

## FORM ADV PART 2A

### FIRM BROCHURE



375 Park Avenue, 33rd Floor  
New York, NY 10152  
212-895-2280  
[www.soundpointcap.com](http://www.soundpointcap.com)

August 19, 2021

This brochure (“Brochure”) provides information about the qualifications and business practices of Sound Point Capital Management, LP (“Sound Point”). If you have any questions about the contents of this brochure, please contact Lily Wicker, Chief Compliance Officer and Associate General Counsel, at 212-468-5784 or at [compliance@soundpointcap.com](mailto:compliance@soundpointcap.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Sound Point Capital Management, LP is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Being a “registered investment adviser” or describing Sound Point as being “registered” does not imply a certain level of skill or training.

**THIS BROCHURE SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE  
SOLICITATION OF ANY OFFER TO BUY ANY SECURITY.**

**Item 2.           Material Changes**

If Sound Point makes any material changes to this Brochure, this section will be revised to include a summary of such changes.

This Brochure has been amended throughout to reflect the recent acquisition by Sound Point of various Client Accounts (and related structuring vehicles and an employee investment vehicle) pursuing a Direct Lending strategy. Certain other more minor changes have also been made since the last filing, including without limitation disclosure regarding a new affiliated managed account, as referred to in item 10.

We encourage all clients and prospective clients to review this Brochure carefully and in its entirety.

## TABLE OF CONTENTS

|  | <u>Page</u> |
|--|-------------|
| Item 1. Cover Page.....  | 1           |
| Item 2. Material Changes .....   | 2           |
| Item 3. Table of Contents.....   | 3           |
| Item 4. Advisory Business .....  | 4           |
| Item 5. Fees and Compensation .....  | 7           |
| Item 6. Performance-Based Fees and Side-By-Side Management.....                                      | 14          |
| Item 7. Types of Clients .....   | 14          |
| Item 8. Methods of Analysis Investment Strategies, and Risk of Loss .....                            | 14          |
| Item 9. Disciplinary Information.....  | 35          |
| Item 10. Other Financial Industry Activities and Affiliations.....                                   | 36          |
| Item 11. Codes of Ethics, Participation or Interest in Client Transactions and Personal Trading..... | 46          |
| Item 12. Brokerage Practices .....   | 47          |
| Item 13. Review of Accounts.....   | 50          |
| Item 14. Client Referrals and Other Compensation .....   | 50          |
| Item 15. Custody .....   | 51          |
| Item 16. Investment Discretion .....   | 51          |
| Item 17. Proxy Voting.....   | 51          |
| Item 18. Financial Information. ....   | 52          |
| Item 19. Requirements for State Registered Advisers .....  | 52          |

#### **Item 4. Advisory Business**

Sound Point is a privately-owned credit asset management firm with investment strategies that concentrates on performing credit and collateralized loan obligations (“CLOs”), opportunistic credit, structured credit, specialty finance and marketplace lending, and commercial real estate credit, utilizing a fundamental and research-intensive approach to investing. Sound Point has been managing assets for its clients for over ten years, increasing its assets under management<sup>1</sup> from \$5 billion in 2014 to approximately \$25.5 billion today.

Sound Point is a Delaware limited partnership founded in 2008 by Stephen Ketchum, its Managing Partner and CIO. Mr. Ketchum owns Sound Point along with principals of Stone Point Capital LLC, a private equity firm (“Stone Point”), and Dyal Capital Partners II (A), LP, a third party permanent capital fund that is managed by the Dyal Capital division of Blue Owl Capital Inc. (“Dyal”), each of which holds minority equity interests in Sound Point. Sound Point’s general partner, SPC Partners GP, LLC (the “General Partner”), is a Delaware limited liability company that is controlled by Stephen Ketchum.

#### ***Minority Equity Ownership and Sound Point Board of Managers***

Stephen Ketchum is a principal owner of Sound Point, indirectly through SPC Consolidator LLC, a Delaware limited liability company. Certain other limited partners of Sound Point have contributed, or have the right to receive, 5% or more of Sound Point’s capital upon its dissolution, and these limited partners are Dyal Capital Partners II (A), LP, and two senior principals of Stone Point. Three additional senior principals of Stone Point are also limited partners of Sound Point, but each holds minority equity ownership below the 5% threshold. James Carey, one of Stone Point’s senior principals, serves on Sound Point’s Board of Managers and consequently will have certain rights of approval over the actions of Sound Point which may impact Client Accounts; however, Mr. Carey is not a member of any committee that makes investment decisions for Client Accounts. Sound Point operates independently of Stone Point.

Sound Point GP Parent, LLC, a Delaware limited liability company, was established to wholly own the general partners of certain Sound Point Funds (as defined below) and is under common control with Sound Point. Along with certain principals of Stone Point, Dyal Capital Partners II (A), LP and Dyal Capital Partners II (B), LP (the “Dyal Funds”) hold minority equity interests in Sound Point and Sound Point GP Parent, LLC, respectively. Although, as noted above, a senior principal of Stone Point serves on Sound Point’s Board of Managers, neither Stone Point, nor the Dyal Funds, nor Dyal or any of its affiliates is involved in the day-to-day management of Sound Point or of Sound Point GP Parent, nor does any such party have any control over the investment decisions of the Sound Point Funds or other Client Accounts (as defined below).

#### ***Advisory Services***

Sound Point provides investment advisory services to privately-offered pooled alternative investment funds (“Sound Point Funds”), to separately managed accounts, including funds-of-one (“Managed Accounts”), to registered investment companies (“40 Act Funds”), and, directly or through affiliates, to securitized asset pools called collateralized loan obligations (“SP CLOs”). In this Brochure, the term “Client Accounts” refers to any of the foregoing.

---

<sup>1</sup> The method for computing assets under management is different than the method for computing regulatory assets under management (“RAUM”) required for Item 5.F. in Form ADV Part 1.

In general, in managing the Client Accounts, Sound Point seeks to provide risk-adjusted returns while staying in line with the parameters of the relevant investment strategies and subject to investment objectives and guidelines as set forth in the relevant offering documents or investment advisory agreement. Sound Point's Client Accounts are either managed on a discretionary or non-discretionary basis. For the discretionary Client Accounts, Sound Point makes all investment decisions and monitors all investments to determine whether to reduce, eliminate or increase investment opportunities after the initial investment is made.

Strategies of the Client Accounts are:

- Credit Opportunity Strategy: Investment assets of the Credit Opportunity Strategy primarily include corporate bonds, senior-secured bank loans, and equities, but other assets, including investment in the SP CLOs, may be included depending on the investment environment.
- Floating Rate Strategy: Investment assets of the Floating Rate Strategy primarily include corporate senior-secured bank loans and bonds, but other assets, including investment in certain SP CLOs, may be included depending on the investment environment.
- Loan Opportunity Strategy: Investment assets of the Loan Opportunity Strategy primarily include distressed bonds, distressed bank loans, public and private equity, and trade claims, but other assets including financial derivatives may be included depending on the investment environment.
- SP CLO Strategy: Investment assets of the SP CLO Strategy primarily include securities issued by SP CLOs and may include a limited investment in CLOs managed by third parties ("Third Party CLOs"), as well as the residual interests in warehouse facilities for such CLOs.
- Structured Credit Strategy: Investment assets of the Structured Credit Funds primarily include Third Party CLOs and may include a limited investment in SP CLOs, as well as the residual interests in warehouse facilities for such CLOs.
- Strategic Capital Strategy: Investment assets of the Strategic Capital Strategy primarily include senior secured debt, junior secured debt, accounts receivable financings, mezzanine debt and equity or equity linked securities.
- Co-Invest Strategy: Investment assets of Co-Invest Strategy primarily include senior-secured bank loans, and equities, but other assets, including investment in securities issued by SP CLOs as well as the residual interests in warehouse facilities for such CLOs, may be included depending on the investment environment.
- Euro CLO Management Strategy: The Euro CLO Management Strategy primarily invest all of its assets in certain series of Sound Point CLO C-MOA, LLC, a management company that is intended to be an "originator" (as defined in the EU Risk Retention Rules, as defined below) and will serve as lateral manager of European collateralized loan obligation transactions, including any type of short term or long term warehouse or similar facilities and whose primary asset will be the "equity" or "first loss tranche" of interests and in certain cases debt tranches of Euro CLOs managed by the management company.
- Specialty Finance Strategy: Investment assets of Specialty Finance Strategy primarily include specialty finance assets, niche asset-backed securities and other non-corporate assets originated through arrangements with specialty finance lenders.

- Commercial Real Estate Credit Strategy: Investment assets of the Commercial Real Estate Credit Strategy primarily include commercial mortgage loans and debt where commercial real estate properties serve as the underlying collateral.
- Direct Lending Strategy: Investment assets of the Direct Lending Strategy primarily include privately negotiated, secured loans to U.S. middle-market companies, including first-lien senior debt and unitranche facilities. Selectively, the Direct Lending Strategy may also make investments in second lien debt and other subordinated debt instruments, typically to large borrowers, as well as occasional equity co-investments alongside trusted sponsors.
- SP CLOs: Investment assets of the SP CLOs primarily include corporate senior-secured bank loans and bonds, but other assets may be included depending on terms of the SP CLO indentures and the investment environment. Sound Point's discretionary authority with respect to the SP CLOs is restricted by the terms of the SP CLOs as described in their indentures.

In addition to the core assets listed above, and subject to the applicable investment advisory agreements, prospectus and other offering documents, and subject to the relevant investment objectives, Client Accounts may maintain the flexibility to invest in other types of publicly or privately-offered securities (both long and short), including, but not limited to, fixed income securities, preferred stocks, American Depositary Receipts, exchange-traded funds, unregistered or restricted securities, convertible securities, warrants, forward contracts, cash and cash equivalents, interest-rate and other swaps, futures, options and other derivatives.

There can be no assurance that the Client Accounts' objectives will be achieved, and investment results may vary substantially.

Further information on Client Accounts can be found in **Item 10** (Other Financial Industry Activities and Affiliations).

### ***Registration and Affiliated Entities***

Sound Point has been registered with the United States Securities and Exchange Commission (the "SEC") since July 2011.

Sound Point CLO C-MOA, LLC ("C-MOA") is controlled by Sound Point and is an SEC-registered investment adviser. C-MOA provides collateral management services to securitized asset pools known as CLOs. In general, this Brochure does not include information about C-MOA or its advisory business, which is summarized in C-MOA's own Form ADV Parts 1 and 2.

Sound Point CRE Management, LP ("CRE") and SPCRE InPoint Advisers, LLC ("SPCRE"), which are both under common control with Sound Point, have filed with the SEC as an Exempt Reporting Advisers. CRE and SPCRE provide advisory services to one or more real estate investment trusts.

Sound Point Commercial Real Estate Finance LLC ("SPCREF"), which is under common control with Sound Point is an SEC-registered investment adviser. SPCREF's primary investment strategy is to originate first mortgage loans on wholly owned commercial real estate in the United States, primarily focused on bridge loans or properties undergoing a business model transition. Aflac Asset Management LLC ("AAMLLC"), a subsidiary of Aflac Incorporated and an SEC-registered investment adviser, holds a minority interest in SPCREF. AAMLLC does not have authority over the day-to-day operations or investment decisions of SPCREF, although AAMLLC has certain minority protection and consent rights in connection with its investment in SPCREF.

Sound Point is also affiliated with certain entities that are formed for tax, regulatory or other purposes in connection with the organization of the Sound Point Funds, and/or serve as general partners of the Sound Point Funds (collectively, the “Sound Point General Partners”).

### ***Management of Client Accounts***

As of December 31, 2020, Sound Point had approximately \$17,889,517,416 of regulatory assets under management that is managed on a discretionary basis and approximately \$450,838,675 of regulatory assets under management that is managed on a non-discretionary basis.

Sound Point currently does not participate in wrap fee programs.

For further discussion of these and related items, see **Item 7** (Types of Clients), **Item 8** (Methods of Analysis, Investment Strategies and Risk of Loss) and **Item 10** (Other Financial Industry Activities and Affiliations). Any description of a Sound Point Fund, 40 Act Fund, SP CLO, or CRE is qualified by reference to the applicable fund’s prospectus or offering documents.

## **Item 5. Fees and Compensation**

### ***Management Fees and Performance-Based Compensation***

#### ***A. Sound Point Funds: Management Fees, generally***

Sound Point generally receives a management fee (“Management Fee”) from each of the Sound Point Funds, other than the CLO Fund, Euro CLO Management Fund, and Euro CLO 2 Management Fund (each as defined in Item 10 below) which are not currently charged Management Fees, as discussed below. For most of such Sound Point Funds, the Management Fee is charged at an annual rate ranging between 0.5% and 2.0% of the net asset value of each investor’s investment in the applicable Sound Point Fund, valued and payable as of the beginning of each quarter, in each case as set out in the prospectus and operative documents for the applicable Sound Point Fund.

Sound Point generally receives a Management Fee from the Strategic Capital Funds and the DLOF Funds (each as defined in Item 10 below), at an annual rate of 0.75% - 1.5% of net invested capital attributable to each investor’s investment in the Strategic Capital Funds or the DLOF Funds, as the case may be, valued and payable quarterly in arrears, as set out in the prospectus and operative documents for the Strategic Capital Funds and the DLOF Funds, as applicable.

In consideration for the Management Fees, Sound Point and its affiliates bear the costs of providing their services to the Sound Point Funds, including, but not limited to personnel costs, salaries and rent.

From time to time, Sound Point establishes special purpose vehicles (“SPVs”) for the benefit of the Sound Point Funds. Sound Point waives management fees in relation to the Sound Point Funds’ ownership in the SPVs (*i.e.*, an investor would pay fees at the Sound Point Funds’ level or at the SPV level, but not both), although Sound Point charges fees to co-investors who invest alongside the Sound Point Funds as further discussed below under Co-Investment Vehicles.<sup>3</sup>

#### ***B. Sound Point Funds: Management Fees, capital invested in SP CLOs***

Neither Sound Point nor any of its affiliates currently receives fees for the management of the CLO

---

<sup>3</sup> For the avoidance of doubt, the terms SPV and Lending SPV do not include CLOs of which Sound Point is a collateral manager unless stated otherwise.

Funds, the Euro CLO Management Fund or the Euro CLO 2 Management Fund (although Sound Point or its affiliates receive fees from SP CLOs in which the CLO Fund, the Euro CLO Management Fund and/or the Euro CLO 2 Management Fund are invested). To the extent that the CLO Funds invest in Third Party CLOs, however, Sound Point anticipates that each of the CLO Funds and the Euro CLO Management Fund would be charged a Management Fee, which would be charged monthly in advance on the first business day of each month, at an annual rate expected generally to be 1.0% of the net asset value of the portion of each investor's investment that is attributable to interests in Third Party CLOs. Nonetheless, no Management Fee will be paid to Sound Point by the CLO Funds with respect to the portion of their capital invested in SP CLOs.

***C. Sound Point Funds: Management Fees, payable in advance***

For the Sound Point Funds that are charged Management Fees in advance, Management Fees for capital contributions made, or shares purchased, during a calendar quarter will be charged pro rata for the initial quarter of purchase, and any investor making a withdrawal of capital or a redemption of shares at any time other than at the end of a quarter shall be rebated a pro rata portion of the Management Fee for such quarter, in each case based on the number of days remaining in such quarter after the contribution or purchase date, or withdrawal or redemption date, as the case may be. A similar pro rata rebate is applied if any of the Sound Point Funds terminates during a calendar quarter.

***D. Sound Point Funds: Management Fees, payable in arrears***

For the Sound Point Funds that are charged Management Fees in arrears, Management Fees are based on net invested capital or net asset value of the outstanding interests issued by the respective fund as of the last day of each month or quarter, in accordance with each fund's governing documentation. The Management Fee will be appropriately prorated for partial periods and adjusted for any intra-month subscriptions, withdrawals and distributions.

Furthermore, (a) any Management Fee for a period of less than three months shall be adjusted on a pro rata basis according to the actual number of days during such period; (b) the Management Fee in respect of an investor in the Strategic Capital Funds and the DLOF Funds shall be reduced to account for the portion of net invested capital as of a fiscal quarter-end attributable to any relevant capital contributions by such investor during the applicable fiscal quarter, with the portion of the net invested capital attributable to such capital contributions pro-rated in accordance with the number of days between the date of such capital contribution and the last day of such fiscal quarter, and (c) to the extent the Strategic Capital Funds' or the DLOF Funds' term expires on a date other than the last day of a fiscal quarter, the Management Fee for such final fiscal quarter shall be payable in respect of the net invested capital on the date the term expires.

***E. Sound Point Funds: Management Fees, additional fee considerations***

In consideration for the Management Fees, Sound Point and its affiliates bear the costs of providing their services to the Sound Point Funds, including, but not limited to personnel costs, salaries and rent.

For the Strategic Capital Funds, the Management Fee payable in any quarterly period, in respect of each investor, is offset by such investor's pro rata share of (i) certain organizational expenses and (ii) fees received by Sound Point or certain affiliates and related persons in respect of an investment made or held by the Strategic Capital Funds (which, for the avoidance of doubt, includes any origination fees and/or equity "kickers") that are not directly paid to the Strategic Capital Funds or otherwise passed through to the investors in the Strategic Capital Fund. Any such fees that are not paid in cash (e.g., options or warrants) are valued and applied at the earlier of (A) when exchanged for cash or marketable securities,



(B) when the underlying investment is disposed of, or (C) the end of the Strategic Capital Funds' term (in each case, valued as determined by an independent third party valuations provider selected by an affiliate of Sound Point that is reasonably acceptable to the limited partner advisory committee of the Strategic Capital Funds). In the event that the amount of such offset exceeds the Management Fee payable in respect of such investor in the applicable quarterly period, such excess is carried forward to offset the Management Fee payable in respect of such investor in the following quarterly periods. Any remaining excess at the end of the fund's term will be paid by the fund's general partner (an affiliate of Sound Point) for distribution to the fund's investors; provided, that any investor that has previously notified such general partner of its irrevocable election not to receive its share of such excess shall not receive such excess, and such amount shall instead be retained by such general partner. To the extent that fees received by Sound Point or any of its affiliates in respect of an investment by the Strategic Capital Funds are attributable both to such fund's investment and to investments by Co-Investors (as defined below), only the portion of such fees attributable to such fund's investment shall be included in the offset.

In relation to its Direct Lending Strategy, Sound Point may also earn closing fees, commitment fees, arrangement fees, syndication fees, transaction fees, monitoring fees, directors' fees, consulting fees, managing fees, break-up fees, investment banking fees from the underlying borrower (or in case of break-up fees, from the potential borrower) (collectively, the "Underlying Issuer Fees"), which are then pro-rated among the lending or the participating Client Accounts and/or Co-Investors. Depending on the applicable investment management agreements, the pro-rated Underlying Issuer Fees may be wholly credited to the participating Client Accounts and/or Co-Investors, or may be credited to Sound Point but whose amount will later offset or reduce the Client Accounts' management fees due to Sound Point, or may be shared jointly and credited to both the Client Accounts and/or Co-Investors and to Sound Point at a previously agreed upon percentage breakdown, or may be credited based on another future combination that is not currently contemplated. Varying treatment of Underlying Issuer Fees, which can be another source of revenue for Sound Point, creates an incentive for Sound Point and its affiliates to allocate investments among Co-Investors and Client Accounts in ways that maximize the total net amount of revenue accruing to Sound Point.

Sound Point, or its affiliate, may, in its discretion, waive, reduce or rebate the Management Fees with respect to the investment of any investor in a Sound Point Fund, including Sound Point's affiliates and/or strategic investors in the applicable Sound Point Fund. Without limiting the foregoing, due to side letters entered into between certain Sound Point Funds and investors, different investors in the same Sound Point Fund may be charged different fees. In general, Management Fees are waived with respect to current employees of Sound Point and affiliates of Sound Point and their employees.

#### ***F. Sound Point Funds: Performance Fees***

Sound Point or one of its affiliates also receives performance-based compensation in respect of certain Sound Point Funds, which may be structured as an annual allocation of profits or as an annual fee, or as carried interest distributions, in each case as set out in the prospectus and operative documents for the applicable Sound Point Fund (each, the "Performance Compensation" for the applicable Sound Point Fund). For Co-Invest Fund, each Credit Fund and each Distressed Fund, the Performance Compensation is computed as a percentage ranging from 5% up to 20% of the increase in the value of each investor's investment in the applicable Sound Point Fund over the applicable period, subject to a standard high-water mark and, in some cases, a preferred return to investors (sometimes referred to as a "hurdle rate"). In the case of the Harbor Fund and Strategic Capital Funds, the Performance Compensation is computed from 10% up to 20% of the realized gains, subject to a preferred return, with a "catch-up". Typically, the Performance Compensation for each Sound Point Fund structured as a hedge fund is allocated or paid at the end of each fiscal year or immediately prior to any withdrawal or redemption from such Sound Point Fund occurring prior to the end of any fiscal year. For the Strategic Capital Funds and the Distressed

Funds that are closed end, which are draw-down style funds, the Performance Compensation is paid from the fund's distributions (as carried interest distributions), which are typically made after the fund's investment period, as a part of each applicable distribution of income and other distributable proceeds. Please refer to the offering materials of the applicable Sound Point Fund for more information about Performance Compensation with respect to such Sound Point Fund.

Neither Sound Point nor any of its affiliates currently receives performance-based compensation from the Beacon Funds, Floating Rate Funds, the Euro CLO Management Fund, the Euro CLO 2 Management Fund or the CLO Funds.

Sound Point, or its affiliate, may, in its discretion, waive, reduce or rebate the Performance Compensation with respect to the investment of any investor in a Sound Point Fund, including Sound Point's affiliates and/or strategic investors in the applicable Sound Point Fund. Without limiting the foregoing, due to side letters entered into between certain Sound Point Funds and investors, different investors in the same Sound Point Fund may be charged different fees. In general, Performance Compensation is waived with respect to current employees of Sound Point and affiliates of Sound Point and their employees.

#### ***G. Managed Accounts and 40 Act Funds: Management and Performance Fees***

Sound Point is entitled to receive a management fee (the "MA Management Fee") for the advisory services performed on behalf of each Managed Account client, including the 40 Act Funds. The MA Management Fee rates generally range from 0.25% to 1.0% per annum, as negotiated with each Managed Account, and are calculated based on the net assets under management in the applicable Managed Account. Sound Point or one of its affiliates also receives an annual performance-based fee (the "MA Incentive Fees") in respect of certain Managed Accounts in an amount of 20.0% of the increase in the value of the applicable Managed Account, which performance-based fee may be subject to a standard high-water mark. In general, the MA Management Fee and MA Incentive Fees are paid from the applicable Managed Account promptly after they are determined. Certain Managed Accounts have a hurdle rate associated with the applicable MA Incentive fees. Sound Point and/or its applicable affiliate may, in its discretion, waive, reduce, or rebate the MA Management Fee and/or the MA Incentive Fees associated with a Managed Account.

As sub-adviser to the 40 Act Funds, Sound Point is paid a management fee based on a percentage of the assets of the entity or a percentage of the net assets allocated to the sub-adviser. These fees generally range between 0.35% and 0.80% per annum.

#### ***H. SP CLOs: Collateral Management and Performance Fees***

As Collateral Manager to the SP CLOs, Sound Point is paid a collateral management fee at an annual rate ranging between 0.38% and 0.50%, as applicable, of the net assets of the applicable SP CLO, payable quarterly in arrears. Sound Point may also be paid an incentive fee from an SP CLO based on the SP CLO's achieving target returns for junior noteholders. In addition, at times Sound Point will enter into agreements with holders of Subordinated Notes to waive or rebate a portion of the Subordinated Collateral Management Fee. As such agreements may provide that such holders will be entitled to receive a portion of the Subordinated Collateral Management Fees payable on each Payment date during the term of the transaction, Sound Point's performance and incentives may be negatively impacted by such fee rebate arrangements.

#### ***I. Co-Investment Vehicles: Management Fees, Performance Fees and Other Fees***

Client Accounts may invest along with other persons ("Co-Investors") who co-invest in the same

underlying investment. Such Co-Investors may include persons that are affiliated with Sound Point and/or persons that are not affiliated with Sound Point and may include persons that are invested in the applicable Client Account and/or in other Client Accounts. Such Co-Investors may invest in the same underlying investment directly, through participation agreements or through equity holding vehicles formed for their co-investment (“Co-Investment Vehicles”). If Sound Point and/or one of its affiliates sponsors or provides advisory or other services to the relevant Co-Investment Vehicle, Sound Point and/or its affiliates will typically receive fees that include, but not limited to, structuring fees, upfront fees, introduction fees, management fees and incentive-based compensation from the applicable co-investment vehicle and/or from the applicable Co-Investors.

By way of example, the Strategic Capital Funds may originate a loan through a special purpose vehicle (“Lending SPV”) that it wholly owns or owns along with other Sound Point Funds. The Lending SPV may enter into one or more participation agreements with Co-Investors, through which such Co-Investors hold participations in the underlying originated loan made by the Lending SPV. These Co-Investors holding loan participations pay fees relating to such underlying loan to Sound Point through a payment from the Lending SPV (typically, the Lending SPV retains these fees, under the participation agreements with the Co-Investors holding loan participations, from payments that would otherwise be made to such loan participants, and, pursuant to a services agreement, the Lending SPV pays these fees on to Sound Point). Because Sound Point and its affiliates are not required to share such fees (or incentive-based compensation) received from Co-Investors with the applicable Client Account (or any other Client Account) except with respect to the portion of the relevant investment that such applicable Client Account holds (directly or indirectly), Sound Point and its affiliates have an incentive to increase the participation in such investments of Co-Investors relative to the applicable Client Account.

#### ***J. Management and Performance Fees: Other Disclosures***

From time to time, Sound Point may provide investment advisory services to entities affiliated with Stone Point’s portfolio companies or to Dyal’s partners. Management fees charged to these clients will be consistent with fees charged to other Client Accounts.

Sound Point, or its affiliates, may, in its discretion, waive, reduce or rebate the Management Fees and/or Performance Compensation with respect to the investment of any investor in any of the Client Accounts described herein. In addition, Sound Point is permitted to enter into side letters or other agreements granting more favorable rights or terms to certain investors or clients, including but not limited to, Sound Point’s affiliates, strategic investors in Sound Point Funds, and anchor investors in Sound Point Funds or SP CLOs. Without limiting the foregoing, such agreements may create special rights with respect to future investment capacity, special liquidity or withdrawal rights, rights to receive additional or more specialized reports, and agreements resulting in different investors in the same Client Accounts charged different fees. In sum, these agreements could create preferences or priorities for certain investors or Client Accounts as compared to others.

In general, Management Fees and Performance Compensation are waived with respect to current employees of Sound Point and with respect to affiliates of Sound Point and their employees.

The fees that Sound Point charges to clients in the future may be the same as or different from the fees described herein.

#### ***Expenses***

##### ***A. Sound Point Funds***

Generally, each of the Sound Point Funds bears its own costs and expenses related to its investments and its operations, including, without limitation and as applicable, brokerage and other transaction costs, clearing and settlement charges, trade break fees, consulting expenses, out-of-pocket expenses associated with attracting, sourcing, identifying, researching, and evaluating potential investments of the applicable Sound Point Fund, including fees for data licensing, investment models, or other metrics, due diligence, and sourcing- and diligence-related travel costs, legal fees and other expenses in connection with conducting due diligence and negotiating the terms of certain investments, custodial fees, initial and variation margin, interest and commitment fees on debit balances or borrowings, stock borrowing fees and proxy solicitation expenses, third-party legal, accounting, audit, consulting, tax preparation and similar fees and expenses, fees and expenses of an administrator, fees and expenses for risk management services, front office portfolio management systems, out-of-pocket expenses of limited partner advisory committee members or steering / large lender / ad hoc committee members (to the extent not paid by the applicable borrower or other issuer of, or the seller of, the applicable investment or other applicable counterparty) in connection with their meetings and other activities in such capacity, and of the meetings, if any, of the investors in the relevant Sound Point Fund, any broken-deal or other fees and expenses associated with potential investments of the applicable Sound Point Fund (to the extent not paid by the applicable borrower or other issuer of, or the seller of, the applicable investment or other applicable counterparty) including travel and accommodation expenses for investment personnel and third-party providers incurred in connection with a broken deal and any reverse break-up fees, deposits, or down payments that are forfeited in connection with, or amounts paid as a penalty, for broken deals, insurance expenses including costs of any liability insurance obtained on behalf of the applicable Sound Point Fund, Sound Point and/or its affiliates, and/or members of the applicable Sound Point Fund's limited partner advisory committee, indemnification expenses, regulatory costs and expenses (including filing and license fees), any issue or transfer taxes chargeable in connection with any securities transactions, any entity level taxes and fees, costs of reporting and providing information to investors, and costs of litigation or investigation involving the applicable Sound Point Fund's activities, and any extraordinary expenses (collectively, "Operating Expenses"). To the extent a Sound Point Fund makes investments through the use of a so-called "master fund", such Sound Point Fund is responsible for its pro rata portion of the master fund's costs and expenses, the nature of which are expected to be similar to those of the Sound Point Fund.

Sound Point, or its applicable affiliate, may, in its discretion, agree to limits on and/or to rebate a portion of the expenses that an investor in a Sound Point Fund would otherwise bear in respect of its investment in such Sound Point Fund. To the extent that, due to such an agreement, certain expenses of a Sound Point Fund are not borne by a particular investor, such expenses are borne by Sound Point or its applicable affiliate, and not by other investors in such Sound Point Fund.

An investor in certain Sound Point Funds may be charged an early withdrawal fee if such investor withdraws all or a portion of its investment prior to the conclusion of specified period following the initial date of such investor's investment in the applicable Sound Point Fund.

Certain Sound Point Funds have Board of Directors, whose membership include unaffiliated directors and affiliated directors, defined as directors who are officers or employees of Sound Point ("Affiliated Directors"). Affiliated Directors do not receive additional compensation arising from their membership of the Board of Directors. However, Affiliated Directors may incur expenses associated with their role as a director such as travel to in-person board meetings and such expenses will be charged to the applicable Sound Point Funds. Fees and expenses associated with unaffiliated directors are charged to the applicable Sound Point Funds.

Certain Sound Point Funds have an Independent Advisory Board, whose members may include persons who also serve as unaffiliated directors for Sound Point Funds. Fees and expenses associated with these

Independent Advisory Boards are charged to the relevant Sound Point Funds.

***B. Managed Accounts, 40 Act Funds and SP CLOs***

A portion of the Operating Expenses may be shared on an equitable basis with other investment entities or accounts Sound Point or its affiliates manage. SP CLOs and Managed Accounts are generally responsible for their share of the Operating Expenses, to the extent permitted by their respective offering memorandum and investment management agreements.

Each SP CLO is invoiced by the SP CLO custodian for a range of expenses including administrative fees, research, and accounting fees.

Sound Point generally bears its own Operating Expenses in relation to the 40 Act Funds.

***C. Other Expenses***

Neither Sound Point nor its principals, members, managers, directors, officers and employees accept any compensation for the sale of securities or other investment products issued by the Sound Point Funds or by the 40 Act Funds.

As noted above under Management Fees, in certain circumstances Sound Point receives structuring fees, origination fees, and other compensation in connection with co-investments, including with respect to loans that Sound Point Funds originate and structure. Such fees received by Sound Point or certain affiliates and related persons in respect of an investment made or held by the Strategic Capital Funds that are not directly paid to the Strategic Capital Funds or otherwise passed through to the investors in the Strategic Capital Funds are subject to an offset against Management Fees as described above. Such fees are generally received by Sound Point or certain affiliates in connection with the investments made alongside Sound Point Funds by Co-Investors, as described above. In no event does Sound Point or any of its affiliates receive compensation in relation to investments that would require it to register as a broker-dealer under the Securities Exchange Act of 1934, as amended, or any applicable state securities statutes.

***D. Expenses in relation to certain Third-Party Service Providers***

As a result of Stone Point's and Dyal's dynamic roster of portfolio companies and partners, Sound Point may find after the fact that a third-party service provider it utilizes is directly or indirectly affiliated with Stone Point or Dyal. If a third-party service provider is already deeply imbedded in Sound Point's infrastructure, it is virtually impossible for Sound Point to change service providers. Regardless of a service provider's affiliation, expenses arising from such relationships are allocated to Client Accounts in accordance with Sound Point's expense allocation policy.

If a contemplated third-party service provider is affiliated with Stone Point or Dyal, Sound Point will conduct the same due diligence on such service provider as it would to non-affiliated service providers.

As set forth below in **Item 10** (Other Financial Industry Activities and Affiliations), certain Client Accounts invest in other Client Accounts, and consequently are, in certain circumstances, charged an additional layer of fees on such investments.

For a further discussion of these and related items, see **Item 12** (Brokerage Practices).

## **Item 6. Performance-Based Fees and Side-By-Side Management**

A description of the fees, including performance-based fees, received by Sound Point is provided above in **Item 5** (Fees and Compensation). Sound Point may provide investment advisory services to additional clients in the future that may have similar or different performance-based compensation arrangements than those of the Client Accounts.

The receipt of performance-based compensation may create an incentive for Sound Point to make investments that are riskier or more speculative than would be the case in the absence of a performance-based compensation arrangement. Furthermore, to the extent Sound Point receives performance-based compensation from one Sound Point Fund, Managed Account, or SP CLO but does not receive such compensation from another Client Account, this creates a conflict of interest because the financial benefit from managing a Client Account for which Sound Point receives such performance-based compensation, may provide an incentive for Sound Point to favor such Client Account.

Sound Point is required to act in a manner that it considers fair, reasonable and equitable in allocating investment opportunities to the Client Accounts but Sound Point and its affiliates are not otherwise subject to any specific obligations or requirements concerning the allocation of time, effort or investment opportunities, or any restrictions on the nature or timing of investments for the Client Accounts. Sound Point addresses this conflict through the application of its trade allocation procedures. Sound Point, both in real-time as well as periodically, reviews allocation of investment opportunities and sequencing of transactions to determine whether Client Accounts are treated fairly.

For a further discussion of these and related items, see **Item 5** (Fees and Compensation) and **Item 10** (Other Financial Industry Activities and Affiliations).

## **Item 7. Types of Clients**

Sound Point currently advises the Sound Point Funds, the Managed Accounts, the 40 Act Funds, and the SP CLOs. Managed Account clients, including funds of one, may include state and municipal entities, high net worth individuals, pension and profit-sharing plans, trusts, estates, charitable organizations, corporations, business entities, endowments, foreign sovereign wealth funds, insurance companies, and other types of investors. As stated elsewhere in this disclosure, Sound Point's relationships also include Co-Investors, who are generally not advisory clients of Sound Point in such capacity.

## **Item 8. Methods of Analysis, Investment Strategies, and Risk of Loss**

Sound Point concentrates, in part, on investment opportunities in the credit space. The approach is fundamental and research-intensive and guided by an investment process. Sound Point invests throughout the capital structure and across a broad spectrum of companies and industries and for most of the Client Accounts seeks to maintain a diversified portfolio. The Client Account portfolios are predominately focused in the U.S. and in certain cases, other developed markets. Sound Point does not typically utilize leverage on behalf of the Client Accounts and adheres to risk management guidelines to ensure capital preservation and to mitigate volatility.

### ***Material Investment Risks***

There are several risks relating to the intended investment strategy of the Client Accounts, including, but not necessarily limited to, the following:

#### ***A. General Market, Investment and Trading Risks.***

The success of a Client Account's activities will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of a Client Account's investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect, among other things, the level and volatility of securities' prices, the liquidity of a Client Account's investments and the availability of certain securities and investments. Volatility or illiquidity could impair a Client Account's profitability or result in losses. A Client Account may maintain substantial trading positions that can be materially adversely affected by the level of volatility in the financial markets — the larger the positions, the greater the potential for loss.

A Client Account may incur major losses in the event of disrupted markets and other extraordinary events in which historical pricing relationships become materially distorted. The risk of loss from pricing distortions is compounded by the fact that in disrupted markets many positions become illiquid, making it difficult or impossible to close out positions against which the markets are moving. The financing available to a Client Account from its banks, dealers and other counterparties will typically be reduced in disrupted markets. Such a reduction may result in substantial losses to a Client Account. Market disruptions may from time to time cause dramatic losses for a Client Account, and such events can result in otherwise historically low-risk strategies performing with unprecedented volatility and risk.

Investing in securities and credit instruments involves a high degree of risk, including the risk that the entire amount invested may be lost. No guarantee or representation is made that a Client Account's investment program will be successful. Sound Point will be investing substantially all of a Client Account's assets in securities and credit instruments, some of which may be particularly sensitive to economic, market, industry, regulatory and other variable conditions. The markets in which a Client Account is expected to be invested have recently experienced and continue to experience significant volatility and losses. No assurance can be given as to when or whether adverse events might occur that could cause immediate and significant losses to a Client Account.

#### ***B. Credit and Interest Risks of Debt Obligations.***

Debt portfolios are subject to credit risk and interest rate risk. "Credit risk" refers to the likelihood that an issuer will default in the payment of principal and/or interest on an instrument. Financial strength and solvency of an issuer are the primary factors influencing credit risk. In addition, inadequacy of collateral or credit enhancement for a debt instrument may affect its credit risk. Credit risk may change over the life of an instrument, and debt obligations which are rated by rating agencies are often reviewed and may be subject to downgrade.

"Interest rate risk" refers to the risks associated with market changes in interest rates. Interest rate changes may affect the value of a debt instrument indirectly (especially in the case of fixed rate securities) and directly (especially in the case of instruments whose rates are adjustable). In general, rising interest rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive effect on price. 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). Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules.

Certain Client Accounts may invest in CLOs. Underlying loans in a CLO may bear interest at a fixed rate while the CLO securities issued by the CLO holding the underlying loans may bear interest at a floating rate. The converse may also be true. Discrepancies in rates, timings of any adjustments of rates, or in indices, between the CLO securities and the underlying loans may adversely impact the ability of CLO issuers to make payments on CLO securities. In addition, on July 27, 2017, the head of the UK Financial Conduct Authority made remarks indicating that LIBOR in its current form will be phased out as a benchmark rate by the end of 2021. Actions to phase out, modify, or eliminate LIBOR in the future may cause disruption in credit markets, create regulatory uncertainty, and increase interest rate and pricing risks with respect to CLO securities and underlying loans.

### ***C. Risks Associated with Certain Types of Investments.***

- ***Investments in Bank Loans.*** Client Accounts may invest in corporate bank debt (“Bank Loans”) and participations therein originated by banks and other financial institutions. The Bank Loans invested in by a Client Account are primarily term loans, may pay interest at a fixed or floating rate and may be senior or subordinated. Purchasers of Bank Loans are predominantly commercial banks, investment funds and investment banks and there can be no assurance that current levels of supply and demand in Bank Loan trading will provide an adequate degree of liquidity. A Client Account acquires interests in Bank Loans either directly (by way of sale or assignment) or indirectly (by way of participation or other derivative contract). The purchaser of an assignment typically succeeds to all the rights and obligations of the assigning institution and becomes a lender under the credit agreement with respect to the debt obligation; however, its rights can be more restricted than those of the assigning institution. Participation interests in a portion of a debt obligation typically result in a contractual relationship only with the institution participating out the interest, not with the borrower. In purchasing participations and other derivatives, Sound Point on behalf of a Client Account generally has no right to enforce compliance by the borrower with the terms of the loan agreement, nor any rights of set-off against the borrower, and a Client Account may not directly benefit from the collateral supporting the debt obligation in which it has purchased the participation. As a result, a Client Account will assume the credit risk of both the borrower and the institution selling the participation or other derivative contract. See “*Investments in Bank Loans by Loan Participations*” below.

As a result of the additional debt incurred by the borrower in the course of the Bank Loan, the borrower’s creditworthiness is often judged by the ratings agencies to be below investment grade. The Bank Loans to be acquired by a Client Account are likely to be below investment-grade and may not be rated. For a discussion of the risks associated with below investment-grade investments, see “*Investments in High-Yield Securities*” and “*Investments in Distressed Securities*” below.

A Client Account may be unable to sell its loan interests at a time when it may otherwise be desirable to do so or may be able to sell them only at prices that are less than what the Client Account regards as their fair market value. Accordingly, loan interests may at times be illiquid. Loan interests may be difficult to value and may have extended settlement periods (i.e., more than seven days after the sale), which exposes a Client Account to the risk that the receipt of principal and interest payments may be delayed until the loan interest settles. Interests in loans made to finance highly leveraged companies or transactions, such as corporate acquisitions, may be especially vulnerable to adverse changes in economic or market conditions. In addition, loans are not registered under the federal securities laws like stocks and bonds, so investors in loans have less protection against improper practices than investors in registered securities.



Interests in secured loans have the benefit of collateral and, typically, of restrictive covenants limiting the ability of the borrower to further encumber its assets. There is a risk that the value of any collateral securing a loan in which a Client Account has an interest may decline and that the collateral may not be sufficient to cover the amount owed on the loan. In most loan agreements there is no formal requirement to pledge additional collateral. In the event the borrower defaults, a Client Account's access to the collateral may be limited or delayed by bankruptcy or other insolvency laws. Further, in the event of a default, second lien secured loans will generally be paid only if the value of the collateral exceeds the amount of the borrower's obligations to the first lien secured lenders, and the remaining collateral may not be sufficient to cover the full amount owed on the loan in which the Sound Point Funds have an interest. In addition, if a secured loan is foreclosed, a Client Account would likely bear the costs and liabilities associated with owning and disposing of the collateral. The collateral may be difficult to sell and a Client Account would bear the risk that the collateral may decline in value while the Client Account is holding it.

- ***Investments in Bank Loans by Assignments.*** A Client Account may acquire a loan interest by obtaining an assignment of all or a portion of the interests in a particular loan that are held by an original lender or a prior assignee. As an assignee, a Client Account normally will succeed to all rights and obligations of its assignor with respect to the portion of the loan that is being assigned. However, the rights and obligations acquired by the purchaser of a loan assignment may differ from, and be more limited than, those held by the original lenders or the assignor. Alternatively, a Client Account may acquire a participation interest in a loan that is held by another party. When a Client Account's loan interest is a participation, the Client Account may have less control over the exercise of remedies than the party selling the participation interest, and it normally would not have any direct rights against the borrower. As a participant, a Client Account also would be subject to the risk that the party selling the participation interest would not remit the Client Account's pro rata share of loan payments to the Client Account. It may be difficult for the Client Account to obtain an accurate picture of a lending bank's financial condition. Loan interests may not be considered "securities," and purchasers, such as the Client Account, therefore may not be entitled to rely on the anti-fraud protections of the federal securities laws.
- ***Investments in Bank Loans by Loan Participations.*** A Client Account may invest in loan participations. Investment in loan participations involves certain risks in addition to those associated with direct loans. A loan participant has no contractual relationship with the borrower of the underlying loan. As a result, the participant is generally dependent upon the lender to enforce its rights and obligations under the loan agreement in the event of a default and may not have the right to object to amendments or modifications of the terms of such loan agreement. A participant in a syndicated loan generally does not have the voting rights, which are retained by the lender. In addition, a loan participant is subject to the credit risk of the lender as well as the borrower, since a loan participant is dependent upon the lender to pay its percentage of payments of principal and interest received on the underlying loan. A Client Account will acquire participations only if the seller of the participation is determined by Sound Point to be creditworthy.
- ***Investments in Fixed-Income Securities.*** A Client Account may invest a portion of its capital in bonds or other fixed income securities, including, without limitation, bonds, notes and debentures issued by corporations, debt securities issued or guaranteed by the U.S. government or one of its agencies or instrumentalities or by non-U.S. governments or instrumentalities, commercial paper, and "higher yielding" (and, therefore, higher risk) debt securities of the former categories. These securities may pay fixed, variable or floating rates

of interest, and may include zero coupon obligations. Fixed income securities are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (*i.e.*, credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (*i.e.*, market risk). A major economic recession could disrupt severely the market for such securities and may have an adverse impact on the value of such securities. In addition, any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default for such securities.

- ***Investments in High Yield Securities.*** Certain Client Accounts invest in high-yield securities. Such securities are generally not exchange traded and, as a result, these instruments trade in a smaller secondary market than exchange-traded bonds or equity. In addition, a Client Account may invest in debt instruments of issuers that do not have publicly traded equity securities, making it more difficult to hedge the risks associated with such investments. High-yield securities that are below investment grade or unrated face ongoing uncertainties and exposure to adverse business, financial or economic conditions which could lead to the issuer's inability to meet timely interest and principal payments. The market values of certain of these lower-rated and unrated debt securities tend to reflect individual corporate developments to a greater extent than do higher-rated securities, which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than are higher-rated securities. Companies that issue such securities are often highly leveraged and may not have available to them more traditional methods of financing. It is possible that an economic recession could disrupt severely the market for such securities and may have an adverse impact on the value of such securities. In addition, it is possible that any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default of such securities. Although an investment in such securities may result in significant returns to a Client Account, such investments involve a substantial degree of risk and could result in substantial losses to a Client Account.

The terms and conditions associated with debt instruments, particularly high yield securities, are often complex and require a sophisticated level of evaluation of financial, operational and legal matters. There is no assurance that Sound Point will correctly evaluate the value of a company's assets, the terms of its debt instruments or the prospects for a successful reorganization or similar action.

- ***Investments in Distressed Securities and Assets.*** Client Accounts invest in "below investment grade" securities and obligations of issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems, including companies involved in bankruptcy or other reorganization and liquidation proceedings. These securities are likely to be particularly risky investments although they also may offer the potential for correspondingly high returns. Among the risks inherent in investments in troubled entities is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments may also be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate or disenfranchise particular claims. Such companies' securities may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such

companies. In addition, there is no minimum credit standard that is a prerequisite to a Client Account's investment in any instrument, and a significant portion of the obligations and securities in which certain Sound Point Funds invests may be less than investment grade. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. There is no assurance that Sound Point will correctly evaluate the value of the assets underlying a Client Account's loans or the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which a Client Account invests, the Client Account may lose its entire investment, may be required to accept cash or securities with a value less than the Client Account's original investment and/or may be required to accept payment over an extended period of time. Under such circumstances, the returns generated from a Client Accounts' investments may not compensate the applicable Client Account adequately for the risks assumed.

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

In certain transactions, the Client Accounts may not be "hedged" against market fluctuations, or, in liquidation situations, may not accurately value the assets of the company being liquidated. This can result in losses, even if the proposed transaction is consummated.

- ***Investments in Bankrupt or Restructured Companies.*** Certain of the issuers of securities held by some Client Accounts may be involved in bankruptcy or other reorganization proceedings. Although such investments may result in significant returns to a Client Account, they involve a substantial degree of risk. Many of the events within a bankruptcy case are adversarial and often beyond the control of the creditors. Accordingly, a bankruptcy court may approve actions that are contrary to a Client Account.

Generally, the duration of a bankruptcy case can only be roughly estimated. The process can involve substantial legal, professional and administrative costs to the company and a Client Account; 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. Although Sound Point intends to invest Client Accounts' assets primarily in debt, the debt of companies in financial reorganization will in most cases not pay current interest, may not accrue interest during reorganization and may be adversely affected by an erosion of the issuer's fundamental values. Such investments can result in a total loss of principal.

Investment in the debt of financially distressed companies domiciled outside the U.S. involves additional risks. Bankruptcy law and process may differ substantially from that in the U.S., resulting in greater uncertainty as to the rights of creditors, the enforceability of such rights, reorganization timing and the classification, seniority and treatment of claims. In certain developing countries, although bankruptcy laws have been enacted, the process for reorganization remains highly uncertain.

Sound Point may cause a Client Account 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.

- ***Investments in Collateralized Loan Obligations (“CLOs”).*** CLO securities present risks similar to those of other types of credit investments, including default (credit), interest rate, liquidity, prepayment and reinvestment risks. The market value of a CLO will fluctuate with, among other things, the financial condition of the obligors on or issuers of the CLO’s holding, general economic conditions, the condition of the debt trading markets and certain other financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. Such changes in market value will impact the value of CLO securities.

CLO investments are often illiquid. Consequently, an investor in CLO securities must be prepared to hold its investment in the securities until the stated maturity date. The securities are not, and will not be, registered under the U.S. Securities Act or any state securities law. Although one or more classes of CLO securities may be listed on the Irish Stock Exchange, such listing does not guarantee liquidity of investment or that an active secondary market for such securities will develop. In the past several years, securities issued in securitization transactions (such as CLO securities) have experienced significant market value fluctuations. In addition, a variety of potential investors now consider such investments as inappropriate or are prohibited by regulatory restrictions or investments policies from purchasing such securities.

CLOs are governed by a complex series of legal documents and contracts, which increases the risk of dispute over the interpretation and enforceability of such documents relative to other types of investments. There is also a risk that the trustee of a CLO does not properly carry out its duties to the CLO, potentially resulting in loss to the CLO. CLOs are also inherently leveraged vehicles and are subject to leverage risk.

- ***Investments in Marketplace Loans.*** Marketplace lending, otherwise referred to peer-to-peer or platform lending, uses online platforms to connect consumers or businesses who seek to borrow money with investors willing to buy or invest in the loan (“Marketplace Loans”). These Marketplace Loans or pass-through notes referenced by Marketplace Loans are generally not rated and constitute a highly risky and speculative investment. There can be no assurance that payments due on underlying will be made and no assurance that any collateral pledged to secure a marketplace loan can be liquidated quickly or at all or will generate sufficient proceeds to offset defaults on such loan.
- ***Investments in Commercial Real Estate Debt.*** Volatility, disruption or uncertainty in the financial markets may impair Sound Point’s ability to raise capital, obtain new financing or refinance existing obligations and fund real estate activities. Sound Point may not be successful in finding suitable investments. Further, commercial real estate debt has risks typically associated with real estate such as reliance on tenants/operators/managers to operate their business in a sufficient manner and in compliance with their contractual obligations, their ability to maintain financial strength and ability and cost to replace lost tenants.
- ***Investments in Debt Obligations that are Unsecured or Under Collateralized.*** A Client Account’s assets may include unsecured loans and other obligations, as well as in debt

instruments or other obligations that, although nominally supported by collateral, in fact have collateral to which Sound Point ascribes no value (and thus the obligation is effectively unsecured). A Client Account's portfolio may in many cases include debt instruments or other obligations that are secured by collateral that only partially covers (or does not cover at all) such instrument's or other obligation's repayment obligations. Sound Point may elect to invest in such debt instruments or other obligations where it believes the expected return justifies the applicable risk, or may cause a Client Account to invest in investments that, after the initial investment, become undercollateralized (or severely undercollateralized).

- ***Investments in Undervalued Equity Securities.*** A Client Account may invest in companies that Sound Point believes are undervalued. Opportunities in undervalued equity securities arise from market inefficiencies or due to a lack of wide recognition of the potential impact (positive or negative) that specific events or trends may have on the value of a security. The identification of investment opportunities in undervalued securities is a difficult task, and there is no assurance that such opportunities will be successfully recognized or acquired. While investments in undervalued securities offer the opportunities for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses.
- ***Investments in Equity Securities of Growth Companies.*** A portion of a Client Account's assets may be invested in equity securities of companies that Sound Point believes have potential for capital appreciation significantly greater than that of the market averages, so-called "growth" companies. The market capitalization of the growth companies in which a Client Account will invest may range from small to large capitalizations. Growth stocks are generally more sensitive to market movements than other types of stocks, primarily because their stock prices are based heavily on future expectations. Securities of growth companies may be traded in the OTC markets. While OTC markets have grown rapidly in recent years, many OTC securities trade less frequently and in smaller volume than exchange-listed securities. The values of these securities may fluctuate more sharply than exchange-listed securities, and a Client Account may experience some difficulty in acquiring or disposing of positions in these securities at prevailing market prices.
- ***Investments in Securities Purchased during an Initial Public Offering.*** From time to time a Client Account may purchase securities that are part of initial public offerings. The prices of these securities may be very volatile, and the issuers of these securities may be undercapitalized, have a limited operating history, and/or lack revenues or operating income without any prospects of achieving them in the near future. Some of these issuers may only make available a limited number of shares for trading and therefore it may be difficult for a Client Account to trade these securities without unfavorably impacting their prices. In addition, investors may lack extensive knowledge of the issuers of these securities. Securities issued in an initial public offering will generally constitute "new issues," as defined in FINRA Rule 5130, or any successor provision thereto. FINRA Rules 5130 and 5131, or any successor provision thereto, restricts certain persons from participating in profits and losses attributable to "new issues."
- ***Investments in Options.*** Investing in options can provide greater potential for profit or loss than an equivalent investment in the underlying asset. The value of an option may decline because of a change in the value of the underlying asset relative to the strike price, the passage of time, changes in the market's perception as to the future price behavior of the underlying asset, or any combination thereof. In the case of the purchase of an option, the risk of loss of an investor's entire investment (*i.e.*, the premium paid plus transaction charges) reflects

the nature of an option as a wasting asset that may become worthless when the option expires. Where an option is written or granted (*i.e.*, sold) uncovered, the seller may be liable to pay substantial additional margin, and the risk of loss is unlimited, as the seller will be obligated to deliver, or take delivery of, an asset at a predetermined price which may, upon exercise of the option, be significantly different from the market value. Over-the-counter options that a Client Account may use in its investment strategies generally are not assignable except by agreement between the parties concerned, and no party or purchaser has any obligation to permit such assignments. The over-the-counter market for options is relatively illiquid, particularly for relatively small transactions.

- ***Investments in Derivative Investments.*** Derivative instruments or “derivatives” include futures, options, structured securities, credit default swaps and other instruments and contracts that are derived from, or the value of which is related to, one or more underlying securities, financial benchmarks, currencies or indices. Derivatives allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark currency or index at a fraction of the cost of investing in the underlying asset. The value of a derivative depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives of such asset. However, there are a number of other risks associated with derivatives trading. For example, because many derivatives are leveraged, and thus provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement may expose a Client Account to the possibility of a loss exceeding the original amount invested. Derivatives may also expose investors to liquidity risk, as there may not be a liquid market within which to close or dispose of outstanding derivatives contracts. Swaps and certain options and other custom instruments are subject to the risk of non-performance by the swap counterparty, including risks relating to the creditworthiness of the swap counterparty.

***Swap Transactions.*** A Client Account may enter into swap agreements with respect to securities, indexes of securities and other assets or other measures of risk or return. Swap agreements are typically two-party contracts entered into primarily by institutional investors for periods ranging from a few weeks to many years. In a standard “swap” transaction, two parties agree to exchange the returns (or the differential in rates of return) earned or realized on particular predetermined investments, instruments, or indices. The gross returns to be exchanged or “swapped” between the parties are generally calculated with respect to a “notional amount”. Whether a Client Account’s use of swap agreements will be successful will depend on Sound Point’s ability to select appropriate transactions for a Client Account. Swap transactions may be highly illiquid. Moreover, a Client Account bears the risk of loss of the amount expected to be received under a swap agreement in the event of the default or insolvency of its counterparty. Many swap markets are relatively new and still developing. It is possible that developments in the swap markets, including potential government regulation, could adversely affect a Client Account’s ability to terminate existing swap transactions or to realize amounts to be received under such transactions. Swaps and certain other custom instruments are subject to the risk of non-performance by the swap counterparty, including risks relating to the creditworthiness of the swap counterparty.

Total return swaps are another form of swap transaction that a Client Account may utilize in its investment program. A total return swap allows the total return receiver to receive the change in market value of an asset (whether a security, interest rate, form of debt, currency or other asset) from the total return payer in return for paying a floating or fixed interest-rate on a predetermined amount. The total return payer is synthetically short and the total return

receiver is synthetically long. Thus, total return swap agreements may effectively add leverage to a Client Account's portfolio because, in addition, to its total net assets, a Client Account would be subject to investment exposure on the notional amount of the swap agreement.

***Futures Transactions.*** Futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent Sound Point from promptly liquidating unfavorable positions and subject a Client Account to substantial losses.

***Forward Transactions.*** Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated; there is no limitation on daily price movements, and speculative position limits are not applicable. For example, there are no requirements with respect to record keeping, financial responsibility or segregation of customer funds or positions. In contrast to exchange-traded futures contracts, interbank traded instruments rely on the dealer or contracting counterparty to fulfill its contract. As a result, trading in interbank foreign exchange contracts may be subject to more risks than futures or options trading on regulated exchanges, including, but not limited to, the risk of default due to the failure of a counterparty with which a Client Account has forward contracts. Although Sound Point seeks to trade with responsible counterparties, failure by a counterparty to fulfill its contractual obligation could expose a Client Account to unanticipated losses. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any currency market traded by a Client Account due to unusually high trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward trading to less than that which Sound Point would otherwise recommend, to the possible detriment of a Client Account. Market illiquidity or disruption could result in significant losses to a Client Account.

- ***Investments in Small-Cap and Mid-Cap Issuers.*** A portion of a Client Account's assets could potentially be invested in securities of small-cap and mid-cap issuers. While, in Sound Point's opinion, the securities of small-cap and mid-cap issuers may offer the potential for greater capital appreciation than investments in securities of large-cap issuers, securities of small-cap and mid-cap issuers may also present greater risks. For example, small-cap and mid-cap issuers often have limited operating histories, product lines, markets, or financial resources. They may be subject to high volatility in revenues, expenses and earnings. Their securities may be thinly traded, may be followed by fewer investment research analysts and may be subject to wider price swings and, thus, may create a greater chance of loss than investments in securities of larger-cap issuers. The market prices of securities of small-cap and mid-cap issuers generally are more sensitive to changes in earnings expectations, to corporate developments and to market rumors than are the market prices of large-cap issuers. Transaction costs in securities of small-cap and mid-cap issuers may be higher than in those

of large-cap issuers.

- ***Investments in Exchange Traded Funds.*** An ETF is a fund that tracks an index of securities, but can be traded like a stock, including short selling. Because ETFs are traded on stock exchanges, they can be bought and sold at any time during the day (unlike most mutual funds). Unlike mutual funds, ETFs don't necessarily trade at the net asset value of their underlying holdings, meaning an ETF could potentially trade above or below the value of the underlying portfolios. Equity-based ETFs are subject to risks similar to those of investing directly in stocks. Investment returns will fluctuate and are subject to market volatility.
- ***Investments in Illiquid Securities.*** A significant portion of Client Account assets may be illiquid. Market prices for such securities are often volatile and may not be ascertainable. The resale of restricted and illiquid securities often may have higher brokerage charges. Such investments may be difficult to value. In addition, certain illiquid and restricted investments in Sound Point Funds may be segregated as Designated Investments, and may represent capital not available for withdrawal by Limited Partners.
- ***Investments in Private Debt.*** A private debt investment may have a contractual return that is not paid entirely in cash, but rather partially or wholly in-kind or as an accreting liquidation preference, thus lengthening the time before cash is received, and increasing the Client Account's risk exposure. While Sound Point seeks to achieve the Client Account's targeted returns for a given investment, including private debt, other factors, such as overall economic conditions, the competitive environment and the availability of potential purchases of the securities, may shorten or lengthen the Fund's holding period and some investments may take several additional years from the initial investment date to achieve a realization. In some cases, the Client Account may be prohibited by contract from selling certain securities for a period of time. If a Client Account is required to liquidate all or a portion of its portfolio positions quickly, then the Fund may realize significantly less than the value at which the Client Account previously recorded those investments.

#### ***D. Risks Associated with Certain Investing Strategies***

- ***Credit Analysis and Credit Risk.*** The strategies utilized by Sound Point require accurate and detailed credit analysis of issuers and there can be no assurance that its analysis will be accurate or complete. A Client Account may be subject to substantial losses in the event of credit deterioration or bankruptcy of one or more issuers in its portfolio.
- ***"Widening" Risk.*** The prices of the securities in which a Client Account invests may decline substantially. In particular, purchasing assets at what may appear to be "undervalued" levels is no guarantee that these assets will not be trading at even more "undervalued" levels at a time of valuation or at the time of sale. It may not be possible to predict, or to hedge against, such "spread widening" risk.
- ***Inflation Risk.*** Credit strategies are exposed to inflation risk, which results from the variation in the value of cash flows from a security due to inflation, as measured in terms of purchasing power. For example, if a Client Account purchases a 5-year bond in which it can realize a coupon rate of five percent (5%), but the rate of inflation is six percent (6%), then the purchasing power of the cash flow has declined. For all but inflation-linked bonds, adjustable bonds or floating rate bonds, a Client Account is exposed to inflation risk because the interest rate the issuer promises to make is fixed for the life of the security. To the extent



that interest rates reflect the expected inflation rate, floating rate bonds have a lower level of inflation risk.

- **Limited Diversification.** At any given time, it is possible that a Client Account may make investments that are concentrated in a particular type of security, industry or market capitalization. This limited diversity could expose a Client Account to significantly greater volatility than in a more diversified portfolio.
- **Use of Leverage.** To the extent permitted by the operative documents of the relevant Client Account, Sound Point may leverage a Client Account's portfolio through margin and other debt in order to increase the amount of capital available for investments. Although leverage increases returns to the Partners if a Client Account earns a greater return on the incremental investments purchased with borrowed funds than it pays for such funds, the use of leverage decreases returns to the Partners if a Client Account fails to earn as much on such incremental investments as it pays for such funds. In the event that a Client Account leverages its portfolio, fluctuations in the market value of a Client Account's portfolio will have a significant effect in relation to a Client Account's capital and the risk of loss and the possibility of gain will each be increased. In addition, when a Client Account utilizes leverage, the level of interest rates generally, and the rates at which a Client Account can borrow in particular, will be an expense of a Client Account and therefore affect the operating results of a Client Account. Leverage increases the risk of substantial losses (including the risk of a total loss of capital), and leverage can significantly magnify the volatility of a Client Account's portfolio.

A Client Account may use short-term margin borrowing in purchasing securities positions. Such borrowing, if made, may result in certain additional risks to a Client Account. For example, should the securities pledged to brokers to secure a Client Account's margin accounts decline in value, a Client Account could be subject to a "margin call" pursuant to which a Client Account would be required to either deposit additional funds with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden, precipitous drop in value of a Client Account's assets, a Client Account might not be able to liquidate assets quickly enough to pay off its margin debt.

When a Client Account originates or holds a loan, Sound Point may seek to have such Client Account enter into one or more participation agreements with Co-Investors, through which such Co-Investors hold participations in the underlying loan held by such Client Account. Under these participation agreements, the relevant Co-Investors acquire a contractual right to receive from such Client Account a portion of the proceeds from the underlying loan, and the applicable Client Account typically uses the funds it receives from the sale of the participations to fund the underlying loan, alongside funding from the such Client Account's own assets. Sound Point includes the full value of the underlying investment in its calculations of regulatory assets under management (and net assets), although it has an offsetting obligation to pay a portion of the proceeds from such investment to Co-Investors holding participations. Consequently, such participation agreements have the effect of leveraging the equity investment of the Client Account that makes or holds the underlying loan.

- **Repurchase Agreements.** In the event of a bankruptcy or other default of a transferor of securities in a repurchase agreement, a Client Account as transferee could experience both delays in liquidating the underlying securities and losses, including: (a) a possible decline in

the value of the collateral during the period in which a Client Account seeks to enforce its rights thereto; (b) possible subnormal levels of income and lack of access to income during this period; and (c) expenses of enforcing its rights. In the case of default by the transferee of securities in a repurchase agreement, a Client Account as transferor runs the risk that the transferee may not deliver the securities when required.

- **Short Sales.** Sound Point may engage in short sales as part of hedging transactions or when it believes securities are overvalued. Short sales are sales of securities a Client Account borrows but does not actually own, usually made with the anticipation that the prices of the securities will decrease and a Client Account will be able to make a profit by purchasing the securities at a later date at the lower prices. A Client Account will incur a potentially unlimited loss on a short sale if the price of the security increases prior to the time it purchases the security to replace the borrowed security. A short sale presents greater risk than purchasing a security outright since there is no ceiling on the possible cost of replacing the borrowed security, whereas the risk of loss on a “long” position is limited to the purchase price of the security. Closing out a short position may cause the security to rise further in value creating a greater loss.

Short sale transactions have been subject to increased regulatory scrutiny in response to market events in recent years, including the imposition of restrictions on short selling certain securities and reporting requirements. A Client Account’s ability to execute a short selling strategy may be materially adversely impacted by temporary and/or new permanent rules, interpretations, prohibitions, and restrictions adopted in response to these adverse market events. Temporary restrictions and/or prohibitions on short selling activity may be imposed by regulatory authorities with little or no advance notice and may impact prior trading activities of certain Sound Point Funds. Additionally, the SEC, its foreign counterparts, other governmental authorities and/or self-regulatory organizations may at any time promulgate permanent rules or interpretations consistent with such temporary restrictions or that impose additional or different permanent or temporary limitations or prohibitions. The SEC might impose different limitations and/or prohibitions on short selling from those imposed by various non-U.S. regulatory authorities. These different regulations, rules or interpretations might have different effective periods.

Regulatory authorities may impose restrictions that adversely affect the Sound Point Funds’ ability to borrow certain securities in connection with short sale transactions. In addition, traditional lenders of securities might be less likely to lend securities under certain market conditions. As a result, the Sound Point Funds may not be able to effectively pursue a short selling strategy due to a limited supply of securities available for borrowing. The Sound Point Funds may also incur additional costs in connection with short sale transactions, including in the event that it is required to enter into a borrowing arrangement in advance of any short sales. Moreover, the ability to continue to borrow a security is not guaranteed and the Sound Point Funds is subject to strict delivery requirements. The inability of the Sound Point Funds to deliver securities within the required time frame may subject the Sound Point Funds to mandatory close out by the executing broker-dealer. A mandatory close out may subject the Sound Point Funds to unintended costs and losses. Certain action or inaction by third-parties, such as executing broker-dealers or clearing broker-dealers, may materially impact the Sound Point Funds’ ability to effect short sale transactions. Such action or inaction may include a failure to deliver securities in a timely manner in connection with a short sale effected by a third-party unrelated to the Sound Point Funds.

- **Hedging.** A Client Account may utilize certain financial instruments and investment

techniques for risk management or hedging purposes. There is no assurance that such risk management and hedging strategies will be successful, as such success will depend on, among other factors, Sound Point's ability to predict the future correlation, if any, between the performance of the instruments utilized for hedging purposes and the performance of the investments being hedged. Since the characteristics of many securities change as markets change or time passes, the success of a Client Account's hedging strategies may also be subject to Sound Point's ability to correctly readjust and execute hedges in an efficient and timely manner. There is also a risk that such correlation will change over time rendering the hedge ineffective. It may be more difficult to hedge a position in a smaller cap issuer than a larger-cap issuer. A Client Account's portfolio is not expected to be completely hedged at all times and at various times Sound Point may elect to be more fully hedged and at other times hedged only to a limited extent, if at all. Accordingly, a Client Account's assets may not be adequately protected from market volatility and other conditions.

- ***Transaction Execution and Costs.*** As Sound Point expects to actively manage a Client Account's portfolio, purchases and sales of investments may be frequent and may result in higher transaction costs to a Client Account. In addition, in many cases relatively narrow spreads may exist between the prices at which a Client Account will purchase and sell particular positions. The successful application of a Client Account's investment strategy will therefore depend, in part, upon the quality of execution of transactions, such as the ability of broker-dealers to execute orders on a timely and efficient basis. Although a Client Account will seek to utilize brokerage firms that will afford superior execution capability to a Client Account, there is no assurance that all of a Client Account's transactions will be executed with optimal quality. Furthermore, due to the degree of trading, total commission charges and other transaction costs may be expected to be high. The level of commission charges, as an expense of a Client Account, may therefore be expected to be a factor in determining future profitability of a Client Account.

#### ***E. Counterparty Risks***

- ***Counterparty Risk.*** Some of the markets in which a Client Account may effect transactions are "over-the-counter" or "interdealer" markets. The participants in such markets are typically not subject to the credit evaluation and regulatory oversight to which members of "exchange-based" markets are subject. This exposes a Client Account to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not *bona fide*) or because of a credit or liquidity problem, thus causing a Client Account to suffer a loss. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where a Client Account has concentrated its transactions with a single or small group of counterparties. Counterparties in foreign markets face increased risks, including the risk of being taken over by the government or becoming bankrupt in countries with limited if any rights for creditors. A Client Account is not restricted from concentrating any or all of its transactions with one counterparty. The ability of a Client Account to transact business with any one or number of counterparties and the absence of a regulated market to facilitate settlement may increase the potential for losses by a Client Account. Counterparty risks also include the failure of executing brokers to honor, execute, or settle trades.
- ***Reliance on Corporate Management and Financial Reporting.*** A Client Account may trade various corporate debt instruments and collateralized debt securities. Sound Point may select investments for a Client Account in part on the basis of information and data filed by issuers of securities with various government regulators or made directly available to Sound Point

by the issuers of securities or through sources other than the issuers such as collateral pool servicers. Although Sound Point will evaluate all such information and data and seek independent corroboration when it considers it appropriate and reasonably available, Sound Point will not be in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information will not be readily available. Sound Point is dependent upon the integrity of the management of these issuers and of such servicers and the financial and collateral performance reporting processes in general. Corporate mismanagement, fraud and accounting irregularities, even when identified and addressed, may cause material losses to a Client Account.

- ***CLO Ratings Not Necessarily Indicative of Asset Quality; Actions of any Rating Agency can Adversely Affect the Market Value or Liquidity of the Securities.*** The ratings assigned to CLO secured notes by the rating agencies are not necessarily indicative of the quality of the secured notes. Credit ratings only represent the rating agencies' opinions of credit quality and are not a recommendation to buy, sell or hold assets. They do not purport to assess market, regulatory or other risks that are relevant to the assessment of the quality of an asset. Credit ratings may not accurately assess credit risk and may be reduced or withdrawn at any time.

The rating agencies may change their published ratings criteria or methodologies for securities such as the secured notes at any time in the future. Further, the rating agencies may retroactively apply any such new standards to the ratings of the secured notes. Any such action could result in a substantial lowering (or even withdrawal) of any rating assigned to any secured note, despite the fact that such secured note might still be performing fully to the specifications set forth for such secured note in this offering memorandum and the transaction documents. Additionally, any rating agency may, at any time and without any change in its published ratings criteria or methodology, lower or withdraw any rating assigned by it to any class of secured notes. If any rating initially assigned to any Secured Note is subsequently lowered or withdrawn for any reason, Holders of the securities may not be able to resell their Securities without a substantial discount. Any reduction or withdrawal to the ratings on any class of secured notes may significantly reduce the liquidity of the Securities and may adversely affect the Issuer's ability to make certain changes to the composition of the collateral assets.

#### ***F. Regulatory Risks***

- ***LIBOR and of Alternative Reference Rates.*** Certain assets in which Sound Point invests in earn interest at a floating rate based on the London Interbank Offered Rate ("LIBOR"). Regulators and law-enforcement agencies from a number of governments, including entities in the United States and the United Kingdom, have been conducting civil and criminal investigations into whether the member banks that contribute to the British Bankers' Association (the "BBA") in connection with the calculation of LIBOR may have been under-reporting or otherwise manipulating or attempting to manipulate LIBOR for their own benefit. There have also been allegations that member banks may have manipulated other inter-bank lending rates. Investigations remain on-going and there can be no assurance that there will not be additional findings of rate-setting manipulation or that future manipulation of LIBOR or other similar inter-bank lending rates will not occur. If LIBOR or another inter-bank lending rate is manipulated, it may result in that rate being artificially lower (or higher) than it would otherwise have been and, if an investment is made or acquired that bears interest on such rates, it may not appropriately embed a return that is commensurate with its risk exposure. Furthermore, questions surrounding the integrity in the process for determining LIBOR may have other unforeseen consequences, including potential litigation against banks and/or

obligors on portfolio investments, which could result in a material and adverse effect on the assets that Client Accounts invest in.

On July 27, 2017, the United Kingdom Financial Conduct Authority (“FCA”) announced that it will no longer persuade or compel banks to submit rates for the calculation of LIBOR after 2021 (the “FCA Announcement”). At this time, it is not possible to predict the effect of the FCA Announcement or other regulatory changes or announcements, the establishment of the Secured Overnight Financing Rate (“SOFR”), the reformed Sterling Over Night Index Average (“SONIA”), or any other alternative reference rates or any other reforms to LIBOR that may be enacted in the United Kingdom, the United States or elsewhere. As such, the potential effects of any such event on Sound Point’s investment strategy cannot yet be determined but may include material and adverse effects.

- ***European Union Changes.*** On June 23, 2016, the United Kingdom (the “UK”) held a referendum on whether the UK should remain a member of the European Union (the “EU”). The UK voted to leave the EU and on March 29, 2017, the UK invoked Article 50 of the Lisbon Treaty and officially notified the EU of its decision to withdraw from the EU. This commenced the formal two-year process (although this was subsequently extended three times) of negotiations regarding the terms of the withdrawal and the framework of the future relationship between the UK and the EU (the “article 50 withdrawal agreement”).

The UK ceased to be a member of the EU on January 31, 2020. Under the terms of the ratified article 50 withdrawal agreement, a transition period commenced and shall until December 31, 2020. During this period, most EU rules and regulations will continue to apply to and in the UK and negotiations in relation to a free trade agreement will be ongoing.

Due to the on-going political uncertainty as regards the structure of the future relationship between the UK and the EU, it is not possible to determine, the precise impact on general economic conditions in the UK and/or on the business of Sound Point or any of assets that it invests in on behalf of the Client Account.

- ***CLO Risk Retention Rules.*** The EU risk retention rules were put in place at the end of 2012. The UK’s risk retention rules are based on the E.U. risk retention rules, as amended following the UK’s exit from the E.U. While the ultimate impact of the E.U. and UK risk retention rules and any future U.S. risk retention rules on the loan securitization market and the leveraged loan market generally remain uncertain, it is possible that they will have a significant negative impact on secondary market liquidity for notes issued by CLOs, due to the effects of such risk retention rules on market expectations, the relative appeal of alternative investments not impacted by such risk retention rules or other factors. To date, the EU and UK risk retention rules have reduced the issuance of new CLOs and reduced the liquidity provided by CLOs to the leveraged loan market generally. Reduced liquidity in the loan market could reduce investment opportunities for collateral managers, which could negatively affect the return of Client Accounts that are invested in portfolios of CLOs.

On October 21, 2014, five federal banking and housing agencies and the SEC adopted a final rule (the “U.S. Risk Retention Rules”) implementing the credit risk retention requirement mandated by Section 941 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) for certain securitization transactions. Specifically, Section 941 of the Dodd-Frank Act had added new Section 15G to the Securities Exchange Act of 1934, as amended, that directed the foregoing agencies to adopt rules requiring sponsors of asset-backed securities to retain at least 5% of the credit risk relating to the assets that underlie such asset-

backed securities. The U.S. Risk Retention Rules applicable to CLOs became effective on December 24, 2016.

The U.S. Risk Retention Rules require the sponsor of asset-backed securities to retain directly or through a majority-owned affiliate, in one or more prescribed forms, at least 5% of the credit risk associated with the applicable asset-backed securities. Under the SEC's interpretation of the U.S. Risk Retention Rules, investment managers of open market CLOs were considered sponsors of CLOs and the creation of a CLO triggered the investment manager's obligation to satisfy the U.S. Risk Retention Rules. Thus, any CLO that issued securities after the effectiveness of the U.S. Risk Retention Rules (including as a result of "deemed" issuances of securities resulting from refinancing, re-pricings or material amendments) was required to satisfy the U.S. Risk Retention Rules.

However, on February 9, 2018, a three judge panel of the United States Court of Appeals for the District of Columbia Circuit rendered a decision in *The Loan Syndications and Trading Association v. Securities and Exchange Commission and Board of Governors of the Federal Reserve System*, No. 1:16-cv-0065, holding that open market CLO managers are not subject to the requirements of the U.S. Risk Retention Rules (the "DC Circuit Ruling"). Since the relevant U.S. governmental agencies have not successfully challenged the DC Circuit Ruling and the DC District Court has issued the above described order implementing the DC Circuit Ruling, collateral managers of open market CLOs are no longer required to comply with the U.S. Risk Retention Rules at this time. As such, it is possible that some collateral managers of open market CLOs will decide to dispose of the notes (or cause their majority owned affiliates to dispose of the notes) constituting the "eligible vertical interest" or "eligible horizontal interest" they were previously required to retain, or decide take other action with respect to such notes that would not otherwise have been considered to be permitted by the U.S. Risk Retention Rules.

In the event that the U.S. Risk Retention Rules are modified to subject collateral managers of open market CLOs to be subject to the requirements of the U.S. Risk Retention Rules, collateral managers (or affiliates of collateral managers) of CLOs would be expected to seek to acquire and hold securities of any CLOs that are subject to the U.S. Risk Retention Rules in order for them to satisfy such 5% holding requirement.

Further developments, if any, to the U.S. Risk Retention Rules and their impact on the CLO market remain uncertain.

- ***Lender Liability; Equitable Subordination.*** In recent years, a number of judicial decisions in the United States have upheld the right of borrowers to sue lenders or bondholders on the basis of various evolving legal theories (commonly referred to as "lender liability"). Generally, lender liability is founded upon the premise that an institutional lender or bondholder has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower or issuer or has assumed a degree of control over the borrower or issuer resulting in the creation of a fiduciary duty owed to the borrower or issuer or its other creditors or stockholders. Similar laws could vary from country to country with respect to investments outside of the United States.

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”). Sound Point does not intend to engage in conduct that would form the basis for a successful cause of action based upon the equitable subordination doctrine; however, because of the nature of the debt obligations, Client Accounts may be subject to claims from creditors of an obligor that debt obligations of such obligor which are held by the issuer should be equitably subordinated.

- ***Lender Liability; Loan Origination.*** Certain Sound Point Funds, such as the Strategic Capital Funds, are expected to originate loans, and from time to time other Sound Point Funds may be involved (either with or separately from the Strategic Capital Funds) in originating loans. Active loan origination by a Sound Point Fund may subject it to additional regulation and the risk of lender liability, as well as giving rise to possible adverse tax consequences to certain investors in the applicable Sound Point Fund. Sound Point will seek to adopt appropriate procedures to minimize such risks, but there can be no assurance that such procedures will be effective or that it will be practical to implement all possible procedures in respect of any or all loan origination opportunities.

A Sound Point Fund that originates loans (as well as such Sound Point Fund’s general partner and/or Sound Point) may incur lender liability as a result of such Sound Point Fund’s lending activities. A number of judicial decisions have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories, collectively termed “lender liability.” Generally, lender liability is founded on the premise that a lender has either violated a duty, whether implied or contractual, of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in the creation of a fiduciary duty owed to the borrower, its other creditors or shareholders, or third parties harmed by the borrower. Any Sound Point Fund that originates a loan (as well as such Sound Point Fund’s general partner and/or Sound Point) may be subject to allegations of lender liability, which could result in significant legal expense, settlement costs, and other liabilities and have a material adverse effect on the applicable Sound Point Fund’s performance. See also “Lender Liability; Equitable Subordination” above.

#### ***G. Risks Associated with Non-US Assets***

- ***Foreign Securities.*** A Client Account may invest in securities of non-U.S. issuers. A Client Account’s investments in securities and instruments in foreign markets involve substantial risks not typically associated with investments in U.S. securities. Foreign securities investments may be affected by changes in currency rates or exchange control regulations, changes in governmental administration or economic or monetary policy (in the United States and abroad) or changed circumstances in dealings between nations. Changes in foreign currency exchange rates relative to the U.S. dollar will affect the U.S. dollar value of a Client Account’s assets denominated in that currency and thereby impact a Client Account’s total return on such assets. A Client Account may utilize options and forward contracts to hedge against currency fluctuations, but there can be no assurance that such hedging transactions will be effective.

Investments in foreign securities will also occasion risks relating to political and economic developments abroad, including the possibility of expropriations or confiscatory taxation, limitations on the use or transfer of the Sound Point Funds’ assets and any effects of foreign

social, economic or political instability. Foreign companies are not subject to the regulatory requirements of U.S. companies and, as such, there may be less publicly available information about such companies. Moreover, foreign companies are not subject to uniform accounting, auditing and financial reporting standards and requirements comparable to those applicable to U.S. companies. Finally, in the event of a default of any foreign debt obligations, it may be more difficult for a Client Account to obtain or enforce a judgment against the issuers of such securities.

Securities of foreign issuers may be less liquid than comparable securities of U.S. issuers and, as such, their price changes may be more volatile. Furthermore, foreign exchanges and broker-dealers are generally subject to less government and exchange scrutiny and regulation than their American counterparts. Brokerage commissions, dealer concessions and other transaction costs may be higher in foreign markets than in the U.S. In addition, differences in clearance and settlement procedures in foreign markets may occasion delays in settlements of a Client Account's trades affected in such markets. American counterparts. Brokerage commissions, dealer concessions and other transaction costs may be higher in foreign markets than in the U.S. In addition, differences in clearance and settlement procedures in foreign markets may occasion delays in settlements of a Client Account's trades affected in such markets.

- ***European Countries.*** The Distressed Funds' portfolio will contain securities of European companies and as a result, performance will be closely tied to economic and political conditions within Europe. In addition to the following, the foregoing risks with respect to foreign securities also apply to investments in European countries. Some European countries have less stable economies than that of the United States. The movement of many European countries toward market economies and the movement toward a unified common market may significantly affect European economies and markets. Additional economic changes are taking place throughout Europe. These changes may include increased public ownership of many companies; increased levels of taxation; corporate restructurings; increased regulation of the securities markets; global expansion by major European companies of both exports and production; steps toward the broadening of the EU; economic reform and modernization of the former communist countries of Eastern Europe. There can be no assurance that these changes will continue, be affected or that anticipated economic benefits will be realized.
- ***American Depositary Securities & Receipts.*** In certain instances, rather than directly holding securities of non-U.S. companies, a Client Account may hold these securities through an American Depositary Receipt (an "ADR"). An ADR is issued by a U.S. bank or trust company to evidence its ownership of securities of a non-U.S. company. The currency of an ADR may be U.S. dollars rather than the currency of the non-U.S. company to which it relates. The value of an ADR will not be equal to the value of the underlying non-U.S. securities to which the ADR relates as a result of a number of factors. These factors include the fees and expenses associated with holding an ADR, the currency exchange relating to the conversion of foreign dividends and other foreign cash distributions into U.S. dollars, and tax considerations such as withholding tax and different tax rates between the jurisdictions. In addition, the rights of a Client Account, as a holder of an ADR, may be different than the rights of holders of the underlying securities to which the ADR relates, and the market for an ADR may be less liquid than that of the underlying securities. The foreign exchange risk will also affect the value of the ADR and, as a consequence, the performance of the investor holding the ADR.



## ***H. Risks Associated with Conflicts of Interest***

- ***Trading Restriction.*** A Client Account may be restricted from buying or selling a particular security or investment when it otherwise would be advantageous to do so as a consequence of another Client Account that is in possession of material non-public information about such investment. Conversely, any steps taken to ensure that the Client Account does not receive material non-public information about a security may have the effect of causing the Client Account to have less information than other investors about certain interests in which it seeks to invest. Similarly, information received by the investment team of a particular strategy may cause Sound Point as a whole to be deemed to have material non-public information and restrict trading by the investment team in other strategies.
- ***Subordination of Lower Ranking Classes in CLOs.*** Certain Client Accounts may invest in CLOs. Each class of CLO securities (other than the highest-ranking class) is subordinated to higher-ranking classes and all classes of securities are subordinated to the payment of certain fees and expenses to the extent provided under the priorities of payment. In addition, amounts otherwise available to make payments on lower-ranking classes are subject to diversion to pay interest on and/or principal of secured notes under the priorities of payment. Notwithstanding the priority of interest payments and the priority of principal payments, if the CLO notes are accelerated following an event of default and such acceleration is not rescinded, no payments of interest on and principal of any lower-ranking classes will be made until each higher-ranking class has been paid in full. To the extent that any losses are suffered, such losses will be borne by the securities in reverse order of priority, commencing with the subordinated notes. Sound Point may manage Client Accounts that invest in different classes of the same CLO, thereby creating conflict between holders of higher ranking classes and subordinated classes.

### ***Other Risks***

- ***Cybersecurity.*** With the increased use of technologies such as the Internet to conduct business, the Client Accounts are susceptible to operational, information security and related risks. In general, cyber incidents can result from deliberate attacks or unintentional events. Cyber attacks include, but are not limited to, gaining unauthorized access to digital systems (*e.g.*, through “hacking” or malicious software coding) for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Cyber attacks may also be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on websites (*i.e.*, efforts to make network services unavailable to intended users).

Cyber incidents affecting Sound Point’s and other service providers (including, but not limited to, Client Accounts’ accountants, custodians, transfer agents and financial intermediaries, and cloud-based computing) have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, interference with the Client Accounts’ ability to value its securities or other investments, impediments to trading, the inability of the Client Accounts and/or their investors to transact business, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs.

Similar adverse consequences could result from cyber incidents affecting issuers of securities in which the Client Accounts invest, counterparties with which the Client Accounts engages in transactions, governmental and other regulatory authorities, exchange and other financial market operators, banks, brokers, dealers, insurance companies and other financial institutions

(including financial intermediaries and service providers for the Client Accounts and/or their investors ) and other parties. In addition, substantial costs may be incurred in order to prevent any cyber incidents in the future.

Sound Point has taken measures, and expects to continue to monitor and modify such measures as appropriate, to anticipate and protect against a variety of cyber attacks. Sound Point will determine, however, which cyber attacks and/or types of cyber attacks to protect most robustly against, and the extent of the protections to implement, based on its assessment of (a) the relative likelihood and expected level of impact of the applicable cyber attack, (b) the cost (in terms of the anticipated required financial outlays and required time and attention of the relevant internal and external resources) of incremental enhancements to the applicable protections, and (c) the efficacy of the proposed protection, in each case, taking into account any applicable legal requirements to which the Client Accounts are subject and any other factors considered relevant. Consequently, in some circumstances, the Client Accounts may be aware of a vulnerability of its systems to a potential cyber attack but determine not to implement certain measures designed to protect against such cyber attack.

Sound Point expects to conduct periodic assessments of the Client Accounts' key systems' vulnerabilities to internal and external cyber attacks and other forms of unauthorized access, including an authorized employee or vendor inadvertently or intentionally causing the release of confidential or proprietary information of, or held by or on behalf of, the Client Accounts. There can be no assurance, however, that such assessments will identify all relevant vulnerabilities or that any measures adopted by Sound Point will be successful in reducing the applicable vulnerability.

Cyber attacks often use highly sophisticated techniques to penetrate, disrupt, and/or impair electronic systems, and the systems that are subject to potential attack are often themselves highly sophisticated. The measures taken with the aim of reducing a particular vulnerability may have the effect of creating new or exacerbating other vulnerabilities to cyber attacks or inadvertent or intentional releases of information. Such cyber attacks and/or releases could have a material adverse effect on the Client Accounts, including by allowing competitors to access the Sound Point's proprietary business information and investment strategies by subjecting the Client Accounts to liability under laws that protect confidential personal data and/or require that law enforcement agencies be alerted to and involved in responding to such events.

While the Client Accounts' service providers have established business continuity plans in the event of, and risk management systems to prevent, such cyber incidents, there are inherent limitations in such plans and systems including the possibility that certain risks have not been identified. Furthermore, Sound Point cannot control the cyber security plans and systems put in place by its service providers or any other third parties whose operations may affect the Client Accounts. The Client Accounts could be negatively impacted as a result.

- ***Force Majeure.*** Sound Point has established a business continuity plan to mitigate the risk of significant disruption to its operations, but natural disasters like hurricanes, floods, earthquakes and weather disturbances sometimes referred to as "acts of God," or extraordinary events such as war, terrorism or threats of terrorism, civil disorder, labor strikes or disruptions, fire, disease or medical epidemics or outbreaks, may materially impact Sound Point's ability, or impact the operations of Sound Point's critical third-party service providers and therefore indirectly impact Sound Point's ability, to properly manage Client Accounts.

- ***Pandemic Disruption.*** The outbreak of any contagious disease with human-to-human airborne or contact propagation effects, such as the 2019 coronavirus (“COVID-19”), that escalates into a regional epidemic or global pandemic has prompted precautionary government-imposed closures of certain travel and business. It is unknown whether and how global supply chains may be affected if such an epidemic persists for an extended period of time. Sound Point or our investment companies may incur expenses, delays or interruption of critical business functions relating to such events outside of our control, which could have a material adverse impact on our investment advisory business including, but not limited to, the financial conditions or prospects of our investment companies and the sourcing of new investment opportunities. Such material adverse impact could, in turn, adversely affect the performance of Sound Point’s Client Accounts.
- ***Short Term Volatility caused by Social Media.*** Although Sound Point’s strategies primarily focus on credit strategies (rather than equity strategies), certain issuers of debt and other instruments in which Sound Point invests in are familiar to retail investors and consumers. Short term volatility in the price of the publicly traded stock of such issuers can be caused by a sudden and unexpected interest in such stock and/or such issuers initiated and/or encouraged over social media, which may impact the stability of Sound Point’s investment strategies involving such issuers.
- ***Non-Financial Considerations, including ESG.*** Sound Point may take into account various non-financial considerations (such as environmental, social, political, ethical, corporate governance and other considerations) in both the formulation and execution of investment decisions. For example, Sound Point may screen potential investments to exclude securities of companies engaged in certain businesses or business practices, may seek to avoid investing in companies or assets affiliated or associated with certain governmental or non-governmental entities or geographic areas, may exercise proxy voting authority in a manner (or take other actions) designed to promote particular non-financial goals, may take such considerations into account when deciding among potential investments or when deciding to divest from existing Investments, and/or may affirmatively seek to promote certain non-financial goals in their selection of investments for a Client Account. In weighing any such non-financial considerations, Sound Point is expected to take into account its own interests as well as the interests of its affiliates, including in the event that Sound Point believes that such considerations may implicate reputational and other similar concerns. When utilized, such non-financial considerations ultimately may affect the outcome of Sound Point’s formulation and execution of investment decisions and may cause Sound Point to make or dispose of investments, or to forgo investment opportunities, in a manner that it would not have done had it taken into account only financial, economic, operational, and/or legal considerations. Such investment decisions may in turn affect a Client Account’s performance and cause it to experience lower returns than would have been the case had such non-financial considerations not been taken into account. Client Accounts and underlying investors of the Sound Point Funds generally will not be notified of the extent, if any, to which such non-financial considerations are taken into account or the manner in which they affect the formulation and execution of investment decisions.

## Item 9.           Disciplinary Information

Sound Point and its employees do not have any legal or disciplinary events that would be material to a client’s or prospective client’s evaluation of Sound Point’s advisory business or the integrity of Sound Point’s management.

**Item 10. Other Financial Industry Activities and Affiliations**

***A. Sound Point is investment manager for the following funds.***

**1. Funds in the Credit Opportunity Strategy:**

- Sound Point Credit Opportunities Master Fund, LP, a Cayman Islands exempted limited partnership;
- Sound Point Credit Opportunities Fund, LP, a Delaware limited partnership, which is a feeder Fund for Sound Point Credit Opportunities Master Fund, LP;
- Sound Point Credit Opportunities Offshore Fund, Ltd., a Cayman Islands exempted company, which is a feeder fund for Sound Point Credit Opportunities Master Fund, LP; and
- Sound Point Montauk Fund, LP, a Cayman Islands exempted limited partnership.

**2. Funds in the Floating Rate Strategy:**

- Sound Point Senior Floating Rate Master Fund, LP, a Cayman Islands exempted limited partnership;
- Sound Point Senior Floating Rate Fund, LP, a Delaware limited partnership, which is a feeder fund for Sound Point Senior Floating Rate Master Fund, LP; and
- Sound Point Senior Floating Rate Offshore Fund, Ltd., a Cayman Islands exempted company, which is a feeder fund for Sound Point Senior Floating Rate Master Fund, LP.

**3. Funds in the Loan Opportunity Strategy:**

- Sound Point Beacon Master Fund, LP, a Cayman Islands exempted limited partnership;
- Sound Point Beacon Fund, LP, a Delaware limited partnership, which is a feeder fund for Sound Point Beacon Master Fund, LP; and
- Sound Point Beacon Offshore Fund, Ltd., a Cayman Islands exempted company, which is a feeder fund for Sound Point Beacon Master Fund, LP (the foregoing three vehicles, collectively, the “Beacon Funds”);
- Sound Point Distressed Loan Opportunity Master Fund I DAC, an Irish Designated Activity Company; and
- Sound Point Distressed Loan Opportunity Fund I, LP, a Delaware limited partnership, which is a feeder fund for Sound Point Distressed Loan Opportunity Master Fund I, DAC; and
- Sound Point Distressed Loan Opportunity Offshore Fund, LP, a British Virgin Islands limited partnership, which is a feeder for the Sound Point Distressed Loan Opportunity Offshore Mini-Master, LP; and

- Sound Point Distressed Loan Opportunity Offshore Mini-Master, LP, a Delaware limited partnership, which is a feeder for Sound Point Loan Opportunity Master Fund I, DAC (the foregoing four vehicles, collectively, the “DLOF Funds”).
4. Funds in the SP CLO Strategy (referred to collectively as the “CLO Funds”):
- Sound Point CLO Master Fund LP, a Cayman Islands exempted limited partnership;
  - Sound Point CLO Fund LP, a Delaware limited partnership, which is a feeder fund for Sound Point CLO Master Fund, LP; and
  - Sound Point CLO Fund, Ltd., a Cayman Islands exempted company, which is a feeder fund for Sound Point CLO Master Fund, LP.
5. Funds in the Structured Credit Strategy:
- Sound Point Harbor Master Fund LP, a Cayman Islands exempted limited partnership; and
  - Sound Point Harbor Fund LP, a Delaware limited partnership, which is a feeder fund for Sound Point Harbor Master Fund LP; and
  - Sound Point Harbor Offshore Fund LP, a Cayman Islands exempted limited partnership, which is a feeder fund for Sound Point Harbor Master Fund LP.
6. Funds and SPVs in the Specialty Finance Strategy:
- Sound Point Discovery Fund LLC, a Delaware limited liability company.
7. Funds and SPVs in the Strategic Capital Strategy:
- Sound Point Strategic Capital Master Fund DAC, a designated activity company limited by shares duly incorporated under the laws of Ireland;
  - Sound Point Strategic Capital Fund, LP, a Delaware limited partnership, which is a feeder fund for Sound Point Strategic Capital Master Fund DAC; and
  - Sound Point Strategic Capital Offshore Fund, LP, a Cayman Islands exempted limited partnership, which is a feeder for Sound Point Strategic Capital Offshore Mini-Master, LP; and
  - Sound Point Strategic Capital Offshore Mini-Master, LP, a Delaware limited partnership, which is a feeder fund for the Sound Point Strategic Capital Master Fund DAC (the foregoing four vehicles, the “Strategic Capital Funds”).
8. Funds in the European CLO Management Strategy:
- Sound Point Euro CLO Management LP, a Cayman Islands exempted limited partnership (“Euro CLO Management Fund”); and
  - Sound Point Euro 2 CLO Management LP (“Euro CLO 2 Management Fund”), a Cayman

Islands exempted limited partnership.

9. Fund in the Co-Invest Strategy:

- SP Co-Invest Fund, LLC, a Delaware limited liability company (the “Co-Invest Fund”).

10. Funds in the Direct Lending Strategy:

- Sound Point U.S. Direct Lending Fund II (Master) LP, a Cayman Islands exempted limited partnership;
- Sound Point U.S. Direct Lending Fund II (RN) LP, a Delaware limited partnership, which is an indirect feeder for the Sound Point U.S. Direct Lending Fund II (Master) LP; and
- Sound Point U.S. Direct Lending Fund II (UL) LP, a Delaware limited partnership, which is an indirect feeder for the Sound Point U.S. Direct Lending Fund II (Master) LP; and
- Sound Point U.S. Direct Lending Fund II (Lux) SCSp, a Luxembourg special limited partnership, which is an indirect feeder for the Sound Point U.S. Direct Lending Fund II (Master) LP; and
- Sound Point U.S. Direct Lending Fund II (Non-U.S. RN) L.P., a Cayman Islands exempted limited partnership, which invests in parallel with Sound Point U.S. Direct Lending Fund II (Master) LP; and
- Sound Point Employee Investment (US DL II Non-U.S. RN) L.P., a Jersey limited partnership, which is a direct feeder for Sound Point U.S. Direct Lending Fund II (Non-U.S. RN) L.P.

Where applicable, Sound Point also provides services to SPVs involved with the making and/or holding of investments by one or more Sound Point Funds. For purposes of this Brochure, each of these SPVs is also considered to be a Sound Point Fund but, because they have been formed solely for administrative, regulatory, tax or other purposes, these SPVs are not treated as separate private funds or separately listed as clients of Sound Point.

***B. Sound Point is sub-adviser to the following 40 Act Funds***

- American Beacon Sound Point Enhanced Income Fund, a Texas corporation
- American Beacon Sound Point Floating Rate Income Fund, a Texas corporation; and
- Principal Global Multi-Strategy Fund, an Iowa corporation

***C. Sound Point is collateral manager to the following SP CLOs***

- Sound Point CLO II, Ltd., a Cayman Islands exempted company;
- Sound Point CLO III-R, Ltd., a Cayman Islands exempted company;
- Sound Point CLO IV-R, Ltd., a Cayman Islands exempted company;

- Sound Point CLO V-R, Ltd., a Cayman Islands exempted company;
- Sound Point CLO VI-R, Ltd., a Cayman Islands exempted company;
- Sound Point CLO VII-R, Ltd., a Cayman Islands exempted company;
- Sound Point CLO VIII-R, Ltd., a Cayman Islands exempted company;
- Sound Point CLO IX, Ltd., a Cayman Islands exempted company;
- Sound Point CLO X, Ltd., a Cayman Islands exempted company;
- Sound Point CLO XI, Ltd., a Cayman Islands exempted company;
- Sound Point CLO XII, Ltd., a Cayman Islands exempted company;
- Sound Point CLO XIV, Ltd., a Cayman Islands exempted company;
- Sound Point CLO XV, Ltd., a Cayman Islands exempted company;
- Sound Point CLO XVI, Ltd., a Cayman Islands exempted company;
- Sound Point CLO XVII, Ltd., a Cayman Islands exempted company;
- Sound Point CLO XVIII, Ltd., a Cayman Islands exempted company;
- Sound Point CLO XIX, Ltd., a Cayman Islands exempted company;
- Sound Point CLO XX, Ltd., a Cayman Islands exempted company;
- Sound Point CLO XXI, Ltd., a Cayman Islands exempted company;
- Sound Point CLO XXII, Ltd., a Cayman Islands exempted company;
- Sound Point CLO XXIII, Ltd., a Cayman Islands exempted company;
- Sound Point CLO XXIV, Ltd., a Cayman Islands exempted company;
- Sound Point CLO XXV, Ltd., a Cayman Islands exempted company;
- Sound Point CLO XXVI, Ltd., a Cayman Islands exempted company;
- Sound Point CLO XXVII, Ltd., a Cayman Islands exempted company;
- Sound Point CLO XXVIII, Ltd., a Cayman Islands exempted company.

Sound Point also provides services to certain SPVs involved with the establishment of the SP CLOs. For purposes of this Brochure, each of these SPVs is also considered to be a Sound Point Fund, but, because they have been formed solely for administrative, regulatory, tax or other purposes, these SPVs are not treated as separate private funds or separately listed as clients of Sound Point.

***D. Sound Point is affiliated with the following entities that provide investment advisory and other services to the Sound Point Funds:***

- Sound Point Beacon GP, LLC, a Delaware limited liability company, which serves as general partner, and provides advisory and other services, to Sound Point Beacon Master Fund, LP and Sound Point Beacon Fund, LP.
- Sound Point CLO GP, LLC, a Delaware limited liability company, which serves as general partner, and provides advisory and other services, to Sound Point CLO Fund, LP and Sound Point CLO Master Fund, LP.
- Sound Point CLO Management, GP, LLC, a Delaware limited liability company, which serves as general partner, and provides advisory and other services, to Sound Point CLO I Management, LP.
- Sound Point Co-Invest GP, LLC, a Delaware limited liability company, which serves as general partner, and provides advisory and other services to Sound Point Co-Invest Fund, LLC.
- Sound Point Credit Opportunities GP, LLC, a Delaware limited liability company, which serves as general partner, and provides advisory and other services, to Sound Point Credit Opportunities Master Fund, LP, and Sound Point Credit Opportunities Fund, LP.
- Sound Point Discovery Manager, LLC, a Delaware limited liability company, which serves as general manager, and provides advisory and other services, to Sound Point Discovery Fund, LLC.
- Sound Point Harbor Fund GP, LLC, a Delaware limited liability company, which serves as general manager, and provides advisory and other services, to Sound Point Harbor Master Fund, LP, and Sound Point Harbor Fund, LP.
- Sound Point Montauk GP, LLC, a Delaware limited liability company, which serves as general partner, and provides advisory and other services, to Sound Point Montauk Fund, LP.
- Sound Point Senior GP, LLC, a Delaware limited liability company, which serves as general partner, and provides advisory and other services, to Sound Point Senior Floating Rate Master Fund, LP and Sound Point Senior Floating Rate Fund, LP.
- Sound Point Strategic Capital GP, LLC, a Delaware limited liability company, which serves as general partner, and provides advisory and other services, to Sound Point Strategic Capital Fund, LP., Sound Point Strategic Capital Offshore Fund, LP, and Sound Point Strategic Capital Offshore Mini-Master, LP, each a feeder fund to Sound Point Strategic Capital Master Fund DAC.
- Sound Point Distressed Loan Opportunity GP, LLC, a Delaware limited liability company, which serves as general partner, and provides advisory and other services, to Sound Point Distressed Loan Opportunity Fund I, LP., Sound Point Distressed Loan Opportunity Offshore Fund I, LP and Sound Point Distressed Loan Opportunity Offshore Mini-Master, LP, each a feeder fund to Sound Point Distressed Loan Opportunity Master Fund I, DAC.



- Sound Point U.S. Direct Lending II (GP) Ltd., a Cayman Islands exempted company, which serves as general partner, and provides advisory and other services to Sound Point U.S. Direct Lending Fund II (Master) LP
- Sound Point U.S. Direct Lending II GP, LLC, a Delaware limited liability company, which serves as a general partner, and provides advisory and other services, to Sound Point U.S. Direct Lending Fund II (RN) LP, Sound Point U.S. Direct Lending Fund II (UL) LP and Sound Point U.S. Direct Lending Fund II (Non-U.S. RN) L.P.
- Sound Point U.S. Direct Lending II (Lux) GP S.a.r.l., a Luxembourg private limited liability company, which serves as a general partner, and provides advisory and other services, to Sound Point U.S. Direct Lending Fund II (Lux) SCSp.
- Sound Point Employee Investment (US DL II Non-U.S. RN) Limited, a Jersey company, which serves as general partner, and provides advisory and other services, to Sound Point Employee Investment (US DL II Non-U.S. RN) L.P.

#### ***E. Other Financial Industry Activities***

- Sound Point serves as an investment manager for the Managed Accounts.
- Certain Sound Point employees are registered representatives of a third-party limited-purpose broker-dealer, Foreside Fund Services, LLC.

#### ***F. Other Affiliations***

Sound Point indirectly controls C-MOA, which is independently registered with the SEC as an investment adviser. C-MOA provides collateral management services to SP CLOs. C-MOA also manages a proprietary account to meet the requirements of European risk retention rules and securitization regulation. The proprietary account's primary investment objective and investment assets are substantially the same as the SP-CLOs managed by C-MOA, which will cause conflicts of interest. Sound Point also provides C-MOA with shared employees, credit research services and back-office and administrative services pursuant to one or more staffing and services agreements, which will cause conflicts of interest with respect to allocation of time and resources. In acting on behalf of C-MOA, shared employees of Sound Point will be subject to the supervision and control of C-MOA. More information on the business practices and conflicts of interests associated with C-MOA are provided in the separate Form ADV Part 2A brochure for C-MOA.

Sound Point indirectly controls SPCREF, an SEC-registered investment adviser. SPCREF manages separately managed accounts investing in commercial real estate strategies. Sound Point also provides SPCREF with shared employees and back-office and administrative services pursuant to one or more staffing and services agreements, which will cause conflicts of interest with respect to allocation of time and resources. In acting on behalf of SPCREF, shared employees of Sound Point will be subject to the supervision and control of SPCREF. More information on the business practices and conflicts of interests associated with SPCREF are provided in the separate Form ADV Part 2A brochure for SPCREF.

Sound Point is under common control with CRE and SPCRE, each of which sub-advises one or more real estate investment trusts and has filed with the SEC as an Exempt Reporting Adviser.

As discussed in **Item 4** (Advisory Business), Sound Point is passively owned in part by certain principals of Stone Point as their personal investments. Sound Point from time to time invests Client Accounts in

portfolio companies owned or managed by Stone Point and Sound Point also provides investment management services to portfolio companies owned or managed Stone Point. It is possible that a particular opportunity could be identified by Stone Point and, separately, by Sound Point for its Client Accounts. As a result, Sound Point could participate in a transaction side by side with Stone Point or could compete with Stone Point for an opportunity. In any transaction involving both Stone Point and Sound Point, Sound Point's rights could be different than those of Stone Point and/or Sound Point could be entitled to different or additional fees not otherwise offered to Stone Point's client. In addition, Sound Point and Stone Point could exit the investment at different values or at different times. In addition, Stone Point officers and directors invest in Sound Point Client Accounts and Sound Point mitigates this conflict of interest through disclosure in this Brochure, by following our investment and compliance process, and by limiting Stone Point officers' and directors' withdrawals from a fund to the dates on which all investors are permitted to withdraw.

Sound Point is also passively owned in part by Dyal Capital Partners II (A). LP and Sound Point may provide investment management services to, or invests Client Accounts in CLOs managed by, portfolio companies it owns or manages.

Each of the Sound Point General Partners and Sound Point has filed for an exemption from registration as a commodity pool operator with the NFA. No other management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.

Sound Point Capital Management UK LLP, which is authorized by the UK Financial Conduct Authority, acts as sub-adviser to Sound Point with regards to certain Client Accounts.

### ***G. Other Potential Conflicts of Interest***

#### ***Potential Conflicts arising among Client Accounts.***

Sound Point and its affiliates and employees engage in other activities, including providing investment management and advisory services to the Client Accounts and other accounts, and shall not be required to refrain from any activity, to disgorge profits from any such activity or to devote all or any particular amount of time or effort of any of their officers, directors or employees to a Sound Point Fund and its affairs or to another Client Account. Such other accounts may pursue a substantially similar investment strategy as the strategy for a Client Account.

In addition, Sound Point have a conflict of interest in rendering advice to a particular Client Account because the financial benefit from managing such Client Account is greater (e.g. such account generates higher fees or allocations tied to either higher percentages earned or larger amounts of capital investment by Sound Point or its affiliates), which may provide an incentive to favor the other account. Sound Point and its respective members, officers and employees will devote as much of their time to the activities of a Sound Point Fund or a Managed Account as Sound Point deems necessary and appropriate.

Sound Point mitigates these conflicts through disclosure in this Brochure; however, there is no assurance that Sound Point will resolve all conflicts of interest in a manner that is favorable to a particular Client Account.

#### ***Potential Conflicts arising from Investment Allocation***

Allocation of investment opportunities among Client Accounts with similar investment criteria will be made in a manner that Sound Point believes is fair and equitable to such Client Accounts under the

circumstances existing at such time. When the purchase and sale of securities is considered to be in the best interest of more than one Client Account, investments will generally be made proportionately based on the respective net assets of each entity subject to the Allocation Factors below and the securities to be purchased or sold may be aggregated in order to obtain superior execution and/or lower brokerage expenses. Because Sound Point's investment strategies partially overlap, at times Sound Point will not be able to allocate trades pro rata. See "Aggregation of Transaction" in **Item 12** (Brokerage Practices), below.

Sound Point may modify a pro rata allocation to give priority to certain Client Accounts based on the following Allocation Factors: the Client Accounts' liquidity needs (such as 40 Act Funds' need for daily liquidity), size, objectives (including those set forth in the relevant Client Account's governing documents, where applicable), differences with respect to available capital (including lack of capital in drawdown-style Client Accounts), risk profile, time horizon (including "ramping" accounts), tax sensitivity, tolerance for turnover, asset composition and cash level, the specifics of the investment opportunity (including the size and/or minimum investment amounts and applicable holding period), and applicable legal or regulatory restrictions. Execution prices for identical securities purchased or sold on behalf of multiple accounts in any one business day may be averaged.

When Sound Point receives a partial, non-divisible allocation of securities, or when certain investments such as bespoke whole commercial real estate loan investments are not divisible and cannot be allocated pro rata as a general matter, Client Accounts will participate according to a pre-determined rotation. Sound Point periodically reviews allocation of investment opportunities and sequencing of transactions to determine whether each Client Account is treated fairly.

Conflicts may arise in allocation of investments among unrelated Client Accounts, on the one hand, and affiliated Client Accounts, on the other hand, such as investment vehicles created solely to facilitate employees' investments and separately managed accounts owned by senior principals of Stone Point.

In relation to the Direct Lending Strategy, as a consequence of the nature of this investment product, investments may be acquired by certain Client Accounts at initial close and subsequently sold down to other Client Accounts or Co-Investors.

#### ***Potential Conflicts arising from Co-Investors***

As noted in **Item 5** (Fees and Compensation), Sound Point and/or its affiliates, in certain instances, receive a structuring fee from a borrower or other issuer in respect of the portion of an investment made by a Sound Point Fund that is attributable to Co-Investors. Because Sound Point and its affiliates are not required to share such fees (or other compensation) received in respect of Co-Investors' investments with the applicable Sound Point Fund (or any other Sound Point Fund) except with respect to the portion of the relevant investment that such applicable Sound Point Fund holds (directly or indirectly), Sound Point and its affiliates have an incentive to increase the participation in such investments of Co-Investors relative to the applicable Sound Point Fund. Sound Point seeks to mitigate this conflict through investment and compliance processes that focus in the first instance on the appropriate level of investment (taking into account factors such as concentration limits) for the applicable Sound Point Fund before accepting commitments in respect of the same investment from Co-Investors.

Further, as noted in **Item 5** (Fees and Compensation), in relation to its Direct Lending Strategy, Sound Point may also earn Underlying Issuer Fees from borrowers or potential borrowers, which are then pro-rated among the lending or the participating Client Accounts and/or Co-Investors. Depending on the applicable investment management agreements, the pro-rated Underlying Issuer Fees may be wholly credited to the participating Client Accounts and/or Co-Investors, or may be credited to Sound Point but

whose amount will later offset or reduce the Client Accounts' management fees due to Sound Point, or may be shared jointly and credited to both the Client Accounts and/or Co-Investors and to Sound Point at a previously agreed upon percentage breakdown, or may be credited based on another future combination that is not currently contemplated. Varying treatment of Underlying Issuer Fees, which can be another source of revenue for Sound Point, creates an incentive for Sound Point and its affiliates to allocate investments among Co-Investors and Client Accounts in ways that maximize the total net amount of revenue accruing to Sound Point.

In relation to its Direct Lending Strategy, as a consequence of the nature of this investment product, Sound Point is not required to accord exclusivity or priority to the Client Accounts in the event of limited investment opportunities. Where there is a limited supply of an available opportunity, Sound Point will allocate investment opportunities (including any related co-investment opportunities) in any manner deemed appropriate as determined in its sole discretion, taking into account considerations which may include, among other things, investment objectives, investment strategies, restrictions or other considerations deemed relevant by Sound Point. However, Sound Point cannot assure, and assumes no responsibility for, equality among all of their Client Accounts and as a result, investment opportunities that fall within the Client Account's or Co-Investor's investment objective may be allocated, in whole or in part, away from the Client Account(s) or Co-Investors.

#### ***Potential Conflicts arising from Varying Transactions and Strategies in Client Accounts***

Sound Point can engage in securities transactions and investment strategies, including the use of derivatives, for one Client Account that may differ from the transactions and strategies executed on behalf of another Client Account. Examples of such instances include, but not limited to, instances where: (1) Sound Point holds a long position for one Client Account and a short position of the same issuer for another Client Account, (2) Sound Point invests in certain securities or loan instruments of a particular issuer for one Client Account and invests in a different part of the same issuer's capital structure for another Client Account; (3) Sound Point continues to purchase different classes of debt of the same issuer and/or debt and equity of the same issuer for different Client Accounts; (4) Sound Point acquires different classes, series or tranches of an issuer's capital structure at different times for different Client Accounts. Additionally, Sound Point may hold the same security in accounts for different Client Accounts but come to a different investment conclusion for different Client Accounts with respect to said security (potentially because of different risk tolerance, liquidity needs or other factors). Sound Point's Conflicts Committee reviews on a regular basis all holdings across different Client Accounts where there are investments in disparate parts of an issuer's capital structure in an effort to anticipate and monitor where these potential conflicts of interest could give rise to an actual conflict of interest.

The officers and employees of Sound Point and its affiliates may trade in securities for their own accounts, subject to restrictions and reporting requirements as may be required by law or otherwise determined from time to time by Sound Point. As a result of differing trading and investment strategies or constraints, Sound Point may make trades in some Client Accounts that are the same as, different from, or made at a different time than other Client Accounts. See **Item 11** (Code of Ethics Participation or Interest in Client Transactions and Personal Trading). Some officers and directors also invest in Sound Point Funds. Sound Point has a conflict of interest when its officers and directors invest in its funds, as it may have an incentive to favor them over other investors. Sound Point mitigates this conflict by prohibiting officers and directors from withdrawing all or a part of their investment except on dates when all investors are permitted to withdraw capital from a fund, and through disclosure in this Brochure.

#### ***Potential Conflicts arising from Membership to Board of Directors***

Sound Point may appoint its officers or employees to serve on the Boards of Directors of companies in

which Client Accounts invest (for example, in cases where board membership is granted as a result of a Sound Point Fund's status as a significant creditor to the issuer). When an officer or employee serves on behalf of an issuer as a member of its Board of Directors and simultaneously is required to act on behalf of the relevant Client Accounts in Sound Point's provision of investment advisory services, such service may create conflicts of interest. Or, Sound Point, acting on behalf of its Client Accounts, may be required to maintain a certain percentage ownership of the company to maintain its seat in the Board of Directors, which create conflicts of interest in the event the Client Accounts wish to decrease the size of their exposure. Further, an employee's Board membership may allow him/her to obtain material non-public information that restricts other Client Accounts from buying or selling certain investments when it otherwise would be advantageous to do so.

### ***Potential Conflicts arising from Valuation***

Sound Point has certain responsibilities to value assets of the certain Client Accounts, and it may have a conflict of interest with investors because it or its affiliate's receipt of the management fees and performance-based compensation may give it an incentive to value such assets at a higher valuation. Sound Point seeks to mitigate this conflict through disclosure on this Brochure.

Sound Point may value the same asset differently across various Client Accounts as a result of differing valuation policies of such Client Accounts.

Sound Point may enter into agreements with third-party service providers who are affiliated with Stone Point and/or Dyal, companies that have minority ownership in Sound Point but not involved in the day-to-day management of Sound Point. Sound Point will allocate expenses related to such third-party service providers in accordance with its expense allocation policy, which may result in Client Accounts bearing their pro-rata share of such expenses.

### ***Potential Conflicts arising from Side Letters or Other Agreements***

Sound Point may enter into side letters or other agreements granting more favorable rights or terms to certain investors of clients, including but not limited to, Sound Point's affiliates, strategic investors in Sound Point Funds, and anchor investors in Sound Point Funds or SP CLOs. Without limiting the foregoing, such agreements may create special rights with respect to future investment capacity, special liquidity or withdrawal rights, rights to receive additional or more specialized reports, and agreements resulting in different investors in the same Client Accounts charged different fees. In sum, these agreements could create preferences or priorities for certain investors or Client Accounts as compared to others.

### ***Potential Conflicts arising from Client Accounts' Investments***

At any given time, certain Managed Accounts, Sound Point Harbor Master Fund, LP, Sound Point Senior Floating Rate Master Fund, LP, and Sound Point Credit Opportunities Master Fund, LP are investors in various SP CLOs and the Sound Point CLO Fund. Such Managed Accounts and investors in such Sound Point Funds are, potentially, indirectly paying Sound Point a second layer of incentive fees due to such investments (but would not be subject to two layers of Management Fees). Such layering of incentive fees has not occurred but if it does, Sound Point aims to isolate the fees and minimize the risks of charging a second layer of incentive fees. Additionally, Sound Point Credit Opportunities Master Fund, LP is an investor in the Sound Point Beacon Master Fund, LP though it does not pay any fees to Sound Point with respect to its investment. For a further discussion of these and related items, see **Item 8** (Method of Analysis, Investment Strategies and Risk of Loss), **Item 11** (Code of Ethics, Participation or Interest in Client Transactions and Personal Trading) and **Item 12** (Brokerage Practices).

Further, Client Accounts that invest in SP CLOs may be restricted from selling such investments if Sound Point determined that Sound Point, in its capacity as collateral manager, is in possession of material non-public information in relation to such SP CLO or in relation to the underlying loans of such SP CLOs, even if it is advantageous for the Client Accounts to sell all or a portion of its holdings in SP CLOs.

Client Accounts that invest in SP CLOs may be required to vote in favor of resets, refinance, reissue or other corporate matters relating to the SP CLOs. Sound Point, in its capacity of investment adviser for the Client Accounts, will vote on behalf of such Client Accounts. The result of such votes can positively impact Sound Point as collateral manager for the SP CLOs and incentivize Sound Point to vote a certain way. For example, a vote in favor of a refinance may extend the investment period of an SP CLO, which in turn increases the total management fees Sound Point earns through the life of such SP CLO.

Certain Client Accounts may invest in CLOs issued and managed by Dyal portfolio companies; therefore paying fees to Sound Point as an investment manager, a portion of which benefits Dyal by virtue of Dyal's minority ownership of Sound Point, and paying fees to a Dyal-related entity as a collateral manager.

From time to time, Client Accounts may be restricted from buying or selling Third Party CLOs managed by a Dyal portfolio company even if it is advantageous for the Client Accounts to do so, if Sound Point is in possession of material non-public information regarding such Third Party CLOs as a consequence of Sound Point's and the Third Party CLOs' respective relationships with Dyal.

Client Accounts may invest in companies or offerings made or managed by a Stone Point portfolio company.

#### ***Potential Conflicts arising from Related or Proprietary Accounts***

Sound Point manages an employee investment vehicle in the Direct Lending Strategy that feeds into another Client Account in that strategy. Sound Point also provides advisory services to a managed account that is beneficially owned by certain senior principals of Stone Point. Sound Point seeks to mitigate this conflict through this disclosure.

#### **Item 11. Codes of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Sound Point has adopted a code of ethics pursuant to Advisers Act Rule 204A-1. Sound Point's code of ethics requires full compliance with all applicable laws and regulations governing the provision of investment management services to its clients. In addition, Sound Point's code of ethics highlights the fiduciary duty that it owes to its clients, including the affirmative duty to act in the best interests of its clients and to make full and fair disclosure of material facts. Sound Point expects each access person to act with integrity, competence, dignity, and in an ethical manner when dealing with the public, the Client Accounts, investors and prospective investors in the Client Accounts, service providers and fellow access persons. Sound Point also expects access persons to adhere to the highest standards with respect to any potential conflict of interest with clients.

Sound Point's code of ethics contains guidelines relating to personal trading by access persons (and certain of their immediate family members). Except with respect to certain exempted transactions, no access person may purchase or sell any security without first obtaining pre-clearance from the Chief Compliance Officer or such officer's designee. Sound Point's access persons are not permitted to purchase or sell any security that is also held by the Client Accounts without consent from the Chief Compliance Officer. Sound Point's code of ethics also requires access persons to provide it with certain securities holdings and periodic transaction reports, as required by Advisers Act Rule 204A-1.

Sound Point's code of ethics has specific provisions relating to identifying potential conflicts of interest. The provisions prohibit an access person from directing client transactions for the purpose of obtaining a personal benefit. They also generally prohibit personal business dealings with clients or investors without the prior approval of the Chief Compliance Officer or such officer's designee. The code of ethics includes provisions relating to accepting offers of gifts or entertainment from third parties.

From time to time, Sound Point may come into possession of material, non-public information. As a result of Sound Point's open environment, the receipt of such information will restrict all Client Accounts and therefore, Client Accounts may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold. Sound Point may establish ad hoc information barriers to manage the flow of material, non-public information.

All violations of the code of ethics must be promptly reported to the Chief Compliance Officer, who is primarily responsible for administering and enforcing Sound Point's code of ethics. A violation of the code of ethics may result in the imposition of disciplinary and remedial measures, including, without limitation, disgorgement or termination.

Clients, investors in Clients, and prospective clients and investors in Clients may obtain, free of charge, a full copy of Sound Point's code of ethics by contacting us at the following address:

Sound Point Capital Management, LP  
375 Park Avenue, 33rd Floor  
New York, NY 10152  
Attention: Lily Wicker, Chief Compliance Officer  
Telephone: 212-468-5784  
Email: [marketing@soundpointcap.com](mailto:marketing@soundpointcap.com) or [compliance@soundpointcap.com](mailto:compliance@soundpointcap.com)  
[www.soundpointcap.com](http://www.soundpointcap.com)

## **Item 12. Brokerage Practices**

As an investment adviser, Sound Point has a fiduciary obligation to seek to obtain "best execution" of client transactions for client accounts managed by Sound Point, taking into account the particular circumstances of the transaction. When evaluating brokers to execute transactions for Client Accounts, Sound Point will consider the full range and quality of a broker's services including, among other things, the total cost or proceeds of the transaction, commission rates charged, the value of research and other services provided by the broker, the ability to negotiate transactions, the ability to obtain volume discounts, the operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution, the reliability, integrity, stability, and financial condition of the broker, the broker's general execution, settlement and operational capabilities, access to underwritten offerings and secondary markets, financial responsibility, prior performance, and responsiveness. The determinative factor is not the lowest possible commission cost but whether the transaction represents the best qualitative execution for the Client Account. Sound Point will maintain a list of approved broker-dealers executing its clients' transactions and will periodically evaluate the performance of those broker-dealers.

When evaluating counterparties for loan transactions, Sound Point will frequently favor the agent/sponsor of a particular transaction where the price is consistent across such counterparties.

## ***Soft Dollars***

Sound Point has not historically used and does not currently utilize soft dollars. However, Sound Point generally uses full service brokers in exchange for research and services. Sound Point reserves the right to enter into soft dollar arrangements but would expect to do so only to the extent consistent with Section 28(e) of the Securities Exchange Act of 1934 (the “Safe Harbor”). Under the terms of the Safe Harbor, soft dollar credits may only be used to pay for the cost of research, trade execution and other expenses directly related to the investment decision-making process. If soft dollar credits are used in the future, Sound Point will limit its use of soft dollars to pay for proprietary research and execution services provided by the brokers with whom it executes client transactions. Such products and services may include, among other things, written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; and statistics and pricing or appraisal services, discussions with research personnel, special execution capabilities, and the availability of stocks to borrow for short sales. Sound Point does not currently use soft dollars to pay for third party research services, including Bloomberg and other data services, provided by brokers. However, certain of the services made available to Sound Point in connection with its prime brokerage relationships (including access to technology and capital introduction services) may be outside of the safe harbor. If Sound Point were to enter into soft dollar arrangements that included a product or service obtained with soft dollars that provides both research and non-research assistance to Sound Point, Sound Point would make a reasonable allocation of the cost that may be paid with soft dollars.

If Sound Point were to enter into soft dollar arrangements, Sound Point could benefit from the use of such soft dollar arrangements because it would not have to produce or pay for the research or other products and services acquired with soft dollars. Furthermore, in such circumstances, Sound Point may have an incentive to select a broker-dealer based on Sound Point’s interest in receiving research or other products or services from such broker-dealer rather than the Client Accounts’ in receiving most favorable execution. Sound Point could use soft dollars to benefit all of the Client Accounts rather than only those that paid for the benefit, although in many instances all of the Client Accounts would pay their pro rata portion of the commissions or mark-ups/downs, as applicable, that generate soft dollar credits. Were Sound Point to use soft dollars, such use could give Sound Point an incentive to select brokers or dealers for transactions of the Client Accounts, or to negotiate commission rates or other execution terms, in a manner that takes into account the soft dollar benefits received by Sound Point rather than giving exclusive consideration to the interests of the Client Accounts.

## ***Trade Error Policy***

Sound Point exercises due care in making and implementing investment decisions on behalf of its clients. If an error occurs, Sound Point seeks to ensure that the best interests of its clients are served when correcting such errors. Errors in the trading process (*i.e.*, placement, execution or settlement) will be considered to be “Trade Errors” under Sound Point’s trade error policy. Trade Errors do not include good faith errors in judgment in making investment decisions for clients or matters outside of the placement, execution and settlement of transactions. Except to the extent required by a Sound Point Fund’s operative documents or a Managed Account investment advisory agreement, Sound Point generally will not reimburse a Sound Point Fund, Managed Account or SP CLO for any loss resulting from the Trade Error unless the loss was the result of Sound Point’s bad faith, fraud, gross negligence or reckless or intentional misconduct. In addition, Sound Point will not compensate Client Accounts for lost opportunities associated with Trade Errors. If a Trade Error results in a gain, the gain generally will accrue to the benefit of the affected Client Accounts. Under no circumstances may soft dollars be used to correct errors.



### ***Aggregation of Transactions***

Sound Point aggregates trades for the Client Accounts, unless it believes that doing so would conflict or otherwise be inconsistent with its duty to seek best execution for the Client Accounts and/or the terms of the respective investment management and other agreements and understandings relating to the Client Accounts for which trades are being aggregated. When Sound Point believes that it can effectively obtain best execution for the Client Accounts by aggregating trades, it will do so for all Client Accounts for which the trades are both suitable and consistent with the respective investment advisory agreements, investment guidelines, and other agreements and understandings relating to such Client Accounts, unless prohibited or restricted by law, contract, or otherwise.

### ***Cross and Principal Transactions***

From time to time, Sound Point causes a Client Account to buy or sell securities directly from or to another Client Account. Such transactions may be effected through the use of an unaffiliated broker-dealer or may be effected directly between the Client Accounts. Sound Point may effect a cross transaction or a principal transaction under certain circumstances including, for example, if, as a result of liquidity management, exposure requirements, or other Client Account's specific factors, Sound Point determines to reduce one Client Account's exposure to a particular investment and increase another Client Account's exposure to that investment. In certain cases, cross transactions are considered principal transactions due to the level of ownership interest or control in the Client Account by Sound Point.

With respect to any such transaction (i) the transaction must be effected at a price that is fair to clients on both sides of the trade, (ii) neither Sound Point nor any of its affiliates may receive any compensation for effecting the trade and (iii) the trade must be in the best interests of both Client Accounts. To the extent that a 40 Act Fund is a party to such a transaction, Sound Point will comply with Rule 17a-7 under the Investment Company Act of 1940, as amended. Sound Point may execute cross trades without using a broker-dealer in seeking best execution, thereby not paying a spread for both sides of the trade. Sound Point will obtain broker quote(s) and/or a third party pricing provider's valuation to determine the cross trade transactions price.

In relation to the Direct Lending Strategy, where a liquid secondary market is not likely to exist, investments may be acquired by certain Client Accounts and subsequently sold down to other Client Accounts or Co-Investors.

### ***Subscription lines***

Sound Point utilizes subscription lines of credit for certain Sound Point Funds, which allows Sound Point to act quickly on investment opportunities and manage capital calls from limited partners. However, subscription lines can impact carried interest and increase costs for the relevant Sound Point Funds. These considerations may impact Sound Point's allocation of investment opportunities. Furthermore, Sound Point may provide subscription lines to Sound Point Funds and may charge a fee that will be negotiated at arm's length.

### ***Non-Discretionary Trading Manager Agreements***

From time to time, Sound Point provides non-discretionary trading services to certain Client Accounts where Sound Point may execute trades that are in conflict with those executed in discretionary Client Accounts. By definition, trades in non-discretionary Client Accounts are executed under the relevant client's direction and do not reflect Sound Point's opinion at that time.

For a further discussion of these and related items, see **Item 8** (Methods of Analysis, Investment Strategies and Risk of Loss), **Item 10** (Other Financial Industry Activities and Affiliations) and **Item 11** (Code of Ethics, Participation or Interest in Client Transactions and Personal Trading).

### **Item 13. Review of Accounts**

The portfolios of the Client Accounts are reviewed regularly by the portfolio manager responsible for that particular Client Account, in many cases at least once each trading day. Additionally, Sound Point's compliance group reviews Client Accounts' portfolios on a regular basis for compliance with Sound Point's investment and compliance guidelines and restrictions.

Investors in the Strategic Capital Funds receive quarterly capital account statements, and investors in other Sound Point Funds receive monthly capital account statements. Additionally, investors receive monthly and quarterly written updates of the activity in their Fund and the relevant markets. Investors in the Sound Point Funds are also furnished with annual reports containing financial statements prepared in accordance with GAAP examined by a Sound Point Fund's independent auditors within 120 days after the end of each taxable year.

Managed Account clients receive monthly transaction reports directly from the custodian as well as monthly and quarterly written updates of the activity in the Managed Account and the relevant markets from Sound Point.

Investor reporting for each 40 Act Fund is the responsibility of the advisers to the applicable 40 Act Fund.

The SP CLO custodians provide all investor reporting for the SP CLOs.

### **Item 14. Client Referrals and Other Compensation**

Sound Point does not receive any economic benefit from anyone other than its clients for providing investment advice or other advisory services to the Client Accounts. In certain circumstances, however, Sound Point and/or its affiliates receive structuring and other compensation from borrowers to which Client Accounts extend loans or from other issuers of investments made by Client Accounts. In the case of the Strategic Capital Funds, certain of such fees and other compensation are subject to an offset against Management Fees as described in **Item 5** (Fees and Compensation). Similarly, as noted in **Item 5** (Fees and Compensation), Sound Point and/or its affiliates in some instances receive such structuring fees or other compensation in respect of the portion of an investment made by a Client Account that is attributable to Co-Investors and, because Sound Point and its affiliates are not required to share such fees or other compensation received in respect of Co-Investors' investments with the applicable Client Account (or any other Client Account) except with respect to the portion of the relevant investment that such applicable Client Account holds (directly or indirectly), Sound Point and its affiliates have an incentive to increase the participation in such investments of Co-Investors relative to the applicable Client Account. Such conflicts are addressed as described in "Potential Conflicts of Interest" in **Item 10** (Other Financial Industry Activities and Affiliations).

Sound Point and/or its affiliates are permitted to pay (and from time to time have paid) placement fees, certain expenses, and servicing fees to certain broker-dealers or solicitors, acting as placement agents, that solicit investors for the Sound Point Funds, as described in the offering documents of the relevant Sound Point Funds, and who solicit Managed Account clients. These fees may be based on a percentage of the assets initially invested, or remaining invested over time, from the investor or client, or based upon fees received by Sound Point or its affiliates, in respect of investors placed by that placement agent.

### **Item 15. Custody**

Sound Point and its affiliates are deemed to have custody of the assets of the Sound Point Funds. The Sound Point Funds will distribute their annual audited financial statements to their investors within 120 days of their fiscal year-end. Sound Point urges investors to carefully review the audited financial statements of the Sound Point Funds in which they are invested.

Sound Point uses a qualified custodian to send quarterly (or monthly) account statements directly to Managed Account clients in addition to the monthly or quarterly reports and investor letters Sound Point prepares. Such Managed Account clients should closely examine the account statements provided by the custodian and should compare such account statements to the reports received from Sound Point.

Sound Point does not have custody of the assets of the SP CLOs, the 40 Act Funds, the assets advised by the C-MOA or SPCREF, or the assets sub-advised by CRE and SPCRE.

### **Item 16. Investment Discretion**

Sound Point has discretionary authority to manage the assets of the Sound Point Funds in a manner that is consistent with the objectives and strategies set forth in the applicable Sound Point Funds' offering documents. This authority is granted by each Sound Point Fund to Sound Point pursuant to the investment management agreement between the applicable Sound Point Fund and Sound Point.

Sound Point has discretionary authority over some Managed Accounts. Under the terms of the investment advisory agreement for each such Managed Account, Sound Point has the authority to manage the assets of the applicable Managed Account in a manner that is consistent with the investment objectives and strategies set forth in such agreement. If Sound Point does not have discretionary authority over a Managed Account, then Sound Point cannot effect trades for such Managed Account unless the applicable client has consented to them.

Except as described in the above two paragraphs, there are no limitations placed on this authority.

As collateral manager, Sound Point's discretionary authority with respect to the SP CLOs is restricted by the terms of each SP CLO as described in its indenture. As a sub-adviser, Sound Point's discretionary authority with respect to the 40 Act Funds may be restricted by the applicable 40 Act Fund's investment adviser pursuant to the applicable sub-advisory agreement.

For more information, please see **Item 4** (Advisory Business).

### **Item 17. Proxy Voting**

Sound Point generally has proxy voting authority over securities held in client accounts for which it has discretionary investment management responsibility. Proxy voting, however, is not an integral component of Sound Point's investment strategy, which focuses primarily on investments and trading in fixed income, credit and credit-linked securities (collectively referred to herein as "credit positions"). These types of securities do not typically convey voting rights to the holder. To the extent Sound Point holds equity securities, it will generally be for the purpose of hedging credit positions or for short-term trading strategies. Sound Point's policy is to vote proxies only where it believes that the vote is likely to have a material positive economic impact (or to avoid a material negative economic impact) on the value of the underlying credit position (taking into account any related hedges) or the short-term trading strategy employed for the client accounts. If Sound Point does not believe the exercise of a proxy vote right will have a material economic impact on the client account, Sound Point generally will not exercise its voting authority with respect to a proxy. In addition, Sound Point may elect to not vote a proxy if the

cost of voting, or time commitment required to vote a proxy outweighs the expected benefits of voting the proxy.

Sound Point shall vote all proxies related to Client Accounts where such account has mandated such practice (such as the 40 Act Funds). Sound Point utilizes BroadRidge/ProxyEdge to assist it in coordinating and voting Client Proxies. Sound Point will not vote proxies for which a Client Account has not delegated voting authority to Sound Point.

Managed Account clients may, under the applicable investment advisory agreement, require Sound Point to vote in a particular solicitation by written request to Sound Point before the date of the shareholder meeting.

Sound Point may have a perceived or real conflict of interest in voting the proxies of issuers that are its clients or investors. Directors and officers of such companies may have personal or familial relationships with Sound Point, its affiliates and/or their employees that could give rise to potential conflicts of interest. Sound Point addresses conflicts of interest between its business and its clients by escalating to an internal Conflicts of Interest Committee for review in such a situation.

Clients and investors may obtain information from Sound Point about how their securities were voted, and also may obtain a copy of Sound Point's proxy voting policy and procedures, by contacting Lily Wicker, Chief Compliance Officer, at 212-468-5784 or [compliance@soundpointcap.com](mailto:compliance@soundpointcap.com).

#### **Item 18. Financial Information**

Sound Point is required in this Item to provide you with certain financial information or disclosures about Sound Point's financial condition, if applicable. Sound Point has no financial conditions that are reasonably likely to impair its ability to meet contractual commitments to its clients, and has not been the subject of a bankruptcy proceeding at any time during the past ten years.

#### **Item 19. Requirements for State Registered Advisers**

Sound Point is not registered with any State as an investment adviser.