climate, or particular legal or regulatory risks, might not adversely affect an investment by the Funds. Certain of the aforementioned risks may be increased with respect to one or more of the Fund's investments in developing and emerging markets.

### ***Currency and Exchange Rate Risks***

The Funds' functional currency is the USD, but the investments may be denominated in other currencies. Consequently, the return realized on the investments as well as returns realized by investors may be adversely affected by movements in currency exchange rates, costs of conversion, costs of hedging, and exchange control regulations, in addition to the actual performance of the investments.

### ***Risk of Limited Number of Investments; Lack of Diversity; Concentration of Investments in a Single Industry***

The Funds may participate in a limited number of investments and, as a consequence, the aggregate return of the Funds may be substantially adversely affected by the unfavorable performance of even a single investment. Investors have no assurance as to the degree of diversification among the investments, either by geographic region or asset type. The investments are expected to be concentrated in project finance, real estate, commercial lending and infrastructure assets. Concentration in a single sector may involve risks greater than those generally associated with more diversified funds, including significant fluctuations in returns.

### ***Potential for Insufficient Investment Opportunities***

The activity of identifying, completing, and realizing attractive investments on a global basis is competitive and involves a high degree of uncertainty. The availability of investment opportunities generally will be subject to market conditions as well as to the prevailing regulatory and political climate. The Funds will be competing with other financial investors and strategic buyers for the investments that the Funds will make. Additional funds with similar investment objectives may be formed in the future by other unrelated parties. As a result, there can be no assurance that Darby will be able to identify and execute portfolio investments that satisfy the Funds' return objectives or realize their potential values or that the Funds will be able to become fully invested for a significant period of time, if at all.

### ***Illiquid and Long-Term Investments***

An investment in the Funds require a long-term commitment with no certainty of return. Many of the investments of the Funds will be highly illiquid, and there can be no assurance that the Funds will be able to realize on such investments in a timely manner. While an investment may be sold at any time, it is generally expected that the Funds will hold its investments until maturity, which will not occur for a number of years after the investment is made. In addition, in some cases the Funds may be prohibited by contract or legal or regulatory reasons from selling certain investments for a period of time.

### ***Cybersecurity Risk***

As part of its business, Darby processes, stores and transmits large amounts of electronic information, including information relating to the transactions of the Funds and personally identifiable information of the Investors. Similarly, service providers of Darby or the Funds, especially the administrator, may process, store and transmit such information. Darby has procedures and systems in place to protect such information and prevent data loss and security

breaches. However, such measures cannot provide absolute security. The techniques used to obtain unauthorized access to data, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time. Hardware or software acquired from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security.

Network connected services provided by third parties to Darby may be susceptible to compromise, leading to a breach of Darby's network. Darby's systems or facilities may be susceptible to employee error or malfeasance, government surveillance, or other security threats. On-line services provided by Darby to the Investors may also be susceptible to compromise. Breach of Darby's information systems may cause information relating to the transactions of the Funds and personally identifiable information of the Investors to be lost or improperly accessed, used or disclosed.

The service providers of Darby and the Funds are subject to the same electronic information security threats as Darby. If a service provider fails to adopt or adhere to adequate data security policies, or in the event of a breach of its networks, information relating to the transactions of the Funds and personally identifiable information of the Investors may be lost or improperly accessed, used or disclosed.

The loss or improper access, use or disclosure of Darby's or the Funds' proprietary information may cause Darby or the Funds to suffer, among other things, financial loss, the disruption of its business, liability to third parties, regulatory intervention or reputational damage. Any of the foregoing events.

***Investment Performance Will Be Adversely Affected by the Failure of Any Portfolio Company to Make Principal and Interest Payments When Due***

One of the fundamental risks associated with the Funds' investments is credit risk, which is the risk that an issuer of debt securities or issuers of loans will be unable to make principal and interest payments when due. The Funds' return to Investors would be adversely impacted if an issuer of debt securities or issuer of loans in which the Funds invest becomes unable to make such payments when due. While Darby expects to target investments in quality issuers, these investments could still present a high degree of business and credit risk. Portfolio companies could deteriorate as a result of, among other factors, adverse developments in their operations, changes in the competitive environment or an economic downturn. As a result, issuers which Darby expected to be stable may operate at a loss or have significant variations in operating results, may require substantial additional capital to support their operations or to maintain their competitive position, or may otherwise have a weak financial condition or be experiencing financial distress. Portfolio companies may be highly leveraged. Leverage may have important consequences to these issuers and the Funds as an Investor. These portfolio companies may be subject to restrictive financial and operating covenants. Leverage may impair the ability of these portfolio companies to finance their future operations and capital needs. As a result, the flexibility of these portfolio companies to respond to changing business and economic conditions and to business opportunities may be limited. In addition, a portfolio company with a leveraged capital structure will be subject to increased exposure to adverse economic factors, such as a significant rise in interest rates, a severe downturn in the economy or deterioration in the condition of that portfolio company or its industry. In the event that a portfolio company is unable to generate sufficient cash flow to meet principal and interest payments on its indebtedness, the value of the Funds' investment in a

portfolio company could be significantly reduced or even eliminated portfolio companies may require additional financing (including leverage) from sources outside the Funds to satisfy their capital requirements. The amount of additional financing needed will depend upon the business objectives and strategy of the particular company. The availability of capital may be a function of capital market conditions that are beyond the control of the Funds or any portfolio company. There can be no assurance that a portfolio company will be able to predict accurately its capital requirements or that additional funds will be available from the desired source or from any sources or on terms favorable to the portfolio companies.

Moreover, portfolio companies may face intense competition, including competition from companies with greater financial resources, more extensive development, manufacturing, marketing and other capabilities, and a larger number of qualified managerial and technical personnel.

***Investments in Portfolio Companies May Be Subordinated and Could Default More Quickly Than Senior Loans***

Although Darby intends to secure the majority of the investments for the Funds by way of first or second security interests over the assets or equity interests in the company being financed, it is expected that, in most cases, the company being financed will already have senior bank debt in place. In these cases, to the extent that a security interest can be obtained, the security interests of the Funds generally will be of lower quality (e.g. less liquid, marketable or with more uncertain underlying value) and/or may rank behind those of senior bank debt. In addition, investments by the Funds generally will be subordinated, either contractually or more likely structurally, to the senior obligations of the company being financed. Greater credit risks usually attach to these subordinated loans. Adverse changes in the issuer's financial conditions or in general economic conditions may impair the ability of the issuer to make payments on the subordinated loans and cause it to default more quickly with respect to such securities than with respect to the issuer's senior loans. In addition, Darby's management of such investments on behalf of the Funds and its remedies with respect thereto, including the ability to foreclose on any collateral securing such investments or to continue receiving interest and principal payments after foreclosure on any collateral securing such investments, will be subject to the rights of the senior lenders to the company and contractual intercreditor provisions.

***Laws of Certain Latin American Jurisdictions May Be More Burdensome Than Those of the U.S. The Funds May Not Be Able to Exercise Its Legal Rights Efficiently, or at All***

The laws of some Latin American jurisdictions may impose additional burdens on secured parties and may, in some cases, subordinate or avoid the lien of the Funds. In some jurisdictions, the exercise of remedies by Darby on behalf of the Funds may be delayed or precluded. Under the laws of several countries where Darby intends to invest the assets of the Funds, a foreclosure may require a court order, which may take a number of years to obtain. In addition, the exercise of remedies may result in the receipt of local currency, thereby subjecting the Fund to currency risks.



***Some Latin American Countries, Within Which the Funds Invest, Impose Additional Burdens on Secured Parties That May Make It Difficult for the Funds to Realize on Capital***

In addition to limitations on the ability to realize on collateral because of the subordination provisions discussed above, laws of some Latin American countries may impose additional burdens on secured parties and may, in some cases, subordinate or avoid the lien of the Funds. In some jurisdictions, the exercise of remedies by the Funds may be delayed or precluded. Under the laws of several countries where Darby intends to invest the capital of the Funds, a foreclosure may require a court order, which may take a number of years to obtain.

***The Funds May Be Adversely Affected by Interest Rate Fluctuations***

General interest rate fluctuations may have a substantial negative impact on the Funds' investments and investment opportunities and accordingly may have a material adverse effect on the Funds' investment objectives and the rate of return on invested capital.

***The Funds' Investments Will Be Concentrated in Latin America and Will Be Sensitive to Regional Risks and Market Performance***

Although investments made by Darby on behalf of the Funds will meet certain diversification requirements specified herein and in each Fund's Offering Documents, a majority of investments made by the Funds will be in portfolio companies primarily in the Focus Countries in Latin America, and are therefore particularly exposed to the risks attendant to investments in that region.

***The Funds Will Not Be Able to Realize the Value of Its Investments for Several Years***

It is anticipated that it will take a number of years for Darby to invest the capital of the Funds, and that individual loans made by the Funds generally will have terms of up to 7 years. Equity investments and equity options, warrants, or other equity participation features, to the extent that they have value at all, will likely not have realizable value for a significant period of time.

***The Funds' Investments Are Illiquid and the Funds' Ability to Divest Underperforming Investments Will Be Limited***

The interests of the Funds are not transferable without the prior written consent of Darby or the General Partner of a particular Fund, which consent may be withheld by Darby or the General Partner of a particular Fund in its sole and absolute discretion. In addition, the interests have not been registered under any applicable securities laws of any jurisdiction, including the Securities Act. Therefore, the interests in the Funds may only be resold or transferred in compliance with all applicable securities laws. Moreover, the interests in the Funds may not be transferred if, as a result of such transfer, the number of persons who beneficially own interests for purposes of, and as determined in accordance with the 1940 Act would exceed 100, unless all Investors are "qualified purchasers" or "knowledgeable employees", each as defined in the 1940 Act, or non-U.S. persons, as defined in Regulation S promulgated under the Securities Act.

In addition, there is no public market for the interests, nor is it anticipated that such a market for the interests will develop in the future. An Investor will not be permitted to assign, sell, exchange or transfer its interests, except as permitted under the terms of the Offering Documents

or otherwise with the prior written consent of Darby or the General Partner of the particular Fund, which consent may be given or withheld in the sole and absolute discretion of Darby or the General Partner. Except in extremely limited circumstances, withdrawals from the Funds will not be permitted. Investors in the Funds must be prepared to bear the risks of owning interests for an extended period of time. Investors must be prepared to accept and bear the risks and lack of liquidity associated with an investment in the Interests for an extended period of time.

Exits of investments in Latin America may also be limited by economic and political factors, or by conditions that are unfavorable for the sale of debt or equity of issuers in particular industries. In addition, the Funds may be legally or contractually prohibited from disposing of an investment at a time it might otherwise seek to do so.

***Governments in Latin America Have Exercised and Continue to Exercise, Significant Influence Over Their Underlying Economies. This Influence, as Well as Local Political and Economic Conditions, Could Adversely Affect the Funds***

Uncertainty regarding whether certain governments will implement reforms, changes in policy or regulation may be compounded by political instability. Historically, politics has affected the underlying performance of the economies in the region. Past political crises have affected the confidence of investors and the public, from time to time resulting in economic deceleration. Wide-scale protests focused on economic and political reform may occur from time to time creating additional political uncertainty in certain Focus Markets and other countries in the region. Uncertainty regarding future policies and appointments to influential governmental positions as well as mismanagement and investigations into allegations of corruption in state- owned companies and other enterprises may also affect the confidence of investors and the general public.

***Investing in Emerging Markets Involves Greater Risk Than Investing in Developed Markets. The Funds' Investments Are Concentrated in Emerging Markets and the Funds are Exposed to This Increased Risk***

Many emerging market economies have been characterized by the significant involvement of their governments, who often change monetary, credit, fiscal and other policies to influence the economy. These governments' actions to control inflation and effect other policies have involved depreciation of the local currency, controls over remittance of funds abroad, and intervention by central banks to affect base interest rates, among other measures. Neither Darby nor the Funds have control over, and cannot predict, what measures or policies these governments may take in the future.

Prospective Investors should note that investments in emerging markets such as the Focus Countries carry risks additional to those inherent in other investments. In particular, prospective Investors should note that investing in any emerging market carries a higher risk than investment in a developed market. For example, emerging markets may afford a lower level of legal protection to investors. Also, certain countries place controls on foreign ownership and apply accounting and auditing practices that do not conform to internationally accepted accounting principles, with the result that there is less publicly available information. In addition, the court system and disclosure and enforcement processes and standards, and other protections that may be afforded to shareholders, creditors and other investors in emerging markets, if available, may differ significantly from those in other markets. If it becomes necessary to resort to and rely on such

systems, processes, standards or protections for any of the Funds' or portfolio companies' investments or activities, the Funds' performance could be adversely affected.

Despite considerable progress in recent years and positive long-term prospects of Latin America, these economies in general differ from the developed economies in many significant respects, including, for example, the general level of economic production, unemployment, rate of inflation, volatility of the rate of economic growth, government fiscal balances, dependence on foreign trade, and balance of payments position.

***Portfolio Companies of the Funds May Suffer Severe Losses as a Result of Uninsurable Catastrophic Losses and Such Losses May Adversely Affect the Funds***

Certain losses resulting from catastrophic causes, such as wars, earthquakes, typhoons, terrorist attacks or other similar events, may be uninsurable or only insurable at such high rates that to maintain such coverage would cause an adverse impact on the related investments. If a major uninsured loss occurs, the Funds could lose both invested capital and anticipated profits in respect of a portfolio company. In the case of investments in the form of subordinated debt, it is unlikely that the Funds, as a subordinated creditor, will benefit from insurances taken out by the portfolio company as insurance proceeds will generally be applied towards prepayment of senior bank debt.

***Investments in Less Established Companies Involve a Higher Risk of Fraud Being Perpetrated Against the Funds***

Although Darby in advising the Funds generally will seek to make portfolio investments in established operating companies, Darby could make investments associated with smaller, less established companies or companies that are not supported by well-known international financial sponsors or corporations. Investments in such companies may involve greater risks than those associated with investments in more established companies. For example, such companies may have shorter operating histories on which to judge future performance and, if operating, may have negative cash flow. Less established companies tend to have lower capitalizations and fewer resources (including cash) and, therefore, often are more vulnerable to funding shortfalls and financial failure. In addition, less mature companies could be deemed to be more susceptible to irregular accounting or other fraudulent practices. In the event of fraud by any company in which the Funds invest, the Funds may suffer a partial or total loss of capital invested in that company.

***The Substantial Rate of Inflation in Latin America May Adversely Affect the Performance of the Portfolio Companies and the Funds***

Some countries in Latin America have historically experienced substantial rates of inflation. Inflation and rapid fluctuations in inflation rates have had, and may have, negative effects on the economies and securities markets of certain emerging economies. Inflation may also erode the value of any loans made in local currency, when converted to USD. In order to partially mitigate this risk, Darby will generally seek to make loans whose interest rates are priced at a spread over a local inflation benchmark, but there can be no assurance that any such spread will be sufficient to offset realized inflation or any depreciation of the local currency against the USD. International crude oil prices and interest rates will have an important influence on whether economic growth targets in some markets will be met, given the high dependency of some countries on energy exports or imports and foreign capital inflows. Any sharp increases in interest rates and commodity prices, such as crude oil prices, could reactivate inflationary pressures on local

economies and negatively affect the medium-term economic outlook of many countries in Latin America.

***Some Latin American Countries Exert Control Over the Private Sector That May Make It Difficult for the Fund to Invest in Those Countries or Realize on Capital***

Governments of Latin American countries have exercised, and continue to exercise, substantial influence and control over many aspects of the private sector. In some cases, governments own or control many companies, including some of the largest in their respective countries. The availability of investment opportunities for the Funds depends in part on governments in Latin America continuing to liberalize their policies regarding foreign investment and to further encourage private sector initiatives. Accordingly, government actions in the future could have a significant effect on economic conditions in such countries, which could affect private sector companies and the prices and yields of portfolio investments.

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***The Funds Have a Broad Investment Strategy That Relies on Darby to Identify Opportunities. No Assurance Can Be Given That Darby Will Be Able to Locate or Exploit Such Opportunities***

The success of the Funds' investment activities depends to a significant degree on Darby's ability to identify and exploit advantageous opportunities for the provision of structured loans. Identification and exploitation of these opportunities involve uncertainty. No assurance can be given that Darby will be able to locate investment opportunities or to correctly exploit inefficiencies in the markets.

Depending upon the investment strategies employed and market conditions, the Funds may be adversely affected by unforeseen events involving such matters as political crises, military actions, terrorist attacks, natural disasters, changes in currency exchange rates or interest rates, forced redemptions of securities or acquisition proposals, regulatory intervention or general market conditions creating illiquidity or pricing anomalies or value impairment.

In advising the Funds, Darby evaluates social and environmental risks of potential investments and may be unable to enter into a potential investment if such investment failed to meet each Fund's social and environmental standards. This may cause the Funds to forego potentially high-performing investments.

***The Management Fee and Carried Interest/Performance Fee Arrangements May Create Incentives for Darby That Are Contrary to the Interests of the Investors***

The Funds will pay a management fee regardless of the performance of its investments. Darby's entitlement to non-performance-based compensation might reduce its incentive to devote the time and effort of its professionals to seeking profitable opportunities for the Funds' investments.

Darby will also be entitled to earn carried interest from the Funds, which may create an incentive for Darby to make more speculative investments on behalf of the Funds, and make different decisions regarding the use of leverage as well as the timing and manner of the realization of such investments than would be made if such carried interest were not allocated to Darby.

***The Funds are Not Registered Under the 1940 Act and Investors in the Funds Will Not Be Offered the Protections That Registration Would Provide***

The Funds are not registered, nor is it expected that the Funds will be registered in the future, under the 1940 Act, or the securities laws of any other state or country. The 1940 Act imposes certain restrictions on registered investment companies and provides certain protection to investors, which will not be applicable in relation to the Funds.

**ITEM 9 – DISCIPLINARY INFORMATION**

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Neither Darby nor any of its members, officers or employees have been sanctioned or disciplined by any federal securities or commodities regulatory agency, self-regulatory organization or state for any violation of their statutes, regulations or rules nor have they ever been involved in any civil or criminal action relating to any violation of the federal or state securities or commodities laws.

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

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Darby is not registered nor does the Firm have an application pending to register as a broker-dealer or a registered representative of a broker-dealer.

Darby is not registered nor does the Firm have an application pending to register as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

Darby does not recommend or select other investment advisers for the Funds.

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

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Pursuant to Rule 204A-1 of the Advisers Act, Darby has adopted a Code of Ethics (the “**Code**”) that establishes various procedures with respect to investment transactions in accounts (“**Covered Accounts**”) in which any of Darby's employees have discretionary investment authority or exercise effective influence or control.

Darby's Code was adopted to avoid possible conflicts of interest, avoid the inappropriate use of material, non-public information and ensure the propriety of its employees' and its principals' trading activity.

The foundation of the Code is based on the underlying principles that:

- Employees must at all times place the interests of the client first;
- Employees must make sure that all personal securities transactions are conducted consistent with the Code; and
- Employees should not take inappropriate advantage of their position.

A copy of Darby's Code is available to any client or prospective client upon request.

### ***Personal Trading Policy and Reporting of Transactions***

Covered Account transactions in certain types of securities require pre-approval by the CCO. Employees must also obtain pre-approval from the CCO before participating in an initial public offering or private placement.

Covered Account transactions are subject to review by Darby's CCO. These records are used to monitor compliance with the foregoing policies.

### ***Gifts and Entertainment, Political Activities and Outside Activities***

The Code provides that gifts and entertainment must be reasonable in light of industry practices and should never be given or received if the purpose is to influence the recipient. Darby requires access persons to report or receive approval for the receipt or giving of gifts and entertainment under certain circumstances.

The Code also generally requires access persons to obtain prior approval before the access person, a spouse or certain other immediate family members makes a political contribution or engages in certain campaign-related fundraising activities. This policy is intended to prevent scenarios whereby an access person may make a contribution or engage in an activity for the selection of Darby as an investment adviser for a governmental equity.

Finally, the Code provides that, without prior approval, access persons are generally not permitted to engage in certain types of outside business activities. This policy is intended to prevent material conflicts of interest that could arise from an access person's personal activities.

### ***Privacy Policy***

Darby is committed to maintaining the confidentiality, integrity and security of its Investors' personal information. It is Darby's policy to collect only information necessary or relevant to its management business and use only legitimate means to collect such information. Darby does not disclose any non-public, personal information about its underlying Investors to anyone except for servicing and processing transactions and as required by law. Darby restricts access to non-public, personal information about its Investors to those employees with a legitimate business need for the information. Darby maintains security practices, physical, electronic and procedural safeguards

to guard each Investor's non-public, personal information. Upon request, Darby will provide a copy of its written privacy policies and procedures.

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## **ITEM 12 – BROKERAGE PRACTICES**

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Darby provides discretionary investment advice to the Funds and does not have an active brokerage relationship due to the type of investments made by Darby for the Funds.

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## **ITEM 13 – REVIEW OF ACCOUNTS**

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Darby will review the Funds' investments on a regular basis with a view to evaluating, among other things, economic developments, industry outlook and other issues related to the investments. The Funds' investments are reviewed by a team consisting of Darby's principals and other investment professionals. This team monitors overall performance, portfolio composition, credit events in the underlying portfolios, financial performance and compliance with the investment guidelines of the relevant Funds. Reviews also consider, and may be triggered by, market, legal or regulatory developments.

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

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Darby may engage a third-party placement agent to introduce prospective investors to the Funds and to any future clients. Darby expects that any placement agent fees will be borne by Darby directly, or indirectly through a corresponding reduction in the management fee that Darby receives from the relevant Fund, and not by Investors themselves.

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## **ITEM 15 – CUSTODY**

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Darby will be deemed to have custody of the assets of one or more of the Funds. Therefore, in order to comply with Rule 206(4)-2 of the Advisers Act (the "**Custody Rule**"), Darby will comply with the pooled vehicle annual audit provision. Annually, upon completion of the annual audit of the Funds where Darby is the investment adviser, Darby shall seek to ensure that the audited financial statements are delivered to Investors in each Fund within 120 days of each Fund's fiscal year end. The audited financial statements will be prepared by an independent accounting firm that is registered with and subject to review by the Public Company Accounting Oversight Board ("**PCAOB**"), in accordance with U.S. Generally Accepted Accounting Principles ("**GAAP**"). Investors should carefully review these audited financial statements, and any Investors who have not received audited financial statements timely should contact Darby immediately.

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## **ITEM 16 – INVESTMENT DISCRETION**

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Darby, subject to the direction and control of the General Partner of the Funds, will have investment discretion in managing the investments of the Funds. The terms of these investments as well as the investment strategy and guidelines around the use of this discretion are described in detail in the Funds' Offering Documents.

Darby will assume, subject to the direction and control of the General Partner of the Funds, investment discretion and day-to-day operations over the Funds by virtue of the execution of the investment advisory contracts with the Funds, as contemplated in the limited partnership agreements of the Funds.

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

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Neither Darby nor the Funds will vote public company proxies.

## **ITEM 18 – FINANCIAL INFORMATION**

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Registered investment advisers are required in this Item to provide certain financial information or disclosures about the registered investment adviser's financial condition. Darby has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.