



SHENKMAN CAPITAL MANAGEMENT, INC.

Form ADV, Part 2A Disclosure Brochure

September 28, 2020

*461 Fifth Avenue
New York, New York 10017
(212) 867-9090
www.shenkmancapital.com*

This Brochure provides information about the qualifications and business practices of SHENKMAN CAPITAL MANAGEMENT, INC., an investment adviser registered with the United States Securities and Exchange Commission (the “SEC”). If you have any questions about the contents of this Brochure, please contact us at (212) 867-9090 or legal@shenkmancapital.com. This information has not been approved or verified by the SEC or by any state securities authority.

Additional information about SHENKMAN CAPITAL MANAGEMENT, INC. is also available on the SEC’s website at www.adviserinfo.sec.gov. Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

CRD No. 112192

SEC File No. 801-25180

ITEM 2: MATERIAL CHANGES

Shenkman Capital Management, Inc. is required to identify and discuss any material changes made to its Brochure since its last annual update.

There were no Material Changes since the last update of its Brochure filed on October 25, 2019.

We note that while we do not consider it a material change, effective June 30, 2020, Justin Slatky assumed the position of Chief Investment Officer (formerly Co-Chief Investment Officer) and is responsible for overseeing all investment-related activities, which include Portfolio Management, Research, Trading and Risk Management. Mark Shenkman remains President of the firm and will continue to focus his efforts on the day-to-day management of the firm, its strategic direction, and client relationships. In addition, Neil Scanlon joined Shenkman as Chief Financial Officer effective as of July 1, 2020, and is responsible for overseeing the firm's Finance and Accounting functions.

ITEM 3: TABLE OF CONTENTS

Item 2:	Material Changes	2
Item 3:	Table of Contents	3
Item 4:	Advisory Business	4
Item 5:	Fees and Compensation.....	6
Item 6:	Performance-Based Fees and Side-By-Side Management.....	8
Item 7:	Types of Clients.....	9
Item 8:	Methods of Analysis, Investment Strategies and Risk of Loss	9
Item 9:	Disciplinary Information.....	30
Item 10:	Other Financial Industry Activities and Affiliations	30
Item 11:	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	31
Item 12:	Brokerage Practices.....	35
Item 13:	Review of Accounts	37
Item 14:	Client Referrals and Other Compensation	38
Item 15:	Custody	38
Item 16:	Investment Discretion.....	38
Item 17:	Voting Client Securities.....	39
Item 18:	Financial Information.....	39

ITEM 4: ADVISORY BUSINESS

A. BACKGROUND

SHENKMAN CAPITAL MANAGEMENT, INC. (“Shenkman”), a New York Corporation, is a global investment advisory firm founded by Mark R. Shenkman in 1985. Mark R. Shenkman, as trustee of the Mark R. Shenkman Revocable Trust, is the controlling shareholder of Shenkman. Shenkman is registered with the SEC as an investment adviser pursuant to the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Registration with the SEC does not imply a certain level of skill or training.

Shenkman is under common control with Romark Credit Advisors, LP (“RCA”), a registered investment adviser, and Romark CLO Advisors LLC (“RCLO” and together with RCA, “Romark”), which is a relying adviser of RCA. More details about the relationship between Shenkman and Romark can be found in “Item 10: Other Financial Industry Activities and Affiliations.” RCA is a Delaware limited partnership that was formed in 2016. RCA is under common control with Shenkman. RCLO is a Delaware limited liability company that was formed in 2017. RCLO is under common control with RCA.

Romark CLO Ventures LLC (“RV”), a Delaware limited liability company formed in 2017, is the managing member of RCLO. RCA is the controlling owner of RV.

The terms “Shenkman Group”, “we”, “us”, and “our” shall mean Shenkman, Romark, and their affiliates. An advisory client of Shenkman shall be referred to as a “Shenkman Client” and collectively as “Shenkman Clients.” A Shenkman Client, together with one or more advisory clients of Romark, shall be referred to as a “Shenkman Group Client” and collectively as “Shenkman Group Clients.”

For the avoidance of doubt, Romark does not provide any advisory services to Shenkman Clients. Certain RCA shareholders, officers, and/or employees are shareholders, officers, and/or employees of Shenkman, and in some instances, are officers and/or employees of all three of Shenkman, RCA, and RCLO. When such shareholders, officers, and/or employees are acting on behalf of Shenkman Clients, they are doing so in their capacity as Shenkman shareholders, officers, and/or employees and not in their capacity as Romark shareholders, officers, and/or employees.

All policies and procedures described herein apply to the Shenkman Group. Any employee that may perform services for the Shenkman Group is subject to the Shenkman Group’s compliance policies and procedures. Please refer to “Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading” for additional information.

B. OUR SERVICES

Since its inception in 1985, Shenkman’s business has been focused on researching and investing across the entire capital structure of highly leveraged companies through in-depth, bottom-up, fundamental credit analysis.

Our Credit Analysts use proprietary tools and models that incorporate both quantitative and qualitative factors when evaluating the creditworthiness of potential investments. The analytical process incorporates, among other things, public information, financial statements, and meetings with company management. We also focus on relative value within the capital structure, covenants, management track record, and a comparative industry analysis. For our traditional credit strategies (detailed below), we utilize our internally developed and proprietary credit score system, which we believe is more reflective of an issuer’s credit worthiness than published ratings. Our alternative credit strategies (detailed below) seek to leverage our research and analytical foundation in traditional credit with a focus on absolute return through multi-asset, opportunistic, tactical, and sector focused credit strategies. We also provide non-discretionary advisory services to certain clients, such as the provision of portfolio analysis, guidance, recommendations, and other advisory services.

Our investment strategies include, but are not limited to:

TRADITIONAL CREDIT

- Senior Secured Loans (including, without limitation, U.S. and Global Leveraged Loan, and Ratings Constrained and Loss Constrained leveraged loan strategies)
- High Yield Bonds (including, without limitation, U.S., European and Global High Yield Bond, Ratings and/or Loss Constrained High Yield Bond, and Global Fallen Angel/Rising Stars strategies)
- Short Duration High Yield Bonds (including without limitation U.S. and Global Short Duration High Yield Bond strategies)

- Convertible Securities (including, without limitation, U.S. and Global convertible securities, and investment grade convertible securities strategies)

ALTERNATIVE CREDIT

- CLO Debt & Equity (including, without limitation, High Grade, Broad Market, CLO Equity and Opportunistic strategies)
- Absolute Return (including, without limitation, Multi-Asset Credit, Opportunistic Credit, Tactical Credit, and Energy Opportunistic strategies)

All of our traditional credit investment strategies, and certain of our alternative credit strategies (or derivations thereof) are available through separately managed accounts and certain of these investment strategies are also available (or may in the future be available) through investment vehicles, including mutual funds for which we act as adviser or sub-adviser (each a “Mutual Fund”), private funds (single investor or commingled), Collateralized Loan Obligations (“CLOs”) and other securitized vehicles, and UCITS funds (each, a “Sponsored Fund” and, collectively “Sponsored Funds”).

Shenkman has also entered into an agreement (the “Intercompany Services Agreement”) pursuant to which Shenkman provides to RCA, for a fee, among other things, credit research and analysis, shared employees and systems, and assistance and advice on certain support services, including, but not limited to, compliance, operations, finance, information technology and development, and human resources. Such credit research and analysis and support services are then provided by RCA, for a fee, to RCLO under a Staff and Services Agreement (the “Staff and Services Agreement”, which is described in “Item 10: Other Financial Industry Activities and Affiliations”).

The descriptions set forth herein and elsewhere in this document of specific advisory services that we offer to Shenkman Group Clients, and investment strategies pursued and investments made by us on behalf of Shenkman Group Clients, should not be understood to limit in any way our investment activities. We may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that we consider appropriate, subject to each Shenkman Group Client’s investment objectives and guidelines.

Persons reviewing this Brochure should not consider it to be, and this Brochure should not be construed as, impartial investment advice, an offer to sell or any solicitation to buy securities of any Sponsored Fund or account managed by the Shenkman Group or any of their affiliates. Such an offer will only be made by means of an offering document delivered to eligible qualified investors. The offering documents will detail the types of investments that may be purchased/sold. The investment strategies pursued by the Shenkman Group are speculative and entail substantial risks. Shenkman Group Clients should be prepared to bear a substantial or total loss of capital. There can be no assurance that the investment objectives will be achieved.

C. TAILORED ADVICE AND CLIENT RESTRICTIONS

We primarily manage client assets on a discretionary basis and seek to tailor our investment services to meet our clients’ objectives. Certain of our clients may impose restrictions or limitations on the types of investments we may make for their accounts, which include limitations by position, issuer, asset class, credit rating, industry/sector and other restrictions. Shenkman (or an affiliate) also serves as general partner or investment adviser to Sponsored Funds. These funds have investment guidelines that are not subject to the specific requirements of their underlying investors (unless otherwise specified). The offering documents for our Sponsored Funds contain more detailed information about the funds, including descriptions of their investment restrictions.

Shenkman has entered, and in the future may enter, into arrangements with certain Shenkman Clients and investors in Sponsored Funds that grant such Shenkman Clients or investors special or more favorable rights that are not available to all Shenkman Group Clients and investors. Such special or more favorable rights include, but are not limited to: (i) different fee or liquidity arrangements, including fee sharing arrangements; (ii) additional reporting and/or greater access to certain information; (iii) opportunities to meet or speak with Shenkman’s investment team; and (iv) key-person, material litigation, and similar notifications rights. Shenkman has entered into non-discretionary investment advisory relationships with certain Shenkman Clients and tailors those arrangements to such clients’ needs.

D. WRAP FEE PROGRAMS

Shenkman does not sponsor any wrap fee programs, although we provide portfolio management services to Shenkman Client accounts that participate in third-party wrap fee programs (“Wrap Fee Accounts”). Subject to differences in investment objectives, guidelines, and trading restrictions, we manage Wrap Fee Accounts substantially the same as we manage other client accounts within the same strategy. For instance, due to regulatory restrictions, most Wrap Fee Accounts are not eligible to purchase certain Rule 144A securities that other Shenkman Group Clients are eligible to buy. The value of

Wrap Fee Accounts is also below our stated account size minimums; consequently, the weighting of investments in Wrap Fee Accounts differs from the weighting of investments in other Shenkman Group Client accounts. We receive a portion of the wrap program sponsor's wrap fee for our services.

E. ASSETS UNDER MANAGEMENT

As of June 30, 2020, Shenkman managed approximately \$ 24,316,086,784 of client assets calculated on the basis of regulatory assets under management on a discretionary basis. Shenkman has previously entered into, and may in the future enter, into non-discretionary investment advisory relationships, for which Shenkman is not deemed to have regulatory assets under management.

ITEM 5. FEES AND COMPENSATION

A. HOW WE ARE COMPENSATED

Asset-Based Fees. Shenkman charges asset-based management fees based on the value of the Shenkman Client's assets under management. Our management fees range from 0.000% to 1.500% of assets under management, depending on the strategy involved and the vehicle in which the assets are held (e.g., a separately managed account or private fund). We negotiate fee arrangements with separately managed account clients and investors in Sponsored Funds based on their specific facts and circumstances, including the amount of assets to be placed under management, related accounts under management, lock-up or liquidity terms, portfolio style, account composition, reporting requirements, and other factors. We also aggregate certain related accounts when calculating management fees. We may also receive an asset-based management fee for the services we provide to each Sponsored Fund, which are described in the offering materials for each of those funds.

Performance-Based Fees. We receive performance-based compensation from certain Sponsored Funds and separately managed account clients. The fees applicable to the Sponsored Funds are set forth and described in the offering materials for each of those funds. Consistent with applicable laws and regulations, including Rule 205-3 under the Advisers Act, we receive performance-based fees from certain of our separately managed account clients as provided for in their respective advisory agreements. Performance fees generally range from 0.000% to 20.000% of returns and may be subject to performance hurdles, loss carry forwards, or other restrictions. Please see "Item 6: Performance-Based Fees and Side-by-Side Management" below for more information regarding performance-based fees.

Fixed Fees. We receive fixed fees from certain Shenkman Clients for providing investment advisory services, including but not limited to assistance, guidance, recommendations, and other advisory services.

Service-Based Fees. As noted above, Shenkman has entered into an Intercompany Services Agreement with RCA pursuant to which Shenkman provides to RCA, for a fee, among other things, credit research and analysis, shared employees and systems, and assistance and advice on certain support services, including, but not limited to, compliance, operations, finance, information technology and development, and human resources. Such credit research and analysis and support services are then provided by RCA, for a fee, to RCLO under the Staff and Services Agreement. See "Item 10: Other Financial Industry Activities and Affiliations" for more details describing the Intercompany Services Agreement.

Other Fees. Shenkman has the ability to enter into investment advisory agreements that provide for different fee terms than are described above.

B. BILLING AND DEDUCTION OF FEES

Asset-based management fees are generally charged in arrears on a monthly, quarterly, or annual basis based on the total net asset value of the assets in the client account (including net unrealized appreciation or depreciation of investments and cash, cash equivalents and accrued interest) on the last day of the month or quarter or at year-end (as applicable). Performance-based fees are typically payable annually in arrears based upon the amount by which the client's investment returns for the year (or other time period) exceed a high water mark and/or a specified rate of return. The specific manner in which we charge our fees for separately managed account clients is set out in a written agreement with each client. The specific manner in which fees are charged to investors in our Sponsored Funds are described in the offering materials for each of those funds. We do not deduct advisory fees from separately managed accounts (except in limited situations when specifically instructed by a client). We typically send an invoice to clients or their custodians on a quarterly, monthly or annual basis (as applicable). In certain cases, a client will send payment to us based upon its custodian's and/or prime broker's valuation of the account's value, and/or calculation of the fee amount due. We direct the custodians and/or prime brokers of certain of our Sponsored Funds to deduct our asset-based fees and any performance fees. For our Sponsored Funds that are CLOs, payment of fees is generally made through an independent trustee who is responsible for calculating and processing the payment pursuant to the CLO's indenture. For Sponsored Funds that are Mutual Funds and UCITS, payment

of fees is generally made by each fund's administrator who is responsible for calculating and processing the payment pursuant to the fund's prospectus.

The manner by which RCA pays Shenkman is set forth in the Intercompany Services Agreement.

C. OTHER FEES AND EXPENSES

Fees and expenses that clients are responsible for can vary significantly among clients based on the specific advisory agreements or offering materials applicable to each client account or Sponsored Fund. Shenkman Group Clients and investors in Sponsored Funds should review such documents for precise information relating to the fees and expenses borne by a specific client account or Sponsored Fund. In addition to paying applicable fees, including, without limitation, asset-based management fees and performance-based compensation, Shenkman Group Clients, including Sponsored Funds, may be responsible for, subject to the terms of the applicable advisory, offering or organizational agreements, without limitation: (i) legal, accounting (including, without limitation, third-party accounting services and accounting software) and other professional fees and expenses (including, without limitation, third-party valuation services) which Shenkman reasonably believes are required or advisable to be incurred (A) in order to protect the assets of client accounts or Sponsored Funds (including participation on formal and informal creditor committees and participation in litigation), (B) in connection with the purchase or sale or maintenance of any investment, or (C) related to compliance with applicable law or regulation (including the costs of required regulatory or self-regulatory filings made in connection with the client account or its assets); (ii) the pro rata share of expenses of any entity in which the client account or Sponsored Fund invests (including the investment entity's management fees or performance fees); (iii) investment expenses such as, but not limited to, brokerage commissions, interest on margin accounts and other indebtedness, borrowing charges on investments sold short, administrator, custodial and bank services fees, withholding and transfer taxes, clearing and settlement charges; (iv) research expenses (including the cost of research services and products used by the Shenkman Group, such as, for example, Bloomberg, Intex, and other live market feeds and online research); (v) trading and investment related technology software costs or additional programming, such as portfolio, order, compliance and risk management systems; (vi) shareholder proxy voting services; (vii) travel expenses incurred in connection with research and investments (whether consummated or not), including investment-related travel expenses of consultants, directors and experts; (viii) interest expenses, taxes, duties and other governmental charges, transfer and registration fees or similar expenses, other portfolio expenses, sales and use taxes; (ix) certain transaction-related expenses, including expenses associated with participation on creditor committees and outside counsel fees directly related to a transaction or investment; (x) other expenses related to the purchase, sale or transmittal of investments (including legal expenses incurred to enforce rights in respect of any investment and including any expenses incurred in connection with the organization and operation of vehicles formed to hold all or a portion of a client's interests (including, in the case of Sponsored Funds, ownership of feeder funds in master funds). In addition, expenses related to the formation and operation of Sponsored Funds and any extraordinary expenses as shall be determined by Shenkman in its sole discretion. Each Sponsored Fund that invests in a "master fund" indirectly bears the portfolio and other expenses of such master fund (including, without limitation, the types of expenses described above and the fees and expenses of such master fund's administrator) pro rata based on the Sponsored Fund's interest in such master fund. Certain Sponsored Funds also utilize trading vehicles or other special purpose vehicles, and all portfolio and other expenses relating to such vehicles are borne by the Sponsored Funds, in each case on a pro rata basis commensurate with the applicable Sponsored Fund's interest in such a vehicle.

From time-to-time, the Shenkman Group may invest assets of its separately managed account Clients into other Shenkman Group Sponsored Funds in order for such Clients to gain exposure to an asset class or as otherwise agreed with such Shenkman Group Clients. The Shenkman Group Client will be provided with such Sponsored Fund's offering materials and will be required to execute the applicable subscription agreement prior to any investment being accepted by the Sponsored Fund. The Sponsored Fund's management fees are generally waived or offset against the client's separately managed account management fee with respect to such an investment (unless otherwise agreed between Shenkman and the Shenkman Group Client), provided, however, that the Shenkman Group Client will be responsible for its proportional share of the Sponsored Fund's organization and operating expenses, as detailed above.

D. ADVANCE FEES

In accordance with the applicable advisory agreement or offering materials, asset-based fees are generally paid in arrears on a monthly, quarterly or annual basis, and performance-based compensation is typically paid annually in arrears. Upon the specific request of a client, however, we may receive our fees up to six months in advance (i.e., prepaid fees). To the extent that we receive prepaid fees, such fees would be refunded to the client, on a pro rata basis, if we did not provide services for the entire period for which the prepaid fee corresponded.

E. SALES BASED COMPENSATION

Neither Shenkman nor any of its employees receives additional compensation for the sale of securities or other investment products.

F. ALLOCATION OF EXPENSES

Throughout the course of carrying out its investment advisory activities, the Shenkman Group may incur expenses that are borne or due to be borne by one or more Shenkman Group Clients, or that are borne or due to be borne by the Shenkman Group, and/or one or more Shenkman Group Client(s) (“Common Expenses”). The Shenkman Group seeks to allocate Common Expenses in a fair and reasonable manner consistent with its fiduciary duties.

Common Expenses will generally be allocated among applicable Shenkman Group Clients on a pro rata basis. However, the Shenkman Group has, and expects that it may in the future, deviate from pro rata allocation with respect to expenses that the Shenkman Group determines disproportionately benefit a particular Shenkman Group Client or group of Shenkman Group Clients. The determination as to the methodology to be used in such instances is generally based on relative use of the product or service, the nature or source of the expense, the relative benefits derived by the client accounts from the product or service, or other relevant factors. Where it is determined that an expense disproportionately benefits a particular Shenkman Group Client, the Shenkman Group may charge all or part of the expense to that Shenkman Group Client. Investors in a Sponsored Fund should refer to the offering documents pertaining to a particular Sponsored Fund for additional information regarding the allocation of expenses.

The Shenkman Group’s determinations with respect to whether certain specific expenses should be allocated fully to one or more Shenkman Group Clients, treated as Common Expenses, or borne entirely by the Shenkman Group require subjective judgments. The Shenkman Group has a conflict of interest when making such judgments because the Shenkman Group will bear the costs of any expenses not allocated fully or partially to a Shenkman Group Client. In addition, the allocation of certain Common Expenses among multiple Shenkman Group Clients could affect the size or performance of, and therefore the fees or performance compensation earned by the Shenkman Group with respect to, certain Shenkman Group Clients. Therefore, the Shenkman Group will generally have a conflict of interest when determining how to allocate expenses among such Shenkman Group Clients.

ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

As discussed above in “Item 5: Fees and Compensation,” and consistent with Rule 205-3 under the Advisers Act, Shenkman is entitled to receive performance-based compensation from certain Shenkman Group Clients. Performance-based compensation creates an incentive for us to make investments that are riskier or more speculative than would be the case in the absence of such compensation. Certain Shenkman Group Clients have higher fees or more favorable performance-based compensation arrangements than other Shenkman Group Clients. Consequently, a conflict of interest exists because the Shenkman Group has greater incentive to favor Shenkman Group Clients from which the Shenkman Group receives higher management fees and/or with whom it has, or whom it has more favorable, performance-based compensation arrangements. Please also see “Item 10: Other Financial Industry Activities and Affiliations” and “Item 12: Brokerage Practices,” for more details on conflicts resulting from the management of multiple clients by the Shenkman Group.

The Shenkman Group has adopted and implemented policies and procedures intended to address these potential and actual conflicts of interest, including trade allocation and aggregation policies. The Shenkman Group’s allocation policy seeks to allocate investment opportunities among Shenkman Group Clients fairly over time, and our aggregation policy generally requires that Shenkman Group Clients participate in aggregated orders on an average price basis. We also have systems and controls to monitor that investments made on behalf of a Shenkman Group Client comply with the applicable investment guidelines and restrictions pertaining to such Shenkman Group Client.

A. ALLOCATION OF INVESTMENT OPPORTUNITIES

The Shenkman Group will generally allocate investment opportunities among eligible Shenkman Group Clients pro rata based on each Shenkman Group Client’s total net asset value, or pursuant to alternative approved methodologies, including, without limitation, pursuant to: (i) a target weighting of an account’s concentration in an applicable issue, issuer, industry, credit rating, duration, maturity, cash level, or similar portfolio attribute; (ii) a rotational system; (iii) a random selection of eligible accounts; or (iv) as otherwise approved by the Shenkman Group’s Legal and Compliance Department.

A Shenkman Group Client will generally be presumed to be eligible to participate in an investment opportunity executed on behalf of Shenkman Group Clients with similar investment objectives, strategies and risk profiles, provided, however, that an eligible Shenkman Group Client may be excluded from participating in an investment opportunity, or the amount of an eligible Shenkman Group Client’s allocation may be limited based on, among other things, the client’s investment guidelines,

restrictions and specific instructions; legal, regulatory or tax restrictions; portfolio diversification/concentration considerations; and timing of cash flows, account liquidity and cash balances. Allocations are generally adjusted for rounding based on lot size and minimum increment requirements, or as otherwise approved by the Legal and Compliance Department.

It is our goal to provide individualized treatment and customized solutions to each Shenkman Group Client. Due to the differences in investment objectives, strategies, guidelines and restrictions, along with the other criteria outlined above, including the availability and relative value of investment opportunities, there will be differences among accounts in invested positions and investments held, and such differences can be meaningful. There are no assurances that each Shenkman Group Client will participate in each eligible investment opportunity. In all cases, we seek to identify and mitigate all conflicts of interest and allocate investments fairly over time and in accordance with our fiduciary duties.

B. ORDER AGGREGATION

The Shenkman Group maintains a general practice of aggregating Shenkman Group Client trade orders for execution in order to achieve more favorable execution prices by buying or selling investments in greater quantity. Any initial allocations made prior to an order being placed, will be subject to adjustment depending upon, among other considerations, (1) the actual amount purchased or sold (e.g., partially-filled orders; (2) lot size and minimum increment requirements; and (3) if the order is a sale transaction, remaining position size by account. Aggregated orders are typically allocated among accounts based upon an average price, with all other transaction costs, if any, shared among the accounts on a fair and reasonable basis. Furthermore, due to the fact that market conditions fluctuate throughout the trading day, the Shenkman Group bifurcates the trading day into morning and afternoon trading sessions, and generally aggregates orders generated in the morning trading session separately from orders generated during the afternoon trading session.

ITEM 7: TYPES OF CLIENTS

We provide investment advisory services to a wide variety of clients, including, without limitation:

- corporations
- corporate ERISA plans
- public pension plans
- Taft-Hartley plans
- religious and charitable organizations
- endowments and foundations
- insurance companies
- mutual funds
- UCITS
- private funds (single investor or commingled)
- CLOs
- government entities and government-sponsored entities
- family offices and high net worth individuals
- wrap fee programs

ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

A. METHODS OF ANALYSIS AND INVESTMENT STRATEGIES

Methods of Analysis

Our investment advisory services are focused on the leveraged finance market and we are dedicated to providing in-depth, bottom-up, fundamental credit analysis.

For our traditional credit strategies, we seek to invest primarily in higher quality debt of lower rated companies with strong and/or improving financial characteristics, while generally seeking to avoid those with a greater probability of default. Our investment philosophy is predicated on the following four core principles:

- Preserving Capital
- Allowing the Compounding of Interest Income to Drive Risk-Adjusted Returns
- Minimizing Defaults
- Utilizing Proprietary Credit Analytics

In addition, our investment philosophy is based on the following six pillars:

- I. Bottom-up, Fundamental Credit Analysis
- II. Broad Diversification
- III. Communication with Issuer's Management
- IV. Disciplined Approach
- V. Monitoring Credits on a Systematic Basis
- VI. Comprehensive Reporting and Risk Control Systems

We seek to apply a risk-averse philosophy based on bottom-up fundamental credit analysis across all market environments. Our investment philosophy centers on the basic tenet that comprehensive, fundamental credit research is the key to realizing above-average returns over a full market cycle. We believe this core principle is essential to properly manage the inherently higher credit risk associated with below investment-grade assets. Our analytical process includes using our proprietary tools to analyze historical and projected operating performance and trends, including liquidity, cash flow and a working capital analysis.

For our alternative credit strategies, we seek to take advantage of the deep, bottom-up fundamental credit analysis used in our traditional credit strategies to evaluate investment opportunities with a higher risk/return profile or complex structured credit opportunities. Our investment philosophy in our alternative credit strategies centers on the basic tenet that comprehensive, fundamental research is the key to realizing above-average returns over a full market cycle. The CLO Debt and Equity strategies rely on a comprehensive research process focused on extensive manager due diligence (including a proprietary manager scoring system), deal structure and transaction analysis and an analysis of the underlying collateral and relative value of the deal. The opportunistic and tactical credit strategies are focused on event driven special situations across the corporate credit spectrum with the goal of deploying capital into opportunities with shifting credit risk profiles and to benefit from changes in market structure. Shenkman's multi-asset credit strategy invests across asset classes and employs multiple strategies in seeking to achieve high risk adjusted returns with low volatility. In addition, Shenkman may offer single strategies focused on investments in assets of a particular region or sector, as well as customized strategies incorporating elements of multiple strategies and/or asset classes.

We provide advice and management with respect to all segments of the capital structure of leveraged companies. Our services relate to registered securities and securities and instruments not registered under the U.S. Securities Act of 1933 (including, but not limited to, securities issued pursuant to Rule 144A and Regulation S promulgated under that Act, as well as leveraged loans). Depending on the investment strategy employed, we may invest in U.S. dollar denominated and non-U.S. dollar denominated investment grade debt, below-investment grade debt, and equity instruments, including, but not limited to, notes, bonds (cash pay, zero coupon and toggle), convertible securities (bonds and preferred stock), yankee bonds, bonds with attached warrants, non-convertible preferred stock and other equity securities, U.S. Treasury and agency issues, and leveraged loans made to corporate borrowers, including term loans, bridge loans, delayed draw term loans, revolving loans and letter of credit facilities. We also provide advice and management with respect to: (i) defaulted and distressed bonds and other securities and obligations; (ii) defaulted and distressed leveraged loans; and (iii) equity and debt securities issued by CLOs.

From time-to-time, we also invest in derivative or synthetic securities that derive their value from an underlying security or instrument, and may engage in "Total Rate of Return" swap or similar transactions. We also provide advice and management with respect to equity securities issued by highly leveraged companies and investment grade companies, as well as put and call options. We enter into short positions, and may employ straddles, spreads and other combinations of put and call options and may use options or other derivatives, instruments and techniques for hedging purposes or to implement a strategy where we do not believe an investment in the underlying instrument is feasible or in the best interests of our clients. We may also engage in repurchase and reverse repurchase agreements or similar transactions. We also engage in foreign exchange currency transactions to hedge the underlying portfolio, or a specific share class in a Sponsored Fund, against declines in the value of certain investments and/or share classes as a result of changes in currency exchange rates.

Investing in securities involves the risk of loss, including loss of principal, which clients should be prepared to bear.

Investment Strategies

Our investment strategies include, but are not limited to:

TRADITIONAL CREDIT

- Senior Secured Loans (including, without limitation, U.S. and Global Leveraged Loan, and Ratings Constrained and Loss Constrained leveraged loan strategies)
- High Yield Bonds (including, without limitation, U.S., European and Global High Yield Bond, Ratings and/or Loss Constrained High Yield Bond, and Global Fallen Angel/Rising Stars strategies)
- Short Duration High Yield Bonds (including without limitation U.S. and Global Short Duration High Yield Bond strategies)
- Convertible Securities (including, without limitation, U.S. and Global convertible securities, and investment grade convertible securities strategies)

ALTERNATIVE CREDIT

- CLO Debt & Equity (including, without limitation, High Grade, Broad Market, CLO Equity and Opportunistic strategies)
- Absolute Return (including, without limitation, Multi-Asset Credit, Opportunistic Credit, Tactical Credit, and Energy Opportunistic strategies)

All of our traditional credit investment strategies, and certain of our alternative credit investment strategies (or derivations thereof) are available through separately managed accounts and certain of these investment strategies are also available through investment vehicles, including mutual funds for which we act as adviser or sub-adviser (each a “Mutual Fund”), private funds (single investor or commingled), Collateralized Loan Obligations (“CLOs”) and other securitized vehicles, and UCITS funds.

B. MATERIAL RISKS OF INVESTMENT STRATEGIES

Clients should understand that all investment strategies and the investments made pursuant to them involve the risk of loss, including the potential loss of the entire investment. The investment performance and success of any investment strategy or particular investment can never be predicted or guaranteed, and the value of a client's investments will fluctuate due to market conditions and other factors. The following is a list of the material risks Shenkman believes are associated with its investment strategies; it does not purport to be a complete enumeration or explanation of all such risks.

Nature of Investments. Shenkman has broad discretion in making investments. These investments primarily consist of loans, bonds and convertible securities issued by highly leveraged (i.e., “high yield”) companies and debt and equity securities issued by CLOs. Each of these investments may have significant risks as a result of business, financial, market or legal uncertainties. Clients may also hold other long and short positions. Investments may also include unit securities that consist of a debt security and a warrant in the issuing company. There can be no assurance that we will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on investments. Prices may be volatile, and a variety of other factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the value of investments. No guarantee or representation is made that our investment objectives will be achieved.

Diversification and Concentration. Shenkman may select investments for its clients that are concentrated in a limited number or types of instruments. In addition, client portfolios may become significantly concentrated in investments related to a single or a limited number of issuers, industries, sectors, markets, strategies, countries or geographic regions. This limited diversification may result in the concentration of risk, which, in turn, could expose clients to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in such investments.

Lack of Control. Shenkman invests in debt instruments and equity securities of companies that it does not control, which a client may acquire through market transactions or through purchases of securities directly from the issuer or other shareholders. Such securities will be subject to the risk that the issuer may make business, financial or management decisions with which Shenkman does not agree or that the majority stakeholders or the management of the issuer may take risks or otherwise act in a manner that does not serve our clients' interests. In addition, clients may share control over certain investments

with co-investors, which may make it more difficult for Shenkman to implement its investment approach or exit the investment when it otherwise would. The occurrence of any of the foregoing could have a material adverse effect on client portfolios.

Hedging Transactions. Shenkman may cause clients to utilize a variety of financial instruments (including options and derivatives), both for investment purposes and (to the extent desired) for risk management purposes in order to: (i) protect against possible changes in the market value of an investment portfolio resulting from fluctuations in the securities or commodities markets and changes in interest rates; (ii) protect the unrealized gains in the value of an investment portfolio; (iii) facilitate the sale of any such investments; (iv) enhance or preserve returns, spreads or gains on any investment in a client's portfolio; (v) hedge the interest rate or currency exchange rate on any of a client's liabilities or assets; (vi) protect against any increase in the price of any securities or commodities Shenkman anticipates purchasing on behalf of a client at a later date; or (vii) for any other reason that Shenkman deems appropriate.

The success of Shenkman's hedging is subject to Shenkman's ability to correctly assess the degree of correlation between the performance of the instruments used to hedge and the performance of the investments in the portfolios being hedged. Since the characteristics of many securities change as markets change or time passes, the success of the instances when Shenkman hedges a client's portfolio positions is also subject to Shenkman's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. While Shenkman may cause a client to enter into certain hedging transactions, like currency hedging, to seek to reduce risk, such transactions may result in a poorer overall performance for the client than if it had not engaged in any such hedging transactions. For a variety of reasons, Shenkman may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent a client from achieving the intended hedge or expose a client to risk of loss. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of the client's portfolio holdings.

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

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

Governmental Interventions. Extreme volatility and illiquidity in markets has in the past led to, and may in the future lead to, extensive governmental interventions in equity, credit and currency markets. Generally, such interventions are intended to reduce volatility and precipitous drops in value. In certain cases, governments have intervened on an "emergency" basis, suddenly and substantially eliminating market participants' ability to continue to implement certain strategies or manage the risk of their outstanding positions. In addition, these interventions have typically been unclear in scope and application, resulting in uncertainty. It is impossible to predict when these interventions will take place, what the interim interventions will be and/or the effect of such interventions on Shenkman's strategies.

Interest Rate Risk. When interest rates decline, the value of a portfolio invested in fixed-rate obligations can be expected to rise. Conversely, when interest rates rise, the value of a portfolio investment in fixed-rate obligations can be expected to decline. Although the value of investments will vary, Shenkman expects the investments in floating rate loans to minimize fluctuations in value as a result of changes in market interest rates. However, because floating rates on loans only reset periodically, changes in prevailing interest rates can still be expected to cause some fluctuation in value. The negative impact on debt instruments from rate increases could be swift and significant, which could cause a decline in value. Other economic factors (such as large downward movement in stock prices, a disparity in supply and demand of certain instruments or market conditions that reduce liquidity) can also adversely impact the markets for loans and other debt obligations. Rating downgrades of holdings or their issuers will generally reduce the value of such holdings.

Potential Interest Rate Increases. The United States is experiencing historically low interest rate levels. However, the

continued strengthening of the U.S. economy and recent and potential future changes in U.S. government policy, including the deleveraging of the U.S. Federal Reserve Board's balance sheet and recent interest rate increases, increase the risk that interest rates will continue to rise in the near future. Any future interest rate increases may result in periods of volatility and cause the value of the fixed income securities held by client portfolios to decrease, which may result in substantial withdrawals from certain Sponsored Funds, which, in turn, force such funds to liquidate such securities at disadvantageous prices negatively impacting the performance of such funds.

Potential Interest Rate Decreases. In the event of economic disruptions, the U.S. Federal Reserve Board, as well as other central banks, may seek to lower interest rates, even further below the historically low interest rate levels currently being experienced in the United States. Such interest rate decreases may result in what is effectively a "negative" interest rate. Negative interest rates would reduce interest payments on floating rate instruments held by Shenkman Client portfolios, and in certain circumstances (depending on the terms of loans held by Shenkman Client portfolios, including the existence of interest rate floors), may result in minimal or no interest payments being paid to Shenkman Clients, which would likely negatively impact Shenkman Client portfolios. In addition, negative interest rates could adversely affect client portfolios in a variety of ways, and the risks identified herein should not be considered comprehensive.

Discontinuation of LIBOR. It is expected that the London Interbank Offered Rate ("LIBOR"), which is commonly used as a reference rate within various financial contracts (any such rate, a "Reference Rate"), will not be published after the year 2021. In anticipation of the end of LIBOR, the United States and other countries are currently working to replace LIBOR with alternative Reference Rates. As a general matter, the expected discontinuation of LIBOR may significantly impact financial markets; specifically, discontinuation may impact financial contracts to which Shenkman Clients are a party. Generally, the transition to alternative Reference Rates may (i) cause the value of a Reference Rate to be uncertain or to be lower or more volatile than it would otherwise be; (ii) result in uncertainty as to the functioning, liquidity or value of certain financial contracts; (iii) involve actions of regulators or rate administrators that adversely affect certain markets or specific financial contracts; and (iv) impact the strategy, products, processes, legal positions and information systems of market participants, including the Shenkman Clients and their counterparties. Financial contracts to which Shenkman Clients are a party, including corporate bonds and loans, bank loans, floating rate debt, certain asset-backed securities, and interest rate swaps and other derivatives, any such contract that has a maturity that extends beyond 2021 and uses LIBOR as a Reference Rate (other than contracts that include curative fallback language or other curative mechanisms) may need to be renegotiated, which will consume resources of Shenkman and the Shenkman Clients and may result in disputes among counterparties, the result of which may be adverse to Shenkman Client portfolios. Considered in their entirety, the impacts of the discontinuation of LIBOR on financial markets generally and on the specific financial contracts to which Shenkman Clients are a party may adversely affect the performance of Shenkman Client portfolios.

Interest Rate Changes; Interest Rate Mismatch. Shenkman Client portfolios hold both floating rate and fixed rate instruments. Fixed rate instruments will have interest rates that remain constant until their maturity. Accordingly, their market value will generally fluctuate with changes in market rates of interest. The market value of such instruments will also generally fluctuate with, among other things, general economic conditions, world political events, developments or trends in any particular industry, the conditions of financial markets and the financial condition of the issuers of such instruments. In general, rising interest rates will negatively impact the market value of a fixed rate instrument and falling interest rates will have a positive effect on market value. A significant enough decrease in the market value of fixed rate instruments could adversely affect the value of the Collateralized Bond Obligations ("CBOs"). Adjustable rate instruments also react to interest rate changes in a similar manner although generally to a lesser degree (depending, however, on the characteristics of the reset terms, including the index chosen, frequency of reset and reset caps or floors, among other factors).

Certain Shenkman Clients may invest in CBOs through Shenkman Group entities. CBOs have liabilities that are paid at fixed rates, therefore it is possible that the interest paid on CBO assets that are floating-rate and fixed-rate instruments may not be sufficient to timely pay interest accrued on fixed-rate liabilities of the CBO. There is no requirement as to whether investments held by the CBOs bear interest at a floating rate or a fixed rate, and the interest rates available for such instruments are inherently uncertain. As a result of potential mismatches, changes in the level of any floating rate index applicable to the instruments held by the CBO could adversely affect the ability of the CBO to make payments on notes issued by it. To the extent described herein, the Shenkman Group may cause the CBOs to reduce the effect of any such interest rate mismatch by entering into hedge agreements. However, there can be no assurance that the Shenkman Group will enter into such hedge agreements or that, if entered into, such hedge agreements will significantly reduce the effect of such interest rate mismatch.

Dealer Market Making. The value of debt investments will be affected by general market conditions, such as the volatility and liquidity of the leveraged finance market, which are affected by the ability of dealers to "make a market" in debt investments. In recent years, the market for debt instruments has significantly increased while dealer inventories have significantly decreased, relative to market size. This reduction in dealer inventories may be attributable to regulatory changes,

such as capital requirements, and is expected to continue. As dealers' inventories decrease, so does their ability to make a market (and, therefore, create liquidity) in the leveraged finance market. Especially during periods of rising interest rates, this could result in greater volatility and illiquidity in the leveraged finance market, which could impair profitability or result in losses.

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

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

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

Committee Participation. The Shenkman Group, acting on behalf of Shenkman Group Clients, has, and expects that in the future it will, from time-to-time, seek representation on formal or informal creditors' committees, equity committees or other groups to ensure preservation or enhancement of Shenkman Group Clients' position as a creditor or equity holder. A member of any such committee or group may owe certain obligations to all investors that the committee represents that are similarly situated. If the member of such committee or group concludes that the obligations owed to other investors as a committee or group member conflict with the duties owed to Shenkman Group Clients, general fiduciary principles may require such member to resign from that committee or group, thus denying the Shenkman Group Clients any benefits from participation on the committee or group. In addition, if the Shenkman Group or a Shenkman Group Client is represented on a committee or group, such entity may become an "insider" for purposes of federal securities laws and may, therefore, be restricted or prohibited from trading in the securities of such company, including any securities it already owns. Specifically, participation in restructuring activities frequently provides the participant with material non-public information that may restrict the Shenkman Group's ability to trade in any of the company's securities on Shenkman Group Client's behalf. Determination of whether information is material and non-public and how long such information restricts trading is sometimes a matter of considerable uncertainty and judgment. Furthermore, participation on such committees may result in Shenkman Group Clients incurring expenses, including legal fees.

Equitable Subordination. Under common law principles that in some cases form the basis for lender liability claims, if a lender (i) intentionally takes an action that results in the undercapitalization of a borrower or issuer to the detriment of other creditors of such borrower or issuer, (ii) engages in other inequitable conduct to the detriment of such other creditors, (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors or (iv) uses its influence as a stockholder to dominate or control a borrower or issuer to the detriment of other creditors of such borrower or issuer, a court may elect to subordinate the claim of the offending lender or bondholder to the claims of the disadvantaged creditor or creditors (a remedy called "equitable subordination"). If Shenkman causes its clients to engage in such conduct, such clients may be subject to claims from creditors of an obligor that debt held by the clients should be equitably subordinated.

Liquidity Risk. Shenkman invests client assets in loans, bonds or other instruments that are thinly-traded or for which no market exists. The financial markets have experienced and may, in the future, experience substantial fluctuations in prices for these investments and limited liquidity for such instruments. During periods of limited liquidity and higher price volatility, Shenkman's ability to acquire or dispose of investments at a price and time that we deem advantageous may be severely impaired, and may also inhibit us from taking advantage of market opportunities. Some investments may also have a limited trading market (or none) under any market conditions. Illiquid investments may trade at a discount from comparable, more liquid investments. The impact of low liquidity on the global credit markets may adversely affect our portfolio management flexibility and ultimately, our ability to achieve a client's performance objectives. Additionally, bank loans generally are subject to legal or contractual restrictions on resale, may trade infrequently, and their value may be impaired when we need to liquidate such loans. Bonds generally trade only in the over-the-counter market rather than an organized

exchange and may be more difficult to purchase or sell at a fair price, which could have a negative impact on performance.

Non-U.S. Issuers. Shenkman invests assets in loans, bonds or other instruments of companies domiciled or operating outside of the United States. Investing in loans, bonds or other instruments of non-U.S. companies involves certain considerations comprising both risks and opportunities not typically associated with investing in securities of U.S. companies, including: political and economic considerations, such as greater risks of expropriation and nationalization, confiscatory taxation, restrictions on repatriating funds, general social, political and economic instability and adverse diplomatic developments; the possibility of imposition of withholding or other taxes on the payment of dividends, interest, capital gains or other income; the small size of the financial markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility and costs associated with currency conversion; high transaction costs; and certain government policies that may restrict our investment opportunities. In addition, accounting and financial reporting standards that prevail in non-U.S. countries generally are not equivalent to United States standards and, consequently, less information may be available to investors in companies located outside the United States than is available to investors in companies located in the United States. Generally, there is also less regulation of the financial markets than there is in the United States. These risks may be even greater for investments in developing or emerging market countries.

Purchasing Initial Private or Public Issuances. Shenkman purchases securities or loans of companies in initial private or public issuances (or shortly thereafter). Special risks associated with these securities or loans may include a limited amount of the offering available for trading, unseasoned trading, lack of investor knowledge of the company and limited operating history. These factors may contribute to substantial price volatility for these investments. The limited amount of the offering available for trading in these investments may make it more difficult for the Shenkman to buy or sell significant amounts of the investment without an unfavorable impact on prevailing market prices. In addition, some companies undertaking an initial private or public issuance are involved in relatively new industries or lines of business that may not be widely understood by investors. Some of these companies may be undercapitalized or regarded as developmental stage companies, without revenues or operating income, or the near-term prospects of achieving them.

Currency Risk. Shenkman invests in investments denominated in currencies other than the U.S. dollar or the base currency of the Shenkman Client account or Sponsored Fund. Shenkman may or may not seek to hedge non-U.S. currency exposure by entering into currency hedging transactions. Currency exchange rates can be extremely volatile and if a currency hedge is not entered into, an investment may lose value due to fluctuations in the rate of exchange entirely apart from the quality or performance of the investment itself. A currency hedge may be entered into in an effort to protect against fluctuations in exchange rates. It is not possible, however, to hedge fully or perfectly against currency fluctuations affecting the value of an investment denominated in any particular currency and the client may still have losses as a result of the investment or hedge losing value. There can be no guarantee that instruments suitable for hedging currency or market shifts will be available at the time when Shenkman wishes to use them, or that hedging techniques employed by Shenkman will be effective. Furthermore, certain currency market risks may not be fully hedged or hedged at all. To the extent unhedged, the value of positions denominated in currencies other than the U.S. dollar will fluctuate with U.S. dollar exchange rates as well as with the price changes of the investments in the various local markets and currencies.

Small and Medium Capitalization Companies. Shenkman may invest in the loans, bonds or other instruments of companies with small- to medium-sized market capitalizations. Although we believe these investments often provide significant potential for appreciation, they also involve higher risks in some respects than do investments in larger companies, including more volatility than large-capitalization investments and a higher risk of bankruptcy or insolvency. In addition, due to thin trading in the investments of some small-capitalization companies, an investment in those companies may be illiquid.

Short Selling. If authorized, Shenkman may invest in short positions. A short sale involves the sale of a security or other instrument that is not owned. To make delivery to the buyer, the instrument must be borrowed with an obligation to deliver the instrument to the lender of such instrument and to pay any dividend or interest payable on the instrument until it is returned to that lender. A short sale creates the risk of a theoretically unlimited loss because the price of the underlying instrument could theoretically increase without limit, which would then increase the cost of buying the instrument to cover the short position. Additionally, if we do not have the ability to borrow securities or other instruments sold short, we could be “bought in” (i.e., forced to repurchase the instruments in the open market to return to the lender). There can also be no assurance that the instruments necessary to cover a short position will be available for purchase at or near the prices quoted in the market. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. In addition, the occurrence of a “short-squeeze” (the inability to maintain a “borrow” on securities) could force us to cover a short position and realize an investment loss.

Leverage/Margin Borrowing. If authorized, Shenkman may create leverage on behalf of an account or Sponsored Fund

through the use of margin transactions, explicit borrowings, short sale positions, repurchase or reverse repurchase agreements, and derivative instruments. While the use of leverage can substantially improve the return on invested capital, it may also increase the adverse impact to the portfolio. Accordingly, any event that adversely affects the value of an investment, either directly or indirectly, would be magnified to the extent that leverage is employed. The cumulative effect of the use of leverage, directly or indirectly, in a market that moves adversely to the investments of the entity employing leverage would result in a loss that would be greater than if leverage were not employed.

Additionally, in an unsettled credit environment, Shenkman may find it difficult or impossible to obtain leverage when desired. In such event, Shenkman could find it difficult to implement its strategy. In addition, any leverage obtained, if terminated on short notice by the lender, could result in Shenkman being forced to unwind positions quickly and at prices below what Shenkman deems to be fair value for the positions. In addition, if securities pledged to a broker to secure a margin account decline in value, or should the broker increase its margin maintenance requirements (i.e., reduce the percentage of a position that can be financed), then the applicable account could be subject to a “margin call,” pursuant to which Shenkman (on behalf of the Shenkman Client account) must either deposit additional funds with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value.

Energy Sector Concentration Risk. Investments in our energy opportunistic strategy are highly concentrated in the energy sector. Consequently, there is a risk that investments will be subject to more rapid change in value than would be the case for other strategies that maintain a wide diversification among securities or industry sectors. The value of a portfolio invested pursuant to this strategy is also vulnerable to factors affecting the energy and natural resources industries, such as increasing regulation of the energy and natural resources sectors by both the U.S. and other governmental entities, geopolitical and weather-related events, developments in the energy and natural resources sectors and conservation incentives. Increased energy and natural resources regulations may, among other things, increase compliance costs and affect business opportunities for the companies in which we invest. Consequently, the investment objective of the energy opportunist strategy may be difficult to achieve.

Arbitrage Transactions. If authorized, Shenkman may implement arbitrage strategies that attempt to take advantage of perceived price discrepancies of identical or similar financial instruments, on different markets or in different forms. If the requisite elements of an arbitrage strategy are not properly analyzed or executed, or unexpected events or price movements intervene, losses can occur. Moreover, arbitrage strategies often depend upon identifying favorable “spreads,” which can also be identified, reduced or eliminated by other market participants. The success of Shenkman’s capital structure arbitrage strategy depends upon Shenkman’s ability to identify and exploit the relationships between movements in different securities within an issuer’s capital structure (including, bank debt, convertible and non-convertible senior and subordinated debt and preferred and common stock). Identification and exploitation of these opportunities involve uncertainty. There can be no assurance that Shenkman will be able to locate investment opportunities or to correctly exploit price discrepancies. A reduction in the pricing inefficiency of the markets in which Shenkman will seek to invest on behalf of Shenkman Clients will reduce the scope for Shenkman’s investment strategies. In the event that the perceived mispricings underlying the Shenkman Clients’ positions fail to materialize, these investment strategies could be unsuccessful or result in losses.

Portfolio Turnover. Shenkman’s investment strategies may involve frequent trading, which may result in higher transaction costs and charges to accounts and ordinary income or short term capital gain treatment as opposed to long term capital gain treatment for U.S. federal income tax purposes.

Counterparty Risk. Shenkman expects to cause Shenkman Clients to establish relationships to obtain financing, derivative execution, derivative intermediation and prime brokerage services that permit Shenkman to trade in any variety of markets or asset classes over time. However, there can be no assurance that Shenkman Clients will be able to establish or maintain such relationships. An inability to establish or maintain such relationships could limit Shenkman’s trading activities, create losses, preclude Shenkman from engaging in certain transactions or prevent Shenkman from trading at optimal rates and terms. Moreover, a disruption in the financing, derivative intermediation and prime brokerage services provided by any such relationships could have a significant impact on a Shenkman’s business due to the need for such counterparties.

Shenkman may effect transactions in the “over-the-counter” or “OTC” derivatives markets. The stability and liquidity of OTC derivatives transactions depends in large part on the creditworthiness of the parties to the transactions. In the OTC markets, Shenkman enters into contracts directly with dealer counterparties, which may expose clients to the risk that a counterparty will not settle a transaction in accordance with its terms because of a solvency or liquidity problem with the counterparty. Delays in settlement may also result from disputes over the terms of the contract (whether or not bona fide). In addition, Shenkman Clients may have a concentrated risk in a particular counterparty, which may mean that if such

counterparty were to become insolvent or have a liquidity problem, losses would be greater than if Shenkman had caused such clients to enter into contracts with multiple counterparties. Certain OTC derivative contracts require collateral to be posted.

If there is a default by a counterparty, under most normal circumstances clients will have contractual remedies pursuant to the agreements related to the transaction. However, exercising such contractual rights may involve delays or costs which could result in the net asset value of a portfolio being less than if Shenkman had not caused such client to enter into the transaction. Furthermore, there is a risk that any of such counterparties could become insolvent and/or the subject of insolvency proceedings. In such case, the recovery of securities from such counterparty or the payment of claims therefor may be significantly delayed and Shenkman may recover substantially less than the full value of the securities entrusted to such counterparty. In addition, it is possible that legal and regulatory reforms may impact the laws that apply to insolvency proceedings and may impact whether a client may terminate its agreement with an insolvent counterparty.

Collateral that Shenkman causes a Shenkman Client to post to its counterparties that is not segregated with a third-party custodian may not have the benefit of customer-protected “segregation” of such funds. In the event that a counterparty were to become insolvent, such a client may become subject to the risk that it may not receive the return of its collateral or that the collateral may take some time to return.

In addition, Shenkman may use counterparties located in jurisdictions outside the United States. Such local counterparties usually are subject to laws and regulations in non-U.S. jurisdictions that are designed to protect customers in the event of their insolvency. However, the practical effect of these laws and their application to a client’s assets are subject to substantial limitations and uncertainties. Because of the range of possible factual scenarios involving the insolvency of a counterparty and the potentially large number of entities and jurisdictions that may be involved, it is impossible to generalize about the effect of such an insolvency on a client and its assets. Investors in a Sponsored Fund should assume that the insolvency of any such counterparty would result in significant delays in recovering the Sponsored Fund’s assets from, or the payment of claims by, such counterparty and a loss to the Fund, which could be material.

Regulation in the Derivatives Industry. There are many rules related to derivatives that may negatively impact Shenkman Clients, such as requirements related to recordkeeping, reporting, portfolio reconciliation, central clearing, minimum margin for uncleared OTC instruments and mandatory trading on electronic facilities, and other transaction-level obligations. Parties that act as dealers in swaps are also subject to extensive business conduct standards, additional “know your counterparty” obligations, documentation standards and capital requirements. All of these requirements add costs to the legal, operational and compliance obligations of Shenkman, and increase the amount of time that Shenkman spends on non-investment-related activities. Requirements such as these also raise the costs of entering into derivative transactions, and these increased costs will likely be passed on to Shenkman Clients. These compliance obligations require employee training and use of technology, and there are operational risks borne by Shenkman in implementing procedures to comply with many of these additional obligations. These regulations may also result in Shenkman forgoing the use of certain trading counterparties (such as broker-dealers and futures commission merchants (“FCM”)) as the use of other parties may be more efficient for Shenkman from a regulatory perspective. However, this could limit Shenkman’s trading activities, create losses, preclude Shenkman from engaging in certain transactions or prevent Shenkman from trading at optimal rates and terms.

Many of these requirements were implemented pursuant to the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”), the EU Regulation on OTC Derivatives, Central Counterparties and Trade Repositories (known as the European Market Infrastructure Regulation or “EMIR”) and similar regulations globally. In the United States, the Dodd-Frank Act divides the regulatory responsibility for derivatives between the SEC and the CFTC, a distinction that does not exist in any other jurisdiction. The CFTC has regulatory authority over “swaps” and the SEC has regulatory authority over “security-based swaps.” EMIR is being implemented in phases through the adoption of delegated acts by the European Commission. As a result of the SEC and CFTC bifurcation and the different pace at which the SEC, the CFTC, the European Commission and other international regulators have promulgated necessary regulations, different transactions are subject to different levels of regulation. Though many rules and regulations have been finalized, there are others, particularly SEC proposals with respect to security-based swaps and EMIR, that may well be adopted in the future.

The following describes derivatives regulations that may have the most significant impact on Shenkman Clients:

Swap Agreements. If authorized, Shenkman may engage in swap transactions. Most swap agreements calculate the obligations of the parties to the agreement on a “net” basis. Consequently, the Shenkman Client’s obligations (or rights) under a swap agreement will generally be equal only to the net amount to be paid or received under the

agreement based on the relative values of the positions held by each party to the agreement (the “net amount”). Whether Shenkman’s use of swap agreements is successful in furthering its investment objective will depend on our ability to correctly predict whether certain types of investments are likely to produce greater returns than other investments. The Shenkman Client will bear the risk of loss of the amount expected to be received under a swap agreement in the event of the default or bankruptcy of a swap counterparty.

Reporting. Most swap transactions have become subject to anonymous “real-time reporting,” meaning that information relating to transactions entered into by Shenkman will become visible to the market in ways that may harm Shenkman’s ability to enter into additional transactions at comparable prices or could enable competitors to “front-run” or replicate Shenkman’s strategies.

Central Clearing. In order to mitigate counterparty risk and systemic risk in general, various U.S. and international regulatory initiatives are underway to require certain derivatives to be cleared through central clearinghouses. In the United States, clearing requirements have been implemented as part of the Dodd-Frank Act. The CFTC imposed its first clearing mandate on December 13, 2012 affecting certain interest rate and credit default swaps. It is expected that the CFTC and the SEC will introduce clearing requirements for additional classes of derivatives in the future. EMIR also requires OTC derivatives contracts meeting specific criteria to be cleared through central counterparties.

Although such clearing requirements may be beneficial for a Shenkman Client in many respects (for instance, they may reduce the counterparty risk to the dealers to which the Shenkman Client would be exposed under non-cleared derivatives), the Shenkman Client could be exposed to new risks, such as the risk that an increasing percentage of derivatives will be required to be standardized and/or cleared through central clearinghouses, and as a result the Shenkman Client may not be able to hedge its risks or express an investment view as well as it would using customizable derivatives available in the over-the-counter markets. Shenkman may have to split Shenkman Clients’ derivatives portfolios between centrally cleared and over-the-counter derivatives, which may result in operational inefficiencies and an inability to offset risk between centrally cleared and over-the-counter positions, and which could lead to increased costs.

Another risk is that a Shenkman Client may be subject to more onerous and more frequent (daily or even intraday) margin calls from both Shenkman’s FCM and the clearinghouse. Virtually all margin models utilized by the clearinghouses are dynamic, meaning that unlike traditional bilateral swap contracts, where the amount of initial margin posted on the contract is typically static throughout the life of the contract, the amount of the initial margin that is required to be posted in respect of a cleared contract will fluctuate, sometimes significantly, throughout the life of the contract. The dynamic nature of the margin models utilized by the clearinghouses and the fact that the margin models might be changed at any time may subject Shenkman Clients to an unexpected increase in collateral obligations by clearinghouses during a volatile market environment, which could have a detrimental effect. Clearinghouses also limit the collateral that they will accept to cash, U.S. Treasury bonds and, in some cases, other highly rated sovereign and private debt instruments, which may require Shenkman Clients to borrow eligible securities from a dealer to meet margin calls and raise the costs of cleared trades to such Shenkman Clients. In addition, clearinghouses may not allow Shenkman to portfolio-margin Shenkman Clients’ positions, which may increase the applicable costs.

Although standardized clearing for derivatives is intended to reduce risk (for instance, it may reduce the counterparty risk with respect to the dealers to which a Shenkman Client would be exposed under OTC derivatives), it does not eliminate risk. Derivatives clearing may also lead to concentration of counterparty risk, namely in the clearinghouse and Shenkman’s FCM, subjecting Shenkman Clients to the risk that the assets of the FCM are insufficient to satisfy all of the FCM’s payment obligations, leading to a payment default. The failure of a clearinghouse or FCM could have a significant impact on the financial system. Even if a clearinghouse does not fail, large losses could force significant capital calls on FCMs during a financial crisis, which could lead FCMs to default and thus worsen the crisis.

Swap Execution Facilities. In addition to the central clearing requirement, certain swap transactions are now required to trade on regulated electronic platforms such as swap execution facilities (“SEFs”), which will require Shenkman Clients to subject themselves to regulation by these venues and subject Shenkman Clients to the jurisdiction of the CFTC.

The EU regulatory framework governing derivatives is set not only by EMIR but also a legislative package known as a recast of the Markets in Financial Instruments Directive (“MIFID II”). Among other things, MIFID II will require transactions in derivatives to be executed on regulated trading venues. MIFID II has not yet been implemented into the local law of EU member states and as such it is currently difficult to assess a full impact of such regulatory reforms. Similarly, the SEC has yet to finalize rules related to security-based swap execution facilities.

It is not clear whether these trading venues will benefit or impede liquidity, or how they will fare in times of market stress. Trading on these trading venues may increase the pricing discrepancy between assets and their hedges as products may not be able to be executed simultaneously, therefore increasing basis risk. It may also become relatively expensive for Shenkman Clients to obtain tailored swap products to hedge particular risks in its portfolio due to higher collateral requirements on bilateral transactions as a result of the new regulations.

Margin Requirements for Non-Cleared Swaps. New rules issued by U.S., EU, and other regulators globally (the “Margin Rules”) impose various margin requirements on all swaps that are not centrally cleared, including the establishment of minimum amounts of initial margin that must be posted, and, in some cases, the mandatory segregation of initial margin with a third-party custodian. Although the Margin Rules are intended to increase the stability of the derivatives market, the overall amount of margin that will be required to be posted to swap counterparties may increase by a material amount, and as a result Shenkman may not be able to deploy its clients’ capital as effectively. Additionally, to the extent that any Shenkman Clients are required to segregate initial margin with a third party custodian, additional costs will be incurred by such Shenkman Clients.

Competition; Availability of Investments. Certain markets in which Shenkman invests are extremely competitive for attractive investment opportunities. As a result, there can be no assurance that Shenkman will be able to identify or successfully pursue attractive investment opportunities in such environments.

Volatility Risk. Shenkman’s investment program may involve the purchase and sale of relatively volatile securities and/or investments in volatile markets. Fluctuations or prolonged changes in the volatility of such securities and/or markets can adversely affect the value of investments.

Credit Ratings. In general, the credit rating assigned by a nationally recognized rating agency to a security represents such rating agency’s opinion of the safety of the principal and interest payments of the rated instrument based on available information. Such ratings are relative and subjective; they are not absolute standards of quality and do not evaluate the market value risk of such securities. Such ratings also do not reflect macroeconomic or systemic risk, including the risk of increased illiquidity in the credit markets. Further, credit ratings may change over time due to various factors, including changes in the creditworthiness of the issuer and/or changes in the rating agency’s analytics and processes. It is possible that a rating agency might not change its rating of a particular issue on a timely basis to reflect subsequent events and, as a result, outstanding ratings may not reflect the issuer’s current credit standing. Clients may incur losses if Shenkman makes investments based on credit ratings that subsequently change in a way not favorable to such clients’ investment objectives. In addition, Shenkman will make investment decisions irrespective of credit ratings or may disagree with published credit ratings and such determinations may cause losses if Shenkman’s credit determinations are contrary to or inconsistent with those published ratings (e.g., Shenkman may avoid issues whose published ratings are higher than Shenkman believes is appropriate and/or Shenkman may invest in issues whose published credit ratings are lower than Shenkman believes is appropriate).

Co-Investments with Third Parties. Shenkman Group Clients may co-invest with third parties through joint ventures or other entities. Third-party involvement with an investment may negatively impact the returns of such investment if, for example, the third-party co-venturer has financial difficulties, has economic or business interests or goals that are inconsistent with those of clients or is in a position to take (or block) action in a manner contrary to the applicable client’s investment objective. In circumstances where such third parties involve a management group, such third parties may enter into compensation arrangements relating to such investments, including incentive compensation arrangements. Such compensation arrangements will reduce the returns to participants in the investments.

Litigation Risk. Some of the tactics that Shenkman may use involve litigation. Shenkman Group Clients could be party to lawsuits either initiated by it, or by a company in which such Shenkman Group Clients invest, other shareholders of such company, or U.S. federal, state and non-U.S. governmental bodies. There can be no assurance that any such litigation, once begun, would be resolved in favor of the applicable Shenkman Group Clients.

Warehouse Agreements. The Shenkman Group expects to cause Shenkman Group Clients to enter into warehouse agreements (“Warehouse Agreements”) with certain collateral managers, including the Shenkman Group or affiliates of the Shenkman Group. Pursuant to such Warehouse Agreements, Shenkman Group Clients may provide financing, either directly or indirectly, for the purchase of assets, or may own certain assets (“Warehouse Securities”) in anticipation of such assets constituting the collateral of a CLO or other structured transaction. Upon the closing of a structured transaction to which the Warehouse Agreement relates, the Shenkman Group Clients may or may not purchase securities issued in such structured transactions. Shenkman Clients may not achieve their investment objective in financing the warehouse if the Warehouse Securities are not

purchased in a structured transaction or where a structured transaction fails to close. A collateral manager will purchase Warehouse Securities from the warehouse for a structured transaction only to the extent that the collateral manager determines that such purchases are consistent with the investment guidelines of the structured transaction, the restrictions contained in the collateral management agreement and applicable law. If Warehouse Securities are not purchased for a structured transaction, depending on the terms of the Warehouse Agreement, Warehouse Securities may be liquidated, which may result in a profit or a loss to a Shenkman Group Client, or a Shenkman Group Client may take possession of the Warehouse Securities. In either case, the Shenkman Group Client will bear the risk that the value of such Warehouse Securities may be below their purchase price. If a structured transaction fails to close, in addition to the foregoing risks, a Shenkman Group Client may not be paid for financing the warehouse facility.

Brexit. On January 31, 2020, the United Kingdom left the European Union (the “EU”, and such departure from the EU, “Brexit”). On October 19, 2019 the European Commission and the UK government announced that they had agreed to a negotiated withdrawal agreement. The withdrawal agreement provides for a transition or implementation period ending on December 31, 2020 (which may be extended for up to 2 years) during which, except as otherwise provided for in the agreement, EU law will be applicable to and in the UK. While the withdrawal agreement includes a non-binding political declaration setting out the framework for the future relationship between the EU and the UK, there continues to exist significant uncertainty as to the scope, nature and terms of such future relationship, including whether the terms of such future relationship will be agreed upon before the end of the transition period. Brexit has and for the foreseeable future will continue to adversely affect economic and market conditions in the UK, in the EU and its member states and elsewhere, and also contribute to uncertainty and instability in global financial markets which may adversely affect value of the collateral obligations and the Shenkman Clients’ ability to make payments on the secured notes issued by the Shenkman Clients. It is not possible to ascertain the precise impact these events may have on Shenkman Clients from an economic, financial or regulatory perspective but any such impact could have material consequences for Shenkman Clients.

Systems and Operational Risks Generally. Shenkman relies heavily on financial, accounting and other data processing systems to execute, clear and settle transactions across numerous and diverse markets and to evaluate certain investments, to monitor client portfolios and capital, and to generate risk management and other reports that are critical to oversight of its activities. In addition, Shenkman relies on information systems to store sensitive information. Certain of Shenkman’s activities are dependent upon systems operated by third parties, including prime brokers, administrators, custodians, agent banks, market counterparties and other service providers, and Shenkman may not be in a position to verify the risks or reliability of such third-party systems. Failures in the systems employed by Shenkman, prime brokers, administrators, custodians, agent banks, counterparties, exchanges and similar clearance and settlement facilities and other parties could result in mistakes made in the confirmation or settlement of transactions, or in transactions not being properly booked, evaluated or accounted for. Disruptions in Shenkman’s operations may cause clients to suffer, among other things, financial loss, the disruption of business, liability to third parties, regulatory intervention or reputational damage. Any of the foregoing failures or disruptions could have a material adverse effect on clients.

Cybersecurity Risk. As part of its business, Shenkman processes, stores and transmits large amounts of electronic information, including information relating to the transactions of clients and investors in Sponsored Funds and personally identifiable information of clients and investors in Sponsored Funds. Similarly, service providers of Shenkman and its clients may process, store and transmit such information. Shenkman has procedures and systems in place that it believes are reasonably designed 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 Shenkman may be susceptible to compromise, leading to a breach of Shenkman’s network. Shenkman’s systems or facilities may be susceptible to employee error or malfeasance, government surveillance, or other security threats. On-line services provided by Shenkman to clients and investors may also be susceptible to compromise. Breach of Shenkman’s information systems may cause information relating to the transactions of clients and investors and personally identifiable information of clients and investors to be lost or improperly accessed, used or disclosed.

The service providers of Shenkman and its clients are subject to the same electronic information security threats as Shenkman. 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 clients and investors and personally identifiable information of clients and investors may be lost or improperly accessed, used or disclosed.

The loss or improper access, use, or disclosure of Shenkman’s or clients’ proprietary information may cause clients 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 could have a material adverse effect on clients' investments.

Assumption of Catastrophe Risks. Shenkman Clients may be subject to the risk of loss arising from direct or indirect exposure to various catastrophic events, including the following: hurricanes, earthquakes and other natural disasters; war, terrorism and other armed conflicts; cyberterrorism; major or prolonged power outages or network interruptions; and public health crises, including infectious disease outbreaks, epidemics and pandemics. To the extent that any such event occurs and has a material effect on global financial markets or specific markets or issuers in which Shenkman Clients invest (or has a material negative impact on the operations of Shenkman, its affiliates, or key service providers), the risks of loss can be substantial and could have a material adverse effect on Shenkman Client portfolios.

Coronavirus Risks. In December 2019, the virus SARS-CoV-2, which causes the coronavirus disease known as COVID-19, surfaced in Wuhan, China. The disease spread around the world, resulting in the temporary closure of many corporate offices, retail stores, and manufacturing facilities across the globe, as well as the implementation of travel restrictions and remote working and "shelter-in-place" or similar policies by numerous companies and national and local governments. These actions caused the disruption of manufacturing supply chains and consumer demand in certain economic sectors, resulting in significant disruptions in local and global economies. As of the date of this Brochure, government responses to COVID-19 are still underway and the ultimate negative impact of the COVID-19 pandemic, as well as the impact of responsive actions being taken or not taken by governments to deal with their respective epidemics and their economic and health effects, is unknown. In addition, the type and effectiveness of government responses to COVID-19 have varied, and are expected to continue to vary, among jurisdictions, and Shenkman Client portfolios may have greater exposure to jurisdictions or industries that remain heavily impacted by COVID-19. The short-term and long-term impact of COVID-19 on the operations of Shenkman and the performance of Shenkman Client portfolios is difficult to predict. Any potential impact on such operations and performance will depend to a large extent on future developments and actions taken by authorities and other entities to contain COVID-19 and its economic impact. These potential impacts are uncertain and could materially and adversely affect the performance of Shenkman Client portfolios.

C. RISKS ASSOCIATED WITH PARTICULAR TYPES OF INVESTMENTS

We generally do not recommend a particular type of investment instrument to Shenkman Clients, but rather, we recommend and employ strategies that may invest in multiple investment instruments. Given the broad discretion we have in managing the client accounts and Sponsored Funds, any one or more of the risks listed in the previous section may be incurred by Shenkman Clients.

However, because it may be useful in understanding our investment strategies, set forth below is a non-exclusive list of certain risks related to securities and other instruments that may be utilized within Shenkman Clients' portfolios.

High Yield Debt Securities and High Yield Bank Loans. Shenkman primarily invests in debt securities and bank loans that are rated below investment-grade by one or more nationally recognized statistical rating organizations or are unrated but considered to be of comparable credit quality to obligations rated below investment-grade ("High Yield Securities"). High Yield Securities have greater credit and liquidity risk than more highly rated debt obligations and are generally unsecured and may be subordinate to other obligations of the issuer. The lower rating of High Yield Securities reflects a greater possibility that adverse changes in the financial condition of the issuer or in general economic conditions (including, for example, a substantial period of rising interest rates or declining earnings) or both may impair the ability of the issuer to make payments of principal and interest.

Many issuers of High Yield Securities are highly leveraged, and their relatively high debt-to-equity ratios create increased risks that their operations might not generate sufficient cash flow to service their debt obligations. Overall declines in the below investment-grade bond and other markets may adversely affect such issuers by inhibiting their ability to refinance their debt at maturity. Further, bankruptcy and similar laws applicable to issuers of the High Yield Securities may limit the amount of any recovery in respect of the High Yield Securities if the issuer is insolvent, and may also adversely affect the timing of any such recovery to which Shenkman Clients' may be entitled. High Yield Securities have historically experienced greater default rates than has been the case for investment-grade securities.

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

Corporate Debt. Bonds, notes and debentures issued by corporations may pay fixed, variable or floating rates of interest, and may include zero-coupon obligations. Corporate debt instruments may be subject to credit ratings downgrades. Other instruments

may have the lowest quality ratings or may be unrated. In addition, Shenkman may cause Shenkman Clients to pay interest in kind in connection with its investments in corporate debt and related financial instruments (e.g., the principal owed in connection with a debt investment may be increased by the amount of interest due on such debt investment). Such investments may experience greater market value volatility than debt obligations that provide for regular payments of interest in cash and, in the event of a default, may result in substantial losses.

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

Zero-Coupon and Deferred Interest Bonds. Zero-coupon bonds and deferred interest bonds are debt obligations issued at a significant discount from face value. The original discount approximates the total amount of interest the bonds will accrue and compound over the period until maturity or the first interest accrual date at a rate of interest reflecting the market rate of the security at the time of issuance. While zero-coupon bonds do not require the periodic payment of interest, deferred interest bonds generally provide for a period of delay before the regular payment of interest begins. Such investments experience greater volatility in market value due to changes in interest rates than debt obligations that provide for regular payments of interest.

Risks of Bond Investments. Shenkman Clients may invest in secured bonds and unsecured bonds (which may include high-yield bonds). Moody's has historically assigned a lower recovery rate for bonds than that of senior secured loans, which reflects both the historical lower recovery rate relative to par of bonds (as well as the higher market value volatility of bonds) compared to senior secured loans in distressed credit scenarios. Certain bonds can be regarded as speculative with respect to the issuer's capacity to pay interest and repay principal in accordance with the terms of the obligations and involve major risk exposure to adverse conditions, which may result in volatile pricing with respect to such bonds. An economic recession could severely disrupt the market for most bonds and may have an adverse impact on the value and price of such instruments. It is also likely that any such economic downturn could adversely affect the ability of the issuers of such bonds to repay principal and pay interest thereon and increase the incidence of default for such bonds. A Shenkman portfolio may consist primarily of bonds, and such portfolio composition could magnify the effects of such risks.

High-Yield Bonds. Shenkman Clients will acquire high-yield bonds, which are generally unsecured and generally have greater credit, insolvency and liquidity risk than is typically associated with investment grade obligations. High-yield bonds are often issued in connection with leveraged acquisitions or recapitalizations in which the issuers incur a substantially higher amount of indebtedness than the level at which they had previously operated. The lower ratings of obligations in the non-investment grade market reflect a greater possibility that adverse changes in the financial condition of an issuer of such obligations or in general economic conditions (including, for example, a substantial period of rising interest rates or declining earnings or disruptions in the financial markets), or both, may impair the ability of such issuer to make payments of principal and interest. Risks of high-yield bonds may include (among others): (i) limited liquidity and secondary market support, (ii) substantial market price volatility resulting from changes in prevailing interest rates, (iii) subordination in right of security to the prior claims of secured banks and other senior secured lenders, (iv) the operation of mandatory sinking fund or call/redemption provisions during periods of declining interest rates that could cause Shenkman Clients to reinvest premature redemption proceeds in lower yielding instruments, (v) the possibility that earnings of the high-yield bond issuer may be insufficient to meet its debt service and (vi) the declining creditworthiness and potential for insolvency of the issuer of such high-yield bonds during periods of rising interest rates and/or economic downturn.

Effect of Economic Downturn on High-Yield Bond Holdings: Changes in Interest Rates. An economic downturn or increase in interest rates could severely disrupt the market for high-yield debt securities and adversely affect the value of outstanding high-yield bonds and the ability of the issuers thereof to repay principal and interest. Issuers of high-yield bonds may be highly leveraged and may not have available to them more traditional sources of financing. The risk associated with acquiring the securities of such issuers generally is greater than is the case with higher rated securities. The prices of high-yield bonds are likely to be more sensitive to adverse economic changes or individual corporate developments than higher rated securities. The risk of loss due to default by the issuer is significantly greater for the holders of high-yield bonds because such securities may be unsecured. In addition, Shenkman Clients may incur additional expenses to the extent it is required to seek recovery upon a default on a high-yield bond (or any other Collateral Obligation) or participate in the restructuring of such obligation. Downward movements in interest rates could also adversely affect the performance of high-yield bonds.

High-yield bonds may have call or redemption features that would permit the issuer thereof to repurchase the securities. If a call were exercised by the issuer of a high-yield debt security during a period of declining interest rates, Shenkman will likely need to replace such called high-yield bond in a Shenkman Client's portfolio with lower yielding instruments.

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

Distressed Investments. Shenkman may invest in, or assets may become, "distressed investments" (i.e., private claims and obligations of entities experiencing significant financial difficulties, such as loan participations and assignments, trade claims and similar instruments), which may expose clients to significant risks. Among the risks inherent from being invested in entities experiencing significant financial or business difficulties is that it is frequently difficult to obtain information as to the true condition of such issuers. Distressed investments also may be adversely affected by state and federal laws relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and the bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims. The market prices of such instruments are also subject to abrupt and erratic market movements and above average price volatility, and the spread between the bid and asked prices of such instruments may be greater than normally expected. Furthermore, the market for distressed securities and instruments is generally thinner and less active than other markets, which can adversely affect the prices at which distressed securities can be sold.

When investing (or being invested) in distressed securities, litigation is sometimes required. Such litigation can be time-consuming and expensive, and can frequently lead to unpredicted delays or losses. In addition, funding a plan of reorganization involves additional risks, including risks associated with equity ownership in the reorganized entity. Moreover, investments in distressed situations may, at times, expose client portfolios to collection risk (especially if sovereign or municipal debt is involved).

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

Illiquid Securities. High Yield Securities may be more likely to have little or no liquidity compared to other types of assets. High Yield Securities may be illiquid because, for example, they are subject to legal or other restrictions on transfer or there is no liquid market for such securities. Valuation of such securities may be difficult or uncertain because there may be limited information available about the issuers of such securities. The market prices, if any, for such securities tend to be volatile and may not be readily ascertainable, and Shenkman may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. Shenkman may not be able to readily dispose of such illiquid investments for its client portfolios and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time. As a result, clients may be required to hold such securities despite adverse price movements. Even those markets which Shenkman expects to be liquid can experience periods, possibly extended periods, of illiquidity. Occasions have arisen in the past where previously liquid investments have rapidly become illiquid.

Non-Performing Debt. Certain loans may be non-performing or in default. Furthermore, the obligor or relevant guarantor may also be in bankruptcy or liquidation. There can be no assurance as to the amount and timing of payments, if any, with respect to such loans. By their nature, these investments will involve a high degree of risk. Such non-performing loans ("NPLs") may require substantial workout negotiations or restructuring that may entail, among other things, a substantial reduction in the interest rate, a substantial write-down of the principal of the loan and/or the deferral of payments. Commercial and industrial loans in workout and/or restructuring modes and the bankruptcy or insolvency laws of non-U.S. jurisdictions are subject to additional potential liabilities, which may exceed the value of the original investment. For example, borrowers often resist foreclosure on collateral by asserting numerous claims, counterclaims and defenses against the holder of loans, including lender liability claims and defenses, in an effort to delay or prevent foreclosure. Even assuming that the collateral securing each loan provides adequate security for the loans, substantial delays could be encountered in connection with the liquidation of NPLs. In the event of a default by a borrower, these restrictions as well as the ability of the borrower to file for bankruptcy

protection, among other things, may impede the ability to foreclose on or sell the collateral or to obtain net liquidation proceeds sufficient to repay all amounts due on the related loan. In addition, under certain circumstances, lenders who have inappropriately exercised control of the management and policies of a debtor may have their claims subordinated or disallowed or may be found liable for damages suffered by parties as a result of such actions. Under certain circumstances, payments to a Shenkman Client and (in the case of Sponsored Funds) distributions by the applicable fund to the participating investors may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

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

Bankruptcy Claims. Bankruptcy claims, which are amounts owed to creditors of companies that are debtors in pending bankruptcy cases, typically are illiquid and generally do not pay interest. The markets in U.S. bankruptcy claims are generally not regulated by U.S. federal securities laws or the SEC. Because bankruptcy claims are frequently unsecured, holders of such claims may have a lower priority in terms of payment than certain other creditors in a bankruptcy proceeding. In addition, the debt of companies in financial reorganization may be adversely affected by an erosion of the issuer's fundamental value. Accordingly, there can be no guarantee that the debtor will ever be able to satisfy the obligation on a bankruptcy claim.

Many of the events within a bankruptcy case are adversarial and often beyond the control of the creditors. Although creditors generally are afforded an opportunity to appear and be heard, there can be no assurance that a bankruptcy court would not approve actions that may be contrary to the interests of creditors. Furthermore, there are instances where creditors lose their priority or are recharacterized as equity holders if, for example, they have exercised excessive control over management or engaged in misconduct that harms other creditors. In those cases where a Shenkman Group Client, by virtue of such action, is found to exercise "domination and control" of a debtor, the client may lose its priority if the debtor can demonstrate that its business was adversely impacted or other creditors and equity holders were harmed by the creditor.

Generally, the duration of a bankruptcy case can only be roughly estimated. The reorganization of a company usually involves the development and negotiation of a plan of reorganization, plan approval by creditors and confirmation by the bankruptcy court. This process can involve substantial legal, professional and administrative costs to the company and creditors; it is subject to unpredictable and lengthy delays; and during the process the company's competitive position may erode, key management may depart and the company may not be able to invest adequately. In some cases, the company may not be able to reorganize and may be required to liquidate assets.

U.S. bankruptcy law permits the classification of "substantially similar" claims in determining the classification of claims in a reorganization for the purpose of voting on a plan of reorganization. Because the standard for classification is vague, there exists a significant risk that a creditor's influence with respect to a class of securities can be lost by the inflation of the number and the amount of claims in, or other gerrymandering of, the class. In addition, certain administrative costs and claims that have priority by law over the claims of certain creditors (for example, claims for taxes) may be quite high.

Shenkman may cause its clients to purchase creditor claims subsequent to the commencement of a bankruptcy case. Under judicial decisions, it is possible that such purchase may be disallowed by the bankruptcy court if the court determines that the purchaser has taken unfair advantage of an unsophisticated seller, which may result in the rescission of the transaction (presumably at the original purchase price) or forfeiture by the purchaser. Additionally, the claim may be disallowed or subordinated if the bankruptcy court determines that the seller engaged in inequitable conduct that harmed other creditors.

Reorganizations can be contentious and adversarial, and it is by no means unusual for participants to use the threat of, as well as actual, litigation as a negotiating technique. The expense of defending against claims by third parties and paying any amounts pursuant to settlements or judgments would generally be borne by Shenkman Group Clients with a position in the relevant company.

Convertible Securities. Shenkman may invest in convertible securities, which are bonds, debentures, notes, preferred stock or other securities that may be converted or exchanged into the common stock of the same or a different issuer. The value of a convertible security is a function of its "investment value" (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its "conversion value" (the security's worth, at market value, if converted into the underlying common stock). The investment value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of an issuer and other factors may also have an effect on the convertible security's investment value. The conversion value of a convertible security is determined by the market price of the underlying common stock. If the

conversion value is low relative to the investment value, the price of the convertible security is governed principally by its investment value. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the market value of the convertible security will be increasingly influenced by its conversion value. A convertible security generally will sell at a premium over its conversion value measured by the extent to which investors place value on the rights to acquire the underlying common stock while holding a fixed-income security. Generally, the amount of the premium decreases as the convertible security approaches maturity. A convertible security may also be subject to redemption at the option of the issuer at a pre-established price. If a convertible security is called for redemption, Shenkman will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party, which could have an adverse impact on Shenkman's ability to achieve its investment objective.

Equity Securities. Shenkman may purchase equity securities or sell them short. Equity securities fluctuate in value in response to many factors, including the activities and financial condition of individual companies, the business market in which individual companies compete, industry market conditions and general economic environments. The value of equity securities of public and private, listed and unlisted companies and equity derivatives generally varies with the performance of the issuer and movements in the equity markets. As a result, a Shenkman Client portfolio may suffer losses if it invests in equity instruments of issuers whose performance diverges from Shenkman's expectations or if equity markets generally move in a single direction and Shenkman has not hedged against such a general move. Shenkman Clients also may be exposed to risks that issuers will not fulfill contractual obligations such as, in the case of convertible securities or private placements, delivering marketable common stock upon conversions of convertible securities and registering restricted securities for public resale.

Preferred Securities. Preferred securities are subordinated to bonds and other debt instruments in a company's capital structure and therefore will be subject to greater credit risk than those debt instruments. Preferred securities generally will decline in price or fail to make dividend payments when due because the issuer of the security experiences a decline in its financial status. Certain preferred securities carry provisions that allow an issuer under certain circumstances to skip distributions (in the case of "non-cumulative" preferred securities) or defer distributions (in the case of "cumulative" preferred securities). In certain circumstances, an issuer may redeem its preferred securities prior to a specified date in the event of certain tax or legal changes or at the issuer's call, and the investor may not be able to reinvest the proceeds at comparable rates of return. Preferred securities typically do not provide any voting rights, except in cases where dividends are in arrears for a specified number of periods.

Sovereign Debt. Several factors may affect (i) the ability of a government, its agencies, instrumentalities or its central bank to make payments on the debt it has issued ("Sovereign Debt"), including securities that Shenkman believes are likely to be included in restructurings of the external debt obligations of the issuer in question, (ii) the market value of such debt and (iii) the inclusion of Sovereign Debt in future restructurings, including such issuer's (x) balance of trade and access to international financing, (y) cost of servicing such obligations, which may be affected by changes in international interest rates, and (z) level of international currency reserves, which may affect the amount of non-U.S. exchange available for external debt payments. Significant ongoing uncertainties and exposure to adverse conditions may undermine the issuer's ability to make timely payment of interest and principal, and issuers may default on their Sovereign Debt.

Loan Investments. Shenkman's success in the area of loan investing will depend, in part, on its ability to originate or obtain loans on advantageous terms. In purchasing loans, Shenkman competes with a broad spectrum of investors and institutions. Increased competition for, or a diminution in the available supply of, qualifying loans could result in lower yields on such loans, which could reduce returns to investors. The following is a non-exhaustive description of the types of loans that Shenkman may invest in:

Leveraged Loans. "Leveraged loans" are loans made to companies with a below investment-grade rating from any nationally recognized rating agency. Such loans may be performing poorly when Shenkman acquires them. There is no assurance that we will correctly evaluate the value of the assets collateralizing such loans or the prospects for distribution on or repayment of such loans. A client may lose its entire investment or may be required to accept cash, property or securities with a value less than the original investment and/or may be required to accept payment over an extended period of time.

Hung Loans. The term "hung loan" commonly refers to a loan that has been made (or has been committed to be made), and the lender is not able to syndicate the loan on the originally anticipated terms. Hung loans are illiquid and lack readily ascertainable market values; there is no assurance that the price to be paid for hung loans by a client will reflect a discounted price that should allow Shenkman to achieve a positive return on such loans or avoid losses. Since the price of the loans to be purchased is expected to continue to be significantly impacted by the specific circumstances relating to such loan (e.g., in the case of a loan relating to a leveraged buyout ("LBO"), the financial condition of the target), global

and macro-economic conditions (e.g., monetary policy, changes to currency exchange rates, governmental intervention or changes to existing laws, international geo-political events, etc.) as well as other systemic factors, it is possible that loans purchased will suffer significant impairments in value as a result of events not predicted by Shenkman. Shenkman may also face difficulties in disposing of or leveraging such loans, or in doing so without incurring losses. The markets in which hung loans are purchased and sold have been volatile and are likely to continue to be volatile in the future.

Bank Loans. Bank loans are subject to unique risks, including: (i) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors' rights laws; (ii) so-called lender-liability claims by the issuer of the obligations; (iii) environmental liabilities that may arise with respect to collateral securing the obligations; and (iv) limitations on the ability of Shenkman to directly enforce a Shenkman Client's rights with respect to participations. Successful claims by third parties arising from these and other risks will be borne by the Shenkman Client. As secondary market trading volumes increase, new loans are frequently adopting standardized documentation to facilitate loan trading, which may improve market liquidity. There can be no assurance, however, that future levels of supply and demand in loan trading will provide an adequate degree of liquidity or that the current level of liquidity will continue. Because of the provision to holders of such loans of confidential information relating to the borrower, the unique and customized nature of the loan agreement, and the private syndication of the loan, loans are not as easily purchased or sold as a publicly traded security, and historically the trading volume in the loan market has been small relative to the high-yield debt market.

Second Lien Loans. Shenkman may invest in loans that are secured by a second lien on assets. Second lien loans have been a developed market for a relatively short period of time, and there is limited historical data on the performance of second lien loans in adverse economic circumstances. In addition, second lien loan products are subject to intercreditor arrangements with the holders of first lien indebtedness, pursuant to which the second lien holders have waived many of the rights of a secured creditor, and some rights of unsecured creditors, including rights in bankruptcy that can materially affect recoveries. While there is broad market acceptance of some second lien intercreditor terms, no clear market standard has developed for certain other material intercreditor terms for second lien loan products. This variation in key intercreditor terms may result in dissimilar recoveries across otherwise similarly situated second lien loans in insolvency or distressed situations. While uncertainty of recovery in an insolvency or distressed situation is inherent in all debt instruments, second lien loan products carry more risks than certain other debt products. Beginning in August 2007, the market for many loan products, including second lien loans, contracted significantly which made virtually all leveraged loan products, particularly second lien loan products, less liquid or illiquid. Many participants ceased underwriting and purchasing certain second lien loan products. There can be no assurance that the market for second lien loans will not contract further.

Bridge Loans. It is a common practice for financial institutions to commit to providing bridge loans to facilitate acquisitions, including LBOs, where they serve as advisers to the purchaser. Bridge loans are frequently made because, for timing or market reasons, longer-term financing is not available at the time the funds are needed, which is often at the time of the closing of an acquisition. In the past, these commitments were not frequently drawn upon due to the availability of other sources of financing; however, due to market conditions affecting the availability of these other sources of financing (principally high-yield bond transactions), bridge loan commitments have been and may be drawn upon more regularly. Since these commitments were not regularly drawn upon in the past, there is little history for investors to rely upon in evaluating investments in bridge loans. Bridge loans often have shorter maturities. Borrower and lenders typically agree to shorter maturities based on the anticipation that the bridge loans will be replaced with other forms of financing within such shorter time period. However, the source and timing of such replacement financing may be uncertain and can be affected by, among other things, market conditions and the financial condition of the borrower at the maturity date of the bridge. If the borrower is unable to obtain replacement financing and repay the bridge loan at maturity, the terms of the bridge loan may provide for the bridge loan to be converted to a longer term loan. If bridge loans are not repaid (or cannot be disposed of on favorable terms) on the dates projected by Shenkman, there may be an adverse effect upon the ability of Shenkman to manage the assets in accordance with its models and projections or an adverse effect upon Shenkman's performance and ability to make distributions.

Debtor-in-Possession ("DIP") Loans. Loans to companies that have filed for protection under Chapter 11 of the U.S. Bankruptcy Code, as amended, are most often asset-based, revolving working-capital facilities put into place at the outset of a Chapter 11 case to provide the debtor with both immediate cash and the ongoing working capital that will be required during the reorganization process. While such loans are generally less risky than many other types of loans as a result of their seniority in the debtor's capital structure and because their terms have been approved by a U.S. federal bankruptcy court order, it is possible that the debtor's reorganization efforts may fail and the proceeds of the ensuing liquidation of the DIP lender's collateral might be insufficient to repay in full the DIP loan.

Fraud Associated with Loans. Of paramount concern in loan investments is the possibility of material misrepresentation or omission on the part of the borrower or loan seller. Such inaccuracy or incompleteness may adversely affect the valuation of the collateral underlying the loans or may adversely affect the ability of Shenkman to perfect or effectuate a lien on the collateral securing the loan. Shenkman will rely upon the accuracy and completeness of representations made by borrowers to the extent reasonable, but cannot guarantee such accuracy or completeness. Under certain circumstances, payments from a borrower to a lender may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

Loan Assignments and Participations. Shenkman invests in secured and unsecured corporate loans acquired primarily through assignment. When Shenkman buys a loan through an assignment, the client becomes a direct lender to the issuer of such loan, is granted rights under the loan agreement, and assumes only the credit risk associated with the issuer. Loan participations, on the other hand, represent only a right to participate in the repayment of the loan by the corporate borrower. In purchasing participations, clients will have a contractual relationship only with the selling institution, and not the borrower. This means that the client assumes the credit risk of both the borrower and the selling institution. Additionally, clients generally will have no right to directly enforce compliance by the borrower with the terms of the loan agreement, nor any rights of set-off against the borrower, nor will it have the right to object to certain changes to the loan agreement agreed to by the selling institution.

In addition, in the event of the insolvency of the selling institution, under the laws of the United States and the states thereof, Shenkman Clients may be treated as general creditors of such selling institution, and may not have any exclusive or senior claim with respect to the selling institution's interest in, or the collateral with respect to, the secured loan. Consequently, clients may be subject to the credit risk of the selling institution as well as of the borrower. Moreover, clients may not directly benefit from the collateral, if any, supporting the related loan and may not be subject to any rights of set-off the borrower has against the selling institution. Certain loans (whether acquired by an assignment or loan participation) may also be governed by the laws of a jurisdiction other than a United States jurisdiction, which may present additional risks as regards the characterization under such laws of such assignment or participation in the event of the insolvency of the selling institution or the borrower.

Investments in Unlisted Securities and Private Loans. Shenkman invests in unlisted securities and private loans of U.S. and non-U.S. companies on an unlimited basis. Because these unlisted securities and private loans trade through the over-the-counter market, it may take longer to liquidate these positions than would be the case for securities that trade on a public exchange or it may not be possible to liquidate these positions. Although these investments may be resold in privately negotiated transactions, the prices realized on these sales could be less than those originally paid. Further, companies whose securities are not registered with the SEC may not be subject to public disclosure and other investor protection requirements applicable to public companies (*i.e.*, companies whose securities are registered with the SEC for public distribution).

Collateral Loan Obligations (CLOs). Shenkman may invest in CLOs, which involve the securitization of leveraged loans and other leveraged instruments. Consequently, an investment in CLOs is subject to the risks of its underlying investments, which may be magnified as a result of a CLO typically being issued in a highly leveraged transaction. CLOs are also subject to credit, liquidity and interest rate risks and generally are limited recourse obligations. Additionally, holders of the notes issued by a CLO must rely solely on distributions of cash flows for the payment of principal and interest on their particular notes. If distributions of cash flows are insufficient to make full payment on a particular note, no other assets are available from which to pay any deficiencies. The amounts available to a CLO to make those payments may be further reduced by the expenses of the CLO, including management fees and performance fees. Moreover, if economic conditions are unfavorable, or there is not a sufficient volume of new CLO transactions or other sources of funding, the underlying loans may either be extended or the borrowers may default. This may negatively impact the value of existing CLOs, particularly the lower-rated mezzanine tranches and subordinated tranches. In addition, the performance of a security issued by a CLO will be affected by a variety of factors, including its priority in the CLO's capital structure and the characteristics of the underlying loans. A rapid change in the rate of defaults may also have a material adverse effect on a security issued by a CLO.

Additionally, there may not be a secondary market for the securities issued by CLOs, and none may develop. Consequently, the securities issued by CLOs may not be readily marketable. To the extent that any secondary market does exist for the securities, the price at which they may be sold could be at a discount (which may be substantial) from the market value of the investment and significant delays could occur in the actual sale of those securities. In addition, securities issued by CLOs are usually subject to certain transfer restrictions that may further limit their liquidity, and various regulatory requirements may restrict a potential investor's ability to purchase those securities or make such an investment unattractive to them. An investment in securities issued by CLOs is designed for long-term investors so investors must be prepared to

bear the risk of holding them until their stated maturity.

ABS and MBS Generally. The investment characteristics of asset-backed securities (“ABS”) and mortgage-backed securities (“MBS”), whether issued by U.S. or non-U.S. issuers, differ from traditional debt instruments. Among the major differences are that interest and principal payments are made more frequently, usually monthly, and that the principal may be prepaid at any time because the underlying loans or other assets generally may be prepaid at any time.

ABS and MBS Subordinated Securities. Investments in subordinated MBS and ABS involve greater credit risk of default than the senior classes of the issue or series. Default risks may be further pronounced in the case of MBS and ABS secured by, or evidencing an interest in, a relatively small or less diverse pool of underlying loans. Certain subordinated securities absorb all losses from default before any other class of securities is at risk, particularly if such securities have been issued with little or no credit enhancement or equity. Such securities, therefore, possess some of the attributes typically associated with equity investments.

ABS. ABS are not secured by an interest in the related collateral. Credit card receivables, for example, are generally unsecured and the debtors are entitled to the protection of a number of U.S. federal and state, or other non-U.S. consumer loan laws, many of which give such debtors the right to set off certain amounts owed on the credit cards, thereby reducing the balance due. Most issuers of ABS backed by automobile receivables permit the servicers to retain possession of the underlying obligations. If the servicer were to sell these obligations to another party, there is a risk that the purchaser would acquire an interest superior to that of the holders of the related ABS. In addition, because of the large number of vehicles involved in a typical issuance and technical requirements under state laws, the trustee for the holders of the ABS may not have a proper security interest in all of the obligations backing such ABS. Therefore, there is a possibility that recoveries on repossessed collateral may not, in some cases, be available to support payments on these securities. The risk of investing in ABS is ultimately dependent upon payment of consumer loans by the debtor.

The collateral supporting ABS is of shorter maturity than certain other types of loans and is less likely to experience substantial prepayments. ABS are often backed by pools of any variety of assets, including, for example, leases, mobile home loans and aircraft leases, which represent the obligations of a number of different parties and use credit enhancement techniques such as letters of credit, guarantees or preference rights. The value of an ABS is affected by changes in the market’s perception of the asset backing the security and the creditworthiness of the servicing agent for the loan pool, the originator of the loans or the financial institution providing any credit enhancement, as well as by the expiration or removal of any credit enhancement.

Derivative Instruments. Shenkman may invest in derivative instruments. Generally, derivatives can be characterized as financial instruments the performance of which is derived in part from the performance of an underlying asset or assets. Derivatives, which include swaps, options, futures contracts, options on futures and forward contracts, may be used for a variety of reasons, including the enhancement of return, hedging certain market risks, providing leverage, or as a substitute for purchasing or selling particular securities outright. Derivatives can be volatile and involve various types and degrees of risk, depending upon the characteristics of the particular derivative and the portfolio as a whole. Other risks presented by derivative instruments include imperfect correlation between the value of such instruments and the underlying assets, the possible default of the other party, or “counterparty,” to a derivative transaction, and the illiquidity of derivative instruments themselves. As a consequence, the use of derivative instruments may result in greater losses than would be the case if they were not used, may require Shenkman to sell or purchase portfolio securities at inopportune times or for prices other than current market values, may limit the amount of appreciation Shenkman Clients can realize on an investment, or may cause Shenkman to hold a security that it might otherwise sell. Additionally, amounts paid by Shenkman Clients as premiums and cash or other assets held in margin accounts with respect to derivative instruments are not otherwise available to the Shenkman Client for investment purposes.

The following is a non-exhaustive description of the types of derivative instruments that Shenkman may invest in:

Call Options. The seller (writer) of a call option which is covered (e.g., the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security offset by the gain by the premium received if the option expires out of the money, and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The buyer of a call option assumes the risk of losing the premium if the option expires out of the money.

Put Options. The seller (writer) of a put option which is covered (e.g., the writer has a short position in the underlying

security) assumes the risk of an increase in the market price of the underlying security above the sale price of the short position of the underlying security offset by the premium if the option expires out of the money, and thus the gain in the premium, and the option seller gives up the opportunity for gain on the underlying security below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security to zero. The buyer of a put option assumes the risk of losing the premium if the option expires out of the money.

Index or Index Options. The value of an index or index option fluctuates with changes in the market values of the securities included in the index. Because the value of an index or index option depends upon movements in the level of the index rather than the price of a particular security, whether Shenkman Clients will realize appreciation or depreciation from the purchase or writing of options on indices depends upon movements in the level of instrument prices in the security market generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of particular securities.

Index Futures. The price of index futures contracts may not correlate perfectly with the movement in the underlying index because of certain market distortions. First, all participants in the futures market are subject to margin deposit and maintenance requirements. Rather than meeting additional margin deposit requirements, shareholders may close futures contracts through offsetting transactions that would distort the normal relationship between the index and futures markets. Second, from the point of view of speculators, the deposit requirements in the futures market are less onerous than margin requirements in the securities market. Therefore, increased participation by speculators in the futures market also may cause price distortions. Successful use of index futures contracts by is also subject to Shenkman's ability to correctly predict movements in the direction of the market.

Credit Default Swaps. Credit default swaps may be used to implement Shenkman's view that a particular credit, or group of credits, will experience credit improvement or deterioration. In the case of expected credit improvement, Shenkman may sell credit default protection in which it receives a premium to take on the risk. In such an instance, the obligation to make payments upon the occurrence of a credit event creates leveraged exposure to the credit risk of the referenced entity. Shenkman may also buy credit default protection with respect to a referenced entity if, in Shenkman's judgment, there is a high likelihood of credit deterioration. In such instance, the applicable clients will pay a premium regardless of whether there is a credit event.

Total Return Swaps. Total return swaps may be used by Shenkman to gain exposure to a reference asset (e.g., a loan or bond) without actually having to own it. Total return swaps create the potential for Shenkman to utilize leverage as they can provide Shenkman Clients with large exposure to a reference asset with a minimal cash outlay. Upon entering into total return swaps, Shenkman Clients will be obligated to make certain periodic payments in exchange for the total return on a referenced asset, including coupons, interest and the gain or loss on such asset over the term of the swap. Shenkman Clients may be required to maintain collateral with the total return swap counterparty. If the Shenkman Client fails to fulfill its payment obligations or fails to post any required collateral under a total return swap, the total return swap counterparty may declare an event of default and, as a result, the Shenkman Client may be required to pay breakage fees, suffer the loss of the amounts paid to the counterparty and forego the receipts from the counterparty of further total return swap payments.

Exotic Options. Exotic options are typically, but not always, traded over-the-counter ("OTC"). OTC contracts may not trade in a liquid market and pricing may be opaque. The illiquidity of these markets can be exacerbated in times of market stress. Shenkman Client portfolios may incur substantial costs entering into and exiting positions that could have a material impact on performance. Exotic options may be subject to a higher degree of pricing risk as demonstrated by instances in which different counterparties in the market employ different valuation and pricing methodologies to the same exotic option. Because exotic options can often be highly customized, there is lower visibility with respect to the pricing and valuation of these instruments. Exotic options may be subject to high levels of price volatility. For example, in the case of barrier options, as the price of the asset underlying the option trades closer to a barrier level, the delta of the option (i.e., the ratio of the change in the price of the underlying asset to the corresponding change in the price of the option) and the gamma of the option (i.e., the rate of change of the delta with respect to the underlying asset's price) may become very high. Exotic options may be subject to higher levels of model risk than commonly traded options because standard models are not able to adequately capture or predict the risks associated with the exotic options. Exotic options may be "path dependent". This means that their terminal value (at exercise or expiration) depends upon the value of the underlying asset, not only at the time of exercise or expiration, but also at prior points in time. In this sense, the option's terminal value depends upon the "path" taken by the underlying asset over the life of the option. For example, a barrier option's value at expiration depends upon both the value of the underlying asset at expiration and whether the past value of the underlying asset ever satisfied a barrier condition. In

contrast, a vanilla option (e.g., a call option) is not path dependent. Its value at exercise or expiration depends on the value of the underlying asset only at that point in time. The additional features incorporated by exotic options require additional judgments regarding the likelihood of certain conditions being satisfied, any one of which can result in loss if made incorrectly. An OTC option may be closed out only with the counterparty, although either party may engage in an offsetting transaction that puts that party in the same economic position as if it had closed out the option with the counterparty; however, the exposure to counterparty risk may differ. OTC options generally involve greater credit and counterparty risk than exchange-traded options.

ITEM 9: DISCIPLINARY INFORMATION

There are no disciplinary events to disclose.

ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

A. INVESTMENT ADVISER AFFILIATES

Shenkman is the parent company of Shenkman Capital Management Ltd (“Shenkman UK”), a private limited company incorporated in England and Wales that is authorized and regulated by the U.K. Financial Conduct Authority (“FCA”). Shenkman UK provides trade execution, research and other services to Shenkman within the scope of its FCA permissions.

Shenkman is the parent company of Shenkman Investments, LLC and an affiliate of Shenkman Capital Management, L.L.C., Shenkman Winchester GP LLC, Shenkman Tactical Credit GP LLC, Shenkman CLO Equity Opportunity Fund I GP, LLC, and SCM Investments I, LLC, which are six (6) Delaware limited liability companies, each of which serves as the general partner, managing member, or an equivalent role to certain Sponsored Funds.

Shenkman is under common control with each of RCA, RV, and RCLO. RCLO’s primary business is to sponsor and provide portfolio management services to CLOs. RCA owns a controlling interest in RV, and RV is the managing member of RCLO. RCA is registered as an investment adviser with the SEC, and RCLO is a relying adviser of RCA.

Shenkman has entered into the Intercompany Services Agreement with RCA pursuant to which Shenkman provides to RCA, for a fee, among other things, credit research and analysis, shared employees and systems, and assistance and advice on certain support services, including, but not limited to, compliance, operations, finance, information technology and development, and human resources. RCLO and RCA have entered into the Staff and Services Agreement whereby RCA provides (or arranges for the provision of) to RCLO, for a fee, certain personnel, facilities and systems that may assist RCLO with various middle and back-office services, including (without limitation): (i) administrative services under the constituent documents of each Romark CLO; (ii) compliance support and general risk analysis; (iii) advice relating to the appointment of valuation providers; (iv) assistance in the preparation of reports; (v) credit research; (vi) information technology infrastructure; and (vii) physical facilities.

Certain Shenkman shareholders, officers, and/or employees are shareholders, officers, and/or employees of RCA, while remaining as shareholders, officers, and/or employees of Shenkman and thus will act as dual shareholders, officers, and/or employees of Shenkman and RCA, and in some instances, are shareholders, officers, and/or employees of all three of Shenkman, RCA, and RCLO.

B. MATERIAL CONFLICTS OF INTEREST RELATING TO OTHER INVESTMENT ADVISERS

- Shenkman serves as investment adviser or sub-adviser to Mutual Funds.
- Shenkman serves as investment adviser of certain Sponsored Funds for which a related person may act as general partner or in a similar capacity.
- Shenkman serves as collateral manager to CLOs, and in the future may serve as investment manager to other securitized vehicles.
- Shenkman serves as investment adviser and promoter of UCITS funds.
- RCLO serves as collateral manager and/or sub-adviser to CLOs, including CLOs for which Shenkman had previously served as collateral manager.
- RCA serves as a collateral manager to a CBO.
- Shenkman and its related persons, including employees, shareholders and directors, have substantial investments in

certain Sponsored Funds.

As described herein, the Shenkman Group and its partners, officers, employees, affiliates, and agents are subject to certain potential or actual conflicts of interest in connection with the activities of, and investments by, the Shenkman Group.

As an investment adviser registered with the SEC, Shenkman intends to act in good faith in a manner consistent with its duties under applicable law. However, Shenkman is subject to various conflicts of interest including those arising from its relationships with other members the Shenkman Group, which currently and in the future will serve as investment adviser to Sponsored Funds, separately managed accounts or similar vehicles. The Shenkman Group actively engages, and in the future will engage, in a broad spectrum of activities, including direct investment activities and investment advisory activities, and have extensive investment activities that are independent from, and may from time-to-time conflict or compete with, Shenkman and Shenkman Clients' investment activities. These circumstances could give rise to numerous situations where interests conflict, including, as further noted herein, the investment by different Shenkman Group Clients in the same investment or in different levels of the capital structure of the same issuer, or other dealings involving different Shenkman Group Clients. In addition to what is already described herein, the particular circumstances described below further illustrate some of the conflicts of interest that may arise. However, there can be no assurance that these or other conflicts of interest with the potential for adverse effects on Shenkman Group Clients will not arise.

Conflicts of interest also arise as to the allocation of investment opportunities among Shenkman Group Clients. The Shenkman Group maintains policies and procedures designed to ensure that all Shenkman Group Clients are treated fairly over time. See "Item 6: Performance-Based Fees and Side-By-Side Management and "Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading" for additional information.

C. BROKER-DEALER REGISTRATION STATUS

Neither Shenkman, its affiliates, nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or as a registered representative of a broker-dealer.

D. FUTURES COMMISSION MERCHANT, COMMODITY POOL OPERATOR OR COMMODITY TRADING ADVISOR REGISTRATION STATUS

Neither Shenkman, its affiliates, nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated of the person foregoing entities.

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

A. CODE OF ETHICS AND PERSONAL TRADING

As part of its overall compliance program, the Shenkman Group has adopted a Code of Ethics (the "Code of Ethics") that imposes standards of business conduct, including standards and procedures for the detection and prevention of inappropriate personal securities transactions by our employees, and addresses other situations involving conflicts of interest. One of the intentions of the Code of Ethics is to ensure that the personal securities transactions of persons subject to it are conducted in accordance with the following principles: (i) the duty at all times to place the interests of Shenkman Group Clients first; (ii) the requirement that all personal securities transactions be conducted consistent with the Code of Ethics and in such a manner as to identify and mitigate any conflict of interest and avoid any abuse of an individual's responsibility and position of trust; (iii) the fundamental standard that our employees not take inappropriate advantage of their positions; and (iv) the duty at all times to comply with applicable state and federal securities laws. The Shenkman Group's Code of Ethics requires employees to obtain pre-approval for personal securities transactions, except with respect to transactions involving municipal bonds, mutual funds for which the Shenkman Group does not serve as investment adviser or sub-adviser, closed-end funds, exchange traded funds, or exchange traded notes. The Shenkman Group permits its employees to engage in personal securities trading, but does not allow them to purchase high yield or "cross over" (i.e., rated investment grade by one rating agency and below investment grade by another rating agency) bonds or loans or to purchase any securities of an issuer that is on a Shenkman Group list of approved issuers (the "Approved List") or an issuer whose securities or loans are otherwise owned by one or more Shenkman Group Clients. If granted, an approval is generally valid until the close of business on the next business day after such approval is granted. The Code of Ethics also includes a prohibition on insider trading and requires reporting of personal securities accounts, transactions and/or holdings to the Legal and Compliance Department (subject to certain limited exceptions).

Additionally, the Code of Ethics sets out general standards of conduct and ethics to which all of our employees must adhere. The Legal and Compliance Department conducts annual compliance “teach-ins” for all employees. The Code of Ethics is reviewed at these teach-ins, and employees are reminded of their duty to treat all of our clients fairly at all times. All Shenkman Group employees are also required to read the Code of Ethics each year and sign an Acknowledgement of Compliance.

In certain circumstances, the Chief Compliance Officer or his designee may grant exceptions to the Shenkman Group’s compliance policies and procedures (including the Code of Ethics) when it is believed, based on the particular facts and circumstances, that doing so would not harm a Shenkman Group Client or otherwise interfere with the Shenkman Group’s fiduciary duties.

Existing and prospective Shenkman Group Clients may obtain a copy of the Code of Ethics by sending a written request via e-mail to legal@shenkmancapital.com or by calling (212) 867-9090.

B. PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS

As discussed above in “Item 5: Fees and Compensation” and “Item 6: Performance-Based Fees and Side-by-Side Management” and “Item 10: Other Financial Industry Activities and Affiliations,” Shenkman (or a related person) acts as investment adviser, general partner, managing member or equivalent role to Sponsored Funds for which we receive asset-based management fees and/or performance-based compensation. The Shenkman Group, and/or its affiliates, employees, officers, shareholders, and directors (including individuals involved in making investment decisions on behalf of such Sponsored Fund) also invests in one or more Sponsored Funds, and such investments may represent a significant portion of each individual’s net worth. Additionally, such investments are concentrated in Sponsored Funds from which Shenkman and/or certain employees (through ownership interests in affiliates of Shenkman) receive performance-based compensation. These investments create a conflict of interest because we have an incentive to recommend transactions to such Sponsored Funds based on our own financial interests over others. See “Item 6: Performance-Based Fees and Side-By-Side Management” for additional information.

C. INVESTING IN THE SAME SECURITIES AS CLIENTS

The Shenkman Group, subject to the requirements of the Code of Ethics, permits employees to trade securities for their own accounts which sometimes results in such accounts holding the same investment held in, or holding other assets of an issuer held in, Shenkman Group Client accounts. This presents a conflict where, because of the information we have, the Shenkman Group and its employees are in a position to trade in a manner that could adversely affect Shenkman Group Clients (e.g., place affiliated or employee trades in securities of an issuer before or after Shenkman Group Client trades are executed in instruments of the same issuer in order to benefit from any price movements due to the Shenkman Group Client trades). In addition to affecting our objectivity, Shenkman Group Clients may also be harmed to the extent that personal trading adversely affects the price at which the Shenkman Group Client trades are executed. In an effort to mitigate this conflict, as set forth above, the Shenkman Group generally prohibits its employees from purchasing high yield or “cross over” (i.e., rated investment grade by one rating agency and below investment grade by another rating agency) bonds or loans or to invest in any securities of an issuer that is on the Approved List or an issuer whose securities or loans are otherwise owned by a Shenkman Group Client. The Shenkman Group requires employees to pre-clear their personal securities transactions with the Legal and Compliance Department. In addition, the Code of Ethics prohibits trading in any securities on the Shenkman Group’s “Restricted List” (i.e., a list of issuers concerning which we may be in possession of material non-public information). The Code of Ethics also requires reporting of personal securities accounts, transactions and/or holdings to the Legal and Compliance Department.

D. NON-EXCLUSIVE SERVICES

It should be noted that the Shenkman Group’s services to each Shenkman Group Client are not exclusive. Our employees and affiliates may effect transactions for their own accounts and for the accounts of other Shenkman Group Clients that differ materially from the advice given, or the time or nature of action taken, with respect to a particular Shenkman Group Client account. Also, it may not always be possible for the same investment positions to be taken or liquidated at the same time or at the same price.

The Shenkman Group also acts as investment adviser to Shenkman Group Clients that have issued debt instruments, and the Shenkman Group may enter into similar investment advisory relationships in the future. Such companies may be investors in investment vehicles of the Shenkman Group and the Shenkman Group may purchase, on behalf of a Shenkman Group Client, instruments issued by such companies. However, the Shenkman Group is not obligated to purchase or sell or recommend for

purchase or sale for any Shenkman Group Client any security or other asset that we and our employees and affiliates may purchase or sell for their own accounts or for the account of any Shenkman Group Client.

The Shenkman Group engages in transactions and investment strategies for certain Shenkman Group Clients that differ from the transactions and strategies executed on behalf of other Shenkman Group Clients. The Shenkman Group invests in all segments of the capital structure of high yield issuers on behalf of Shenkman Group Clients and is not precluded from investing in instruments of a company held in another Shenkman Group Client, even if such positions may be adverse. Shenkman Group Clients have held, and it is expected that in the future they will at times hold, different investments of the same issuer that have different priorities. These investments create conflicts of interest, particularly because the Shenkman Group can take certain actions for some Shenkman Group Clients that can have an adverse effect on other Shenkman Group Clients (for example, in connection with restructuring and reorganization situations). For example, certain Shenkman Group Clients may hold senior or subordinated rights relative to other Shenkman Group Clients, or vice versa. This presents a conflict of interest because any action that the Shenkman Group were to take on behalf of the issuer's senior instrument, for instance, could have an adverse effect on the issuer's junior instrument, and vice versa, particularly in distressed or default situations. To the extent the Shenkman Group or any of its employees were to serve on a formal or informal creditor or similar committee on behalf of a client, such conflicts of interest may be exacerbated. The Shenkman Group has adopted procedures and controls reasonably designed to identify and address such conflicts.

Additionally, the Shenkman Group and its affiliates may make investments for certain Shenkman Group Clients that they conclude are inappropriate for other Shenkman Group Clients. For instance, one Shenkman Group Client may take short positions in the debt or equity instruments of certain issuers, while at the same time those instruments and/or other securities and/or leveraged loans of that issuer are acquired or held long by other Shenkman Group Clients. Conversely, the Shenkman Group may take long positions in the securities of certain issuers for a Shenkman Group Client, while at the same time those instruments and/or other securities and/or leveraged loans of that issuer are held short in or have been sold out of another Shenkman Group Client.

Shenkman Group Clients should be aware that although the Shenkman Group strives to identify and mitigate all conflicts of interest, and seeks to treat its clients in a fair and reasonable manner consistent with its fiduciary duties, there may be times when conflicts of interest are not resolved in a manner favorable to a specific Shenkman Group Client. Accordingly, the Shenkman Group conducts an annual review of its business practices to identify those areas that might pose a conflict of interest between the Shenkman Group and its clients. The Legal and Compliance Department endeavors to ensure that all relevant disclosures concerning conflicts of interest are included in this Brochure. Accordingly, the Legal and Compliance Department periodically reviews its existing policies and procedures designed to address such conflicts and will, in consultation with our Conflicts Committee, develop and implement additional policies and procedures, as deemed appropriate.

E. PRICING OF ASSETS

Shenkman is responsible for calculating asset-based and performance-based fees for certain Shenkman Client accounts and Sponsored Funds. A conflict of interest exists in these circumstances because we receive an asset-based advisory fee and/or performance-based compensation based on our determination of the value of the assets we manage. In these circumstances, we price the assets in accordance with our pricing policy.

Under this pricing policy, bonds, convertibles and other securities are generally priced at the "mid" between the bid and ask prices we receive from a third-party pricing service or third-party broker/dealers, and bank loans are generally priced at the bid price we receive from a third-party pricing service or third-party broker/dealers.

Our Traders and, as applicable, Portfolio Managers review month-end prices and may recommend that a price be modified when they believe the price provided by the third-party pricing service provider is not representative of an investment's market value. All proposed modifications to month-end pricing must be consistent with our month-end pricing review procedures and reviewed and approved by our Valuation Committee. If third-party pricing and/or market quotations from a third-party broker/dealer are not available, the Shenkman Group's Portfolio Managers, Traders and Research Analysts (as applicable) shall seek to determine the fair market value for applicable investments in good faith based on objective market indicators and consistent with the Shenkman Group's fiduciary duties. The fair market valuation of any such instrument, along with appropriate supporting documentation, must be presented to, and approved by, our Valuation Committee. With respect to any such instrument held by a Shenkman Group Client that is subject to ERISA, the Shenkman Group will engage an independent valuation agent to undertake a fair market valuation.

F. RECEIPT OF MATERIAL NON-PUBLIC INFORMATION

In certain circumstances, the Shenkman Group may also possess certain confidential or material, non-public information that, if disclosed, might be material to a decision to buy, sell or hold a security. In these instances, we add the issuer's name to the Restricted List and we are prohibited from communicating such information or using it for a Shenkman Group Client's benefit. The Shenkman Group and its employees are prohibited from transacting in instruments of issuers on the Restricted List, whether for a Shenkman Group Client or for their own accounts. In these circumstances, the Shenkman Group has no responsibility or liability to Shenkman Group Clients for not disclosing such information to Shenkman Group Clients (or the fact that we possess such information), or not using such information for the Shenkman Group Clients' benefit, as a result of following our policies and procedures or applicable law.

G. CONTEMPORANEOUS TRADING

The Shenkman Group engages in transactions and investment strategies for certain Shenkman Group Clients that differ from the transactions and strategies executed on behalf of other Shenkman Group Clients. Accordingly, the Shenkman Group can invest in certain securities or loan instruments of a particular issuer for one Shenkman Group Client, but invest in a different part of the same issuer's capital structure (or in different classes of debt) for another Shenkman Group Client. To this end, the Shenkman Group has and may continue to purchase on behalf of Shenkman Group Clients different classes of debt of the same issuer and debt and equity of the same issuer for different Shenkman Group Clients. These investments create conflicts of interest, particularly because the Shenkman Group can take certain actions for some Shenkman Group Clients that can have an adverse effect on other Shenkman Group Clients (for example, in connection with restructuring and reorganization situations). In such cases, the Shenkman Group will seek to act in a manner it reasonably believes to be fair or in a manner that does not have a materially adverse impact on a Shenkman Group Client under the circumstances. Further, if the Shenkman Group becomes a member of a creditors' committee due to its holdings in a particular issuer, it will likely be subject to certain restrictions with respect to trading on behalf of other Shenkman Group Clients who hold other instruments of the same issuer. Shenkman Group Clients, as well as investors in Shenkman Group Clients, should be aware that although the Shenkman Group strives to identify and mitigate all conflicts of interest, and seeks to treat its clients in a fair and reasonable manner consistent with its fiduciary duties, there may be times when conflicts of interest are not resolved in a manner favorable to a specific Shenkman Group Client. The Shenkman Group has adopted policies and procedures intended to identify and mitigate conflicts of interest. This includes, but is not limited to, the review of transactions by the Compliance Department. Please also see "Item 6: Performance-Based Fees and Side-by-Side Management" above.

H. DIFFERING TERMS OF INVESTMENT PRODUCTS

Shenkman Group Clients should be aware that the Shenkman Group offers many of its investment strategies through a variety of investment products, including, without limitation, separately managed accounts, private funds (single investor or comingled), CLOs, mutual funds, and UCITS. Given the different structures of these products, certain Shenkman Group Clients are subject to terms and conditions that are materially different or more advantageous than available under different products. For example, mutual funds offer investors the ability to redeem from the fund daily, while private funds offer less frequent liquidity. Similarly a Shenkman Group Client with a separately managed account may have more transparency regarding the positions held in its account than would be available to an investor in a Sponsored Fund, and, further, separately managed account clients have the ability to terminate their investment management agreement with little or no notice (subject to the terms of the investment advisory agreement), at which point the client could take control of the assets and may themselves liquidate the portfolio.

As a result of these differing liquidity and other terms, the Shenkman Group may acquire and/or dispose of investments for a Shenkman Group Client either prior to or subsequent to the acquisition and/or disposition of the same or similar securities held by another Shenkman Group Client. In certain circumstances, purchases or sales of securities by one Shenkman Group Client could adversely affect the value of the same securities held in another Shenkman Group Client's portfolios. In addition, the Shenkman Group has caused, and expects to in the future to cause, certain Shenkman Group Clients to invest in opportunities with different levels of concentration or on different terms than that to which other Shenkman Group Clients invest in the same securities. These differences in terms and concentration could lead to substantially different investment outcomes among Shenkman Group Clients investing in the same securities. We seek to tailor our investment advisory services to meet Shenkman Group Client's investment objective, constraints and investment guidelines, and the Shenkman Group's judgments with respect to a particular Shenkman Group Client will at times differ from its judgments for other clients, even when two Shenkman Group Clients pursue similar investment strategies.

I. ALLOCATION OF TIME AND RESOURCES

The nature of managing accounts for multiple clients creates a conflict of interest with regard to time available to serve clients.

Additionally, certain Shenkman shareholders, officers, and/or employees are shareholders, officers, and/or employees of RCA, while remaining as shareholders, officers, and/or employees of Shenkman and thus will act as dual shareholders, officers, and/or employees of Shenkman and RCA, and in some instances, are officers, and/or employees of all three of Shenkman, RCA, and RCLO. As such, there is a conflict of interest with regard to time available of such Shenkman shareholders, officers, and/or employees to serve Shenkman Clients and Romark Clients.

Shenkman Group Clients should be aware that the Shenkman Group, its affiliates, and their officers and/or employees will devote as much of their time to the activities of each Shenkman Group Client as they deem necessary and appropriate but that a conflict of interest exists as different Shenkman Group Clients may often be in competition for the time and effort of the Shenkman Group, its affiliates, and their officers and/or employees.

ITEM 12: BROKERAGE PRACTICES

A. FACTORS FOR SELECTING BROKER-DEALERS FOR CLIENT TRANSACTIONS

1. Broker Selection: Research and Soft Dollars

The Shenkman Group maintains an “Approved Broker List” and, as a general matter, only trades with brokers on the Approved Broker List. The Shenkman Group’s policies and procedures regarding brokerage allocation and execution are reasonably designed to achieve best execution under the circumstances. In seeking best execution, the Shenkman Group typically considers the full range of each broker’s services, including, but not limited to, the efficiency of execution, ability to handle large and/or complex orders, competitive rates, price, capital commitment to a particular issue, research capabilities, generation of investment ideas, market knowledge, settlement capabilities, confidentiality, financial responsibility and responsiveness. Nonetheless, acquiring certain issues of high yield securities and leveraged loans may require that the Shenkman Group use the particular broker (sometimes only one) that is willing to commit capital to a given issue. In selecting brokers to execute transactions and determining the reasonableness of their compensation, the Shenkman Group is not required to solicit competitive bids and does not have an obligation to seek the lowest available commission cost or price.

The Shenkman Group’s Best Execution Committee is responsible for reviewing the quality and value of the services provided by broker-dealers used and for monitoring any commission levels paid to these broker-dealers. The Best Execution Committee will periodically monitor trading to ensure that best execution has been achieved in accordance with its policies and procedures

The Shenkman Group does not have any formal “soft dollar” arrangements nor does it anticipate entering into any formal “soft dollar” arrangements. Nevertheless, to the extent the Shenkman Group does receive any “soft dollar” benefits (e.g., research or execution services), it will only do so to the extent that they fall within the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934, as amended. Notwithstanding the foregoing, the Shenkman Group may receive, without cost and unrelated to the execution of securities transactions, a broad range of research services from brokers, including information on the economy, industries, securities and individual companies, statistical information, market data, complimentary attendance at industry conference and events, access to company management, pricing and appraisal services, credit analysis, risk measurement analysis, performance analysis and other information that may affect the economy and/or security prices. Subject to our best execution policy described above, the Shenkman Group will from time-to-time allocate securities or loan transactions to these brokerage firms. The research, information and services furnished by these brokers are useful in varying degrees and may be used in servicing Shenkman Group Clients. Some of these services may be used by the Shenkman Group in connection with accounts that paid no commissions to the broker providing such services. No formula has been established for the allocation of business to such brokers. The Shenkman Group may also pay brokers and their affiliates for certain specialized data and services, such as benchmark information, that are also unrelated to the execution of securities transactions.

As previously noted, Shenkman UK is authorized and regulated by the FCA. Shenkman UK provides trade execution, research and other services to the Shenkman Group within the scope of its FCA permissions. Pursuant to the Markets in Financial Instruments Directive II (MiFID II), research provided by broker-dealers is generally required to be charged separately from other execution services. As a result, Shenkman UK may no longer accept the provision of research for free (unless such research is deemed to be an acceptable minor non-monetary benefit) or as part of bundled services. Shenkman UK has decided to bear the expense of research it purchases from its own resources.

2. Brokerage for Client Referrals

The Shenkman Group has formal and/or informal arrangements in place with brokers and/or affiliates of brokers who may market each of their products or otherwise make each of their products available to their respective clients. In certain circumstances, either of the Shenkman Group or our clients may compensate these brokers or their affiliates in connection with these arrangements (including, for example, a placement agent fee paid by a Shenkman Group Client). The Shenkman Group executes securities transactions through brokers (or their affiliates) who market Shenkman Group Client products or otherwise make such products available to clients. This practice creates a conflict of interest because the Shenkman Group has an incentive to select or recommend a broker based on our interest in receiving client referrals. Moreover, the allocation of transactions to brokers who (or that have affiliates who) market Shenkman Group products or otherwise make our products available to their clients is subject at all times to our obligation to obtain best execution under the circumstances.

3. Directed Brokerage

From time-to-time, certain Shenkman Group Clients have instructed the Shenkman Group to participate in directed brokerage arrangements for their accounts. A Shenkman Group Client should be aware that direction by a Shenkman Group Client to use a particular broker (or a prohibition from trading with certain brokers) to effect transactions could result in certain costs or disadvantages to such Shenkman Group Clients. Such costs may include higher brokerage commissions (because it may not be possible to aggregate orders to reduce transaction costs) and less favorable execution of transactions. By permitting Shenkman Group Clients to direct the Shenkman Group to execute their trades through a specified broker (or a prohibition from trading with certain brokers), the Shenkman Group may not make any attempt to negotiate prices or commissions on behalf of Shenkman Group Clients and, as a result, in such transactions Shenkman Group Clients may pay materially disparate spreads or commissions than they otherwise would.

B. CROSS TRADES

The Shenkman Group may also execute cross trades (i.e., the simultaneous purchase and sale of an investment from one Shenkman Group Client to another Shenkman Group Client. Cross trades may be executed for different Shenkman Group Clients on the same or a different day on which we trade in the same investment for other Shenkman Group Clients to the extent that this occurs, it could give rise to a conflict of interest because Shenkman Group Clients acquiring securities through a cross trade would pay lower execution costs than Shenkman Group Clients purchasing these instruments through a broker-dealer and Shenkman Group Clients disposing securities through a cross trade would receive higher execution proceeds than Shenkman Group Clients disposing of these instruments through a broker-dealer.

The Shenkman Group usually executes cross trades directly among eligible Shenkman Group Clients but in certain cases may use a broker to effect the trade. The Shenkman Group believes cross trades benefit Shenkman Group Clients on both sides of the trade by minimizing the spread, mark-up or commissions that would be paid to a broker. In these instances, the purchase price generally reflects the mean of the bid and ask prices as quoted to us by a third-party pricing service or third party brokers. If a broker is needed for the trade, the security is sold to a broker selected by the Shenkman Group and then sold by that broker to the other Shenkman Group Client(s) at the mean of the bid and ask prices plus a fee not greater than one quarter of a point (i.e., \$0.25 per \$100 principal amount). These “broker” cross trades may still benefit Shenkman Group Clients on both sides of the trade because the “selling Shenkman Group Client” sells the security for more than the bid price (i.e., the price it would have received in the open market) and the “buying Shenkman Group Client” purchases the security at less than the ask price (i.e., the price it would have paid in the open market). In all instances, the Shenkman Group acts in a manner consistent with its fiduciary duties. The Shenkman Group does not receive any fees in connection with cross trades. Shenkman Group Clients investors should be aware that if a Mutual Fund participates in the cross trade, the transaction must be executed in accordance with the requirements of Rule 17a-7 under the Investment Company Act of 1940, and if a UCITS fund participates in the cross trade, it must be executed in accordance with that fund’s policy and procedures. In addition, cross trades generally will not be conducted with an ERISA account (including a Shenkman Group Client that has substantial benefit plan investors and is subject to ERISA), accounts of public retirement plans, or any accounts requesting to be treated as an ERISA account; provided, however, that the Legal and Compliance Department may permit any such cross trade between Shenkman Group Clients if it is executed in compliance with all applicable laws and regulations (e.g., Advisers Act, Investment Company Act, ERISA) and is in the best interest of all participating Shenkman Group Clients or is otherwise approved by the applicable Shenkman Group Client.

C. TRADE ERRORS

To the extent that a Trade Error¹ occurs, the Legal and Compliance Department will work together with the appropriate departments or employees to determine the best course of action to resolve the Trade Error. Unless otherwise provided in the relevant investment management agreement, limited partnership agreement, offering memorandum, or other constituent document, the Shenkman Group is responsible for its own Trade Errors and will reimburse an affected Shenkman Group Client for losses suffered due to Trade Errors. The Shenkman Group is not, however, responsible for losses associated with errors of other third parties, including third party brokers and custodians. If an error results in a gain to a Shenkman Group Client, the gain will remain in the affected Shenkman Group Client's account.

The Shenkman Group has a conflict of interest when determining how to resolve a trade error because the Shenkman Group would be required to reimburse a Shenkman Group Client such losses. When a Trade Error is made on behalf of a Shenkman Group Client, the Shenkman Group will seek to resolve each Trade Error in a manner it considers appropriate and consistent with its fiduciary duties, subject to approval by the Chief Compliance Officer or his designee.

In addition, when the Shenkman Group calculates whether a trade error results in a loss, it generally looks to the transaction cost plus any interest income received or accrued, unless the Shenkman Group determines that applicable law or the advisory contract requires a different calculation methodology. Notwithstanding the foregoing, in connection with a trade error involving a Shenkman Group Client that is subject to ERISA, the Shenkman Group will not take into consideration the value of any interest income when calculating whether the trade error results in a loss.

ITEM 13: REVIEW OF ACCOUNTS

A. REGULAR REVIEW

Portfolio Managers communicate throughout the day with members of the Shenkman Group's trading and research team to review the status of Shenkman Group Client investments and to provide instructions and guidance concerning pending transactions for Shenkman Group Clients. Our Portfolio Managers monitor all client accounts on a daily basis and conduct additional periodic reviews for client accounts, all under the supervision of senior management, including the firm's Risk Committee. Additionally, the Legal and Compliance Department reviews Shenkman Group Client portfolios for compliance with each Shenkman Group Client's investment guidelines and restrictions.

B. AD HOC REVIEW

Changes in our outlook for the economy, the market, an individual investment or investment guideline may trigger a review of a Shenkman Group Client's account in addition to the regular account reviews discussed above.

C. CLIENT REPORTING

Each separately managed account client receives (or has the opportunity to receive) the following regular written reports: (i) a monthly Market Perspective Letter that discusses the markets and industry trends; (ii) confirmations of all purchases and sales for its account; and (iii) monthly statements of investments held in the account, specifically setting forth the type of instrument, accrued income, book yield, current market yield and market value of the portfolio (including unrealized gains and losses, if any). Clients typically obtain their monthly account statements through a secure, password protected portal on our website. Daily portfolio reporting may also be made available through this portal. Investors in our Sponsored Funds (other than CLOs, Mutual Funds, or UCITS) are generally provided with quarterly unaudited account statements and annual audited financial statements within 120 days after the fund's fiscal year-end and, if applicable, tax information. Investors in our UCITS and Mutual Funds are provided with semi-annual and annual reports in accordance with applicable regulations. Investors in CLO clients typically receive reports from the trustee for the CLO client as to the CLO's compliance with the underlying indenture requirements and the general performance of the vehicle. We also offer regular conference calls, in-person meetings and monthly account update letters to our clients and consider ad hoc and customized reporting requests. Shenkman has entered, and in the future may enter into, arrangements with certain Shenkman Group Clients and investors in Sponsored Funds that grant such Shenkman Group Clients or investors special or more favorable rights that are not available to all clients and investors. Such special or more favorable rights may include, but are not limited to: (i) different fee arrangements,

¹ "Trade Error" means any trade error involving any transaction in any account directly or indirectly held by the client account or any derivatives contract or other similar agreement of the client account, including: (i) the placement of orders (either purchases or sales) in excess of the amount of an investment the Shenkman Group intended to trade; (ii) the sale of an investment when it should have been purchased; (iii) the purchase of an investment when it should have been sold and (iv) the purchase or sale of the wrong investment.

which may include fee sharing arrangements; (ii) additional reporting and/or greater access to certain information; (iii) opportunities to meet or speak with Shenkman's investment team; and (iv) key-person, material litigation and similar notifications rights. If we determine that any of these side letters or agreements represents a variation that would be material to other investors, we will disclose it in an appropriate fashion.

It should be noted that Shenkman Group Clients with separately managed accounts have more transparency regarding the positions held in their accounts than would be available to investors in Sponsored Funds. Additionally, the level of reporting and transparency available to investors differs from fund-to-fund depending on the fund structure and investment strategy, as well as the arrangements discussed in the preceding paragraph, and such differences may be meaningful. Although all investors within a Sponsored Fund generally receive similar information, an investor may request and receive information that is not otherwise provided in a Sponsored Fund's regular reports to investors. The Shenkman Group will only provide information that it would provide to any investor within the applicable Sponsored Fund that requests the information, but such information may provide the receiving investor with greater insight into the Sponsored Fund's activities. This may enhance such investor's ability to make investment decisions with respect to the Sponsored Fund.

ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

A. ECONOMIC BENEFITS FROM THIRD PARTIES

The Shenkman Group does not receive economic benefits from non-clients in exchange for providing investment advice and other advisory services.

ITEM 15: CUSTODY

We do not maintain custody of separately managed account client assets. We may, however, be deemed to have custody of client assets for purposes of the Advisers Act if we deduct our advisory fees directly from a client's account. As previously disclosed in "Item 5: Fees and Compensation" above, in limited circumstances, certain clients have directed us to deduct advisory fees from their accounts. Because the clients' custodians would not calculate or review the amount of the fee deducted, these clients are urged to carefully review their custodial statements and compare them to any account statement that we may send, and, prior to processing the deduction of any management fees, we obtain written confirmation from the applicable client(s) that the client(s) received quarterly account statements from their custodian.

We are also deemed to have custody of the assets of our Sponsored Funds (other than Mutual Funds, UCITS and CLOs). The financial statements of these funds are audited at least annually by an independent public accountant that is registered with, and subject to inspection by, the Public Company Accounting Oversight Board. We distribute these audited financial statements (prepared in accordance with generally accepted accounting principles) to the investors in the applicable Sponsored Funds within 120 days of the fund's fiscal year end.

ITEM 16: INVESTMENT DISCRETION

We primarily manage clients' assets on a discretionary basis. Prior to managing those assets, we enter into a written agreement that sets forth the scope of our discretion. Unless otherwise instructed or directed by a client, we have the authority to determine: (i) the securities to be purchased and sold for the client account (subject to restrictions on its activities as set forth in the applicable investment advisory agreement and any written investment guidelines); and (ii) the amount of securities to be purchased or sold for the client account. Because of the differences in client investment objectives and strategies, timing of subscriptions and redemptions, risk tolerances, tax status and other criteria, there may be differences among clients in invested positions and securities held. Additionally, when we act on behalf of a Sponsored Fund, or in our capacity as general partner or investment adviser to a Sponsored Fund, our authority to select the identity and amount of securities to be bought or sold is limited by that fund's offering documents. We do not employ leverage or margin unless authorized to do so by the client or a Sponsored Fund's offering documents.

We have entered into an arrangement to provide investment advisory services to a client on a non-discretionary basis. With respect to such arrangements, the Shenkman Group is not deemed to have regulatory assets under management.

ITEM 17: VOTING CLIENT SECURITIES

A. SHENKMAN'S PROXY VOTING AUTHORITY

Investment advisory agreements with Shenkman Clients typically grant us authority to vote proxies on behalf of our separately managed account clients. The offering documents for our Sponsored Funds also typically grant us authority to vote their proxies.

The Shenkman Group maintains a Proxy Voting Policy and Procedures in accordance with Rule 206(4)-6 of the Advisers Act. The Shenkman Group seeks to vote proxies in their best interests and in accordance with these Proxy Voting Policy and Procedures.

In the case of bonds, loans or other instruments, we also take action pertaining to amendment and consent requests (e.g., a request to amend a bond's indenture) as well as bankruptcy and reorganization proposals, as applicable (e.g., a proposal to restructure a debt security where the underlying issuer is in bankruptcy). The Shenkman Group will take action that it deems appropriate and in the best interests of Shenkman Group Clients with respect to such corporate actions. From time to time, the Shenkman Group may also submit proof of claims in connection with class action lawsuits.

From time to time, conflicts of interest arise due to the size and nature of the Shenkman Group's operations and the fact that Shenkman Group Clients invest in various securities or issues of the same company with different priorities and interests. If a material conflict of interest arises, the Conflicts Committee will determine whether voting in accordance with its policies and procedures is in the best interests of the Shenkman Group Clients involved. Under no circumstances will the Shenkman Group place its own interests ahead of the interests of the Shenkman Group Clients in voting proxies, and the Shenkman Group seeks to vote proxies at all times in accordance with its fiduciary duties.

If the Shenkman Group determines that the proxy voting policies do not adequately address a material conflict of interest related to a proxy, the Shenkman Group will provide the affected Shenkman Group Client with copies of all proxy solicitation materials received by the Shenkman Group with respect to that proxy, notify the Shenkman Group Client of the conflict of interest, and of the Shenkman Group's intended response to the proxy request (which response will be in accordance with the policies set forth in this statement), and request that the Shenkman Group Client consent to the Shenkman Group's intended response. If the Shenkman Group Client consents to the Shenkman Group's intended response or fails to respond to the notice within a reasonable period of time specified in the notice (provided that Shenkman has exercised reasonable efforts to obtain the client's response), the Shenkman Group will vote the proxy as described in the notice. If the Shenkman Group Client objects to the Shenkman Group's intended response, the Shenkman Group will vote the proxy as directed by the Shenkman Group Client.

Each client may obtain a copy of the Proxy Voting Policy and Procedures and a record of how it voted its proxies by contacting us via email at legal@shenkmancapital.com by calling (212) 867-9090.

B. CLIENT PROXY VOTING AUTHORITY

If a Shenkman Client does not give us authority to vote its proxies, we consult with that Shenkman Client to determine the appropriate course of action to be taken in accordance with the Shenkman Client's preference and instructions.

ITEM 18: FINANCIAL INFORMATION

Shenkman has never filed for bankruptcy and we have no financial commitments that are likely to impair our ability to meet our contractual commitments to our clients.