



## **ALCENTRA LIMITED**

160 Queen Victoria Street,  
London, EC4V 4LA

### **Form ADV Part 2A (As of August 24, 2021)**

This Brochure (“Brochure”) provides information about the qualifications and business practices of Alcentra Limited (“Alcentra”, “Firm”, “we”, or “us”) a registered investment adviser. Registration does not imply a certain level of skill or training. If you have any questions about the contents of this Brochure, please contact us at +44 207 163 6000 or visit us at [www.alcentra.com](http://www.alcentra.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about Alcentra Limited also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 2. Summary of Material Changes**

Alcentra's last annual update of its Brochure was on March 31, 2021. The ADV Part 2A has been updated to: (i) reflect details on our involvement in the valuation process; (ii) clarification on trade allocations for clients in the ramping stage; and (iii) clarification as to how prices used for cross transactions are determined.

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**Item 4. Advisory Business**

Alcentra Limited is a private company limited by shares and incorporated in England and Wales. The Firm has been providing investment advisory services since July 2002.

The Bank of New York Mellon Corporation (“BNY Mellon”, the “Bank” or “BNY Mellon”) owns 100% of our parent holding company, BNY Alcentra Group Holdings, Inc. (“Group Holdings”). Alcentra Limited and Alcentra NY, LLC (“Alcentra NY”) are subsidiaries of Group Holdings.

We provide discretionary and non-discretionary investment advisory services to institutional clients in the form of separate accounts, pooled investment vehicles (private funds) that are exempt from registration in the United States, and to other investment advisers through sub-advisory agreements. Our business is not limited to US clients and US operations but is also subject to foreign registration and regulation by the United Kingdom Financial Conduct Authority (“FCA”).

- We focus on the sub-investment grade debt capital markets. Our employees are primarily organized in the following teams: Credit Analysts, Finance, Risk and Compliance, Global Operations and Business Development. These teams support the European Leveraged Loan, Mezzanine, Direct Lending, Special Situations, High Yield, Structured Credit and Multi Strategies of the Firm. *See Item 8 below.*
- Our clients are typically private funds but also include some separately managed accounts, whose investors include a variety of institutions (“Professional Clients”). These funds include collateralized loan obligations (“CLOs”), private loan funds, and direct lending. Alcentra provides discretionary investment services to private funds with multi-credit strategies. These private funds will generally be divided into sleeves for each of the underlying strategies. Portfolio management for specific sleeves may be delegated from our affiliate, Alcentra NY, under a sub-advisory agreement. *See Item 7 below.*
- For our separately managed accounts, we offer investment advisory services tailored to meet clients’ individual investment goals. We work with clients to create investment guidelines mutually acceptable to the client and the Firm. When creating investment guidelines, clients may impose investment restrictions in certain individual securities or types of securities. Clients who impose investment restrictions might limit our ability to employ the strategy resulting in investment performance that differs from that of other client accounts.
- We also offer investment advisory services to private funds. Each private fund has an investment objective and a set of investment policies and/or guidelines that we must follow. For this reason, we cannot tailor the investment advisory services we provide to pooled investment vehicles to meet individual investor needs. In addition, we cannot impose individual investment restrictions on our investment strategies for underlying investors in the private funds.
- The Firm also shares internal research and other services with our affiliate Alcentra NY (“Alcentra NY”) through a service agreement. In addition, we serve as sub-adviser to several private funds which are advised by Alcentra NY through a separate sub-advisory agreement. *See Item 10 below.*

**Class Actions / Legal Proceedings**

It is our policy that we typically do not advise, initiate or take any other action on behalf of clients relating to securities held in the client's account managed by Alcentra in any legal proceeding (including, without limitation, class actions, class action settlements and bankruptcies). Alcentra typically does not file proofs of claims relating to securities held in the client's account and typically does not notify the client or the client's custodian of class action settlements or bankruptcies relating in any way to such account. Typically, custodians submit filings in connection with class action settlements and may also handle bankruptcy filings. Each client should consult with its custodian and other service providers to ensure such coverage.

**Assets Under Management**

We manage approximately \$23.5 billion as of December 31, 2020 on a discretionary basis and \$260 million as of December 31, 2020 on a non-discretionary basis. Assets under management reflect assets of all accounts and portions of accounts managed by Alcentra for Alcentra and its affiliates.

**Item 5. Fees and Compensation**

We are compensated for our advisory services by earning management fees and, in certain instances, some form of performance fees from our clients. We generally describe our management fees below. *Please see Item 6. for a discussion of our performance fees.* Investors in our private funds should refer to the applicable fund's offering materials for a complete description of our fees.

We provide investment advisory separate account services for a fee. This fee is typically charged as a percentage of an account's assets under our management. While this fee is typically expressed as an annual percentage, it is calculated based on average daily, month end, or quarter end net assets, typically includes accrued income and typically charged to your account on a monthly or quarterly basis, in arrears.

Generally, our fees are dependent on the strategy that the account follows. *Please see Item 6. Performance-Based Fees and Side-by Side Management, section Other Conflicts of Interest, Valuations for a more detailed description of our valuation methodologies.*

**Fee Chart**

<b>Investment Strategy</b>	<b>Fee Range per Annum</b>
European Leveraged Loan Strategy	50 – 100 bps
European Direct Lending Strategy	75-150 bps
Global Special Situations Strategy	125-150 bps
Structured Credit Strategy	10-150 bps
European Mezzanine Funds	No Management fee being taken as the funds in this strategy are currently being liquidated.
Global High Yield	35 - 50 bps
Multi Credit Strategy	10 bps - 150 bps

A majority of our fees are based on the valuations provided by clients' custodians or pooled investment vehicles' administrators. Generally, we do not price securities or other assets for purposes of determining fees. However, to the extent permitted by applicable law, including ERISA, from time to time, we or one of our affiliates will be tasked with, or participate in, determining in good faith the asset values of securities held in pooled investment vehicles we advise, or client accounts, if the market price for a security is not readily available, or where we or our affiliate, has reason to believe that the market price is unreliable. A conflict of interest may arise in situations where we are involved in the determination of the valuation of an investment because we would benefit by receiving a fee based on the impact, if any, of the increased value of assets in the account. In such circumstances, we require, to the extent possible, pricing from an independent third party pricing vendor. If vendor pricing is

unavailable, we then look to other observable inputs for the valuations including broker-dealers, index providers, and, if applicable, fair value pricing committees of affiliated mutual fund entities. In the event that a vendor price or other observable inputs are unavailable or deemed unreliable, we have established an Alcentra Global Pricing Committee to make a reasonable determination of a security's fair value. When pricing a security, we attempt, in good faith and in accordance with applicable laws, to determine the fair value of the security or other assets in question based upon all available factors that we deem relevant at the time of determination. In determining the fair value of a security, we seek to determine the price a client might reasonably expect to: (1) receive upon the current sale of a security or asset; or (2) pay to transfer the liability associated with the security or asset in an orderly arms'-length transaction between market participants on the date on which the security or asset is valued. The price will not be determined based upon what a client might reasonably expect to receive for selling such security or asset at a later time or if it holds the security to maturity. We will provide our pricing information or determinations to a client's custodian, pricing vendors and/or fund accountants upon reasonable request.

### **Valuations**

A conflict of interest may arise in the Firm overseeing the valuation of its investments if the Firm charges fees based upon its valuations. We require, to the extent possible, pricing from an independent third-party pricing vendor. If vendor pricing is unavailable, we then look to other observable inputs for the valuations. If a vendor price or other observable inputs are unavailable or deemed unreliable, the Firm has established a Global Valuation Committee to make a reasonable determination of an investment's fair value. We may alter our valuation procedures due to, including without limitation, market events and illiquidity over a sustained period or unreliability of pricing source

### **Private Fund Fees**

#### Private Fund Fees - European Leveraged Loan Strategy

We serve as collateral manager for certain cash flow CLOs and earn management fees which are determined mainly by the assets under management of each CLO and are based on the current outstanding aggregate collateral balance (being the nominal face amount of the assets and cash) of the CLOs. The management fees consist of senior management fees and subordinated management fees. The senior management fee has a higher priority in a CLO payment waterfall whereas the subordinated management fee generally ranks below principal and interest payments to senior note holders in the payment waterfall. Also, to earn the subordinated management fee, over-collateralization and interest coverage tests must be passed on the relevant determination date for all senior CLO note holders.

#### Private Fund Fees - Structured Credit Strategy

Alcentra's Structured Credit strategies target varying risk and return objectives including (i) a high grade structured credit strategy with a focus on highly rated (AAA and AA) CLO securities; (ii) a mezzanine structured credit strategy with a focus on securitized tranches rated A, BBB, BB, B; and, (iii) an opportunistic structured credit strategy with a focus CLO equity, warehouse and other credit



opportunities.

#### Private Fund Fees - European Mezzanine Funds

Alcentra Limited acts as investment adviser to private funds and serves as sub-adviser to a private fund under a sub-advisory agreement with its affiliate, Alcentra NY. These funds are focused on mezzanine and mezzanine related investments in high quality middle market and selected larger end sponsored and unsponsored Leverage Buyout (“LBO”) transactions in Europe.

#### Private Fund Fees - European Direct Lending Funds

Alcentra acts as investment adviser to private funds and managed account clients.

#### Multi-Strategy Credit and Other

Alcentra provides discretionary and non-discretionary investment services to private funds and other investment vehicles that employ multi-strategy credit and other single-credit strategies. These funds may make direct investments for each of the underlying strategies and/or fund investments. Portfolio management may be delegated to our affiliate, Alcentra NY, under a sub-advisory agreement. To the extent Alcentra NY provides sub-advisory services to these accounts, we pay Alcentra NY for sub-advisory services it provides. A management fee is typically not charged on investments made in other funds managed by Alcentra or its affiliates to prevent a layering of fees. The respective fund offering materials describe the respective fund fee structures in more detail. Please consult these materials for further fee details.

With respect to multi-strategy credit, we provide discretionary investment services to private funds, and other investment vehicles such as SEC-registered investment companies for which we serve as sub-adviser for an affiliate. Each is comprised of either direct fund investments or a combination of direct investments and direct fund investments. A management fee is typically not charged on investments made in other funds managed by Alcentra or its affiliates to prevent a layering of fees. The management fees of the funds are payable either monthly or quarterly in arrears. To the extent Alcentra NY provides sub-advisory services to these accounts, we pay Alcentra NY for sub-advisory services it provides. For the multi-strategy credit accounts for which we act as sub-adviser for our affiliate, Alcentra NY, we earn a sub-advisory fee as outlined in the respective sub-advisory agreements.

With respect to single-credit strategies, we provide discretionary investment services to private funds, and other investment vehicles, and serve as sub-adviser to some investment vehicles under an agreement with an unaffiliated third-party. We also provide non-discretionary investment services to a private fund. Strategies provided include structured credit and special situations. The management fees of the funds are payable either monthly or quarterly in arrears. To the extent Alcentra NY provides sub-advisory services to these accounts, we pay Alcentra NY for sub-advisory services it provides. For the single-credit strategy accounts for which we act as sub-adviser for our affiliate, Alcentra NY, we earn a sub-advisory fee as outlined in the respective sub-advisory agreements.

Multi-Credit Strategy and Other

For multi-credit and other accounts, we generally charge a management fee payable on a monthly or quarterly basis in arrears. To the extent Alcentra NY provides sub-advisory services to these accounts, Alcentra Limited pays Alcentra NY for sub-advisory services it provides. A management fee is typically not charged on investments made in other funds managed by Alcentra or its affiliates to prevent a layering of fees. The respective fund offering materials describe the fund fee structures in more detail.

For the portfolio series of the Delaware statutory trust for which we serve as sub-adviser, if, in any performance period, the NAV of a series of units equals or exceeds a set threshold amount, we receive an incentive fee for such series equal to 10% of the amount, if any, by which the NAV exceeds the threshold amount.

**Fee Information**Separate Account Fees

We provide investment advisory separate account services for a fee. This fee is typically charged as a percentage of an account's assets under our management. While this fee is typically expressed as an annual percentage, it is calculated based on the average market value of the account's portfolio held during the quarter. Fees are typically billed on a quarterly basis in arrears. Your investment advisory agreement may also provide that you will incur fees and expenses in addition to our advisory fees such as custody, brokerage and other transaction costs, administrative and other expenses. Examples of other costs and expenses may include markups, mark-downs and other amounts included in the price of a security, odd-lot differentials, transfer taxes, wire transfer fees and electronic fund fees. Please review your investment advisory agreement for further information on how we charge and collect fees. *Please see Item 12. of this Brochure for more information.*

Negotiated Fees

We reserve the right, in our sole discretion, to negotiate or modify (either up or down) the basic fee schedule set forth above for any client due to a variety of factors, including but not limited to: the level of reporting and administrative operations required to service an account, the investment strategy or style, the number of portfolios or accounts involved, and/or the number and types of services provided to the client. Because our fees are negotiable, the actual fee paid by any client or group of clients may be different from the fees reflected in our representative fee set forth above. We may require the inclusion of a performance fee in the investment advisory agreement in addition to the asset-based management fee for our separate account clients. *Please see Item 6 below for more information on our performance fees.*

Additional Fee Information

We may from time to time enter into performance-based fee arrangements in accordance with the conditions and requirements of Section 205-3 of the Advisers Act. Such arrangements are negotiated

with each client and, thus, the terms may vary. However, these arrangements typically provide for a fee based on the market value of the account (at a specified month end, quarter end or based on an average and invoiced on a monthly or quarterly basis in arrears), plus a performance fee based on the portfolio's return for the relevant billing period. Some accounts have a benchmark and/or a hurdle rate and others are absolute return strategies.

#### Other Fees

If allowed by investment guidelines, we may invest your account in pooled investment vehicles (including those advised or sub-advised by us or an affiliate) that themselves bear advisory fees and operational expenses such as transfer agent, distribution, shareholding servicing, networking, and recordkeeping fees. Your account will indirectly bear these fees and expenses as an investor in such pooled investment vehicles and, as a result, you will bear higher expenses than if you invested directly in the securities held by the pooled investment vehicle. *Please consult fund materials for further fee details.*

Should our management services be terminated prior to the actual provision of services for the upcoming period, we will return management fees pro-rata from the date of our termination to the end of the period to which the advance fee covered. Other non-management fees may be assessed, either at the fund or portfolio company level, which include without limitation monitoring fees, transaction fees, break-up fees and directors' fees. The funds' offering materials describe the funds' fee structure and use of such fees. *Please consult fund materials for further fee details.*

#### Private Fund Fee Information

In addition to the fees outlined above, each of the private funds we manage may also be subject to additional charges such as custody, brokerage and other transaction costs, administrative, fund director fees and other expenses. Fees are not generally negotiable, though they may be waived or deferred at the discretion of the private fund in accordance with the fund's offering materials. Such waivers and deferrals will cause some clients or groups of clients to pay fees that are different from the basic fee schedules disclosed in fund offering materials. *Please see the applicable private fund's offering materials for further information regarding fees.* We may enter into side letter agreements with certain investors in the Funds providing such investors with different or preferential rights or terms, including but not limited to different fee structures and co-investment rights.

Further, most of the private funds charge performance fees. *Please see Item 6. for more information on our fund performance fees. Please see Item 12. Brokerage Practices for more information.* We may invest the private funds in pooled investment vehicles (e.g. our Structured Credit strategies can invest in CLO notes) that they themselves bear advisory fees and operational expenses such as advisory, transfer agent, distribution, shareholder servicing, networking and recordkeeping fees. The private funds will indirectly bear these fees and expenses as an investor in such pooled investment vehicles and, as a result, the private fund will bear higher expenses than if it invested directly in the securities held by the pooled investment vehicle.

General Fee Information

We do not charge or receive compensation in connection with the sale of investment products. However, certain of our employees or employees of our affiliates can accept compensation (also referred to as “commissions”) for the sale of securities, private funds or other investment products that we manage. Currently we have no plans for our employees or supervised persons to accept compensation for the sale of private funds that we manage. Accepting commissions for the sale of such investment products gives rise to a conflict of interest in that it may give our employees an incentive to recommend investment products based on the compensation they will receive, rather than solely on a client’s needs.

**Item 6. Performance-Based Fees and Side-by-Side Management**

We have entered into performance-based fee arrangements with some of our clients, in addition to the fees described in *Item 5. Fees and Compensation*. In general, our performance fee is based on the portfolio's gross return in excess of a high water mark, specified benchmark, hurdle rate or preferred return during a designated period of time. However, variations exist depending on, among other things, the strategy followed.

Typically, the CLOs we manage may pay a performance fee if specified internal rates of return are achieved. These amounts, if earned, are paid quarterly in arrears.

Investors in the private funds managed by the Direct Lending Team pay a share of the profits of the funds' investments, called "carried interest", typically up to 20 percent. The remaining 80 percent of the funds' profits is paid to the funds' investors. Under this strategy a hurdle rate or preferred return, typically 8 percent, must be achieved before we can receive any carried interest payments. For more detailed information on how performance fees are calculated for our funds under this strategy *please refer to the offering documents of such funds*.

Investors in the private funds managed by the Structured Credit team, in addition to an annual management fee, pay a carried interest, typically 15 percent to 20 percent over a high-water mark during a designated period of time. The high water mark keeps track of the highest level of performance on which carried interest has been paid and which must be exceeded in order for an additional carried interest to be assessed. For more detailed information on how carried interest is calculated, *please refer to the offering documents of such funds*.

Investors in the private fund managed by the Global Special Situations team, in addition to an annual management fee, may, in certain share classes, be subject to an annual performance fee equal typically up to 20 percent of any increase in the aggregate net asset value of the relevant class of shares (including net realized and unrealized gains and net investment income) over the highest net asset value per share of the relevant class as at the end of the prior calculation period. *For more detailed information, please refer to the offering documents of the fund*.

For the portfolio series of the Delaware statutory trust for which we serve as sub-adviser if, in any performance period, the NAV of a series of units equals or exceeds a set threshold amount, we receive an incentive fee for such series equal to a specified percentage, if any, by which the NAV exceeds the threshold amount.

For some of our multi-credit and other accounts, we charge a performance fee that is typically earned if a specified return is earned and may be subject to a high water mark. The respective fund offering materials describe the respective fund performance fee structures in more detail.

"Side-by-side management" refers to our simultaneous management of multiple types of client accounts/investment products. For example, we manage different types of accounts, including pooled investment vehicles for clients at the same time. In addition, we manage funds and separate accounts with the same strategy. Our clients have a variety of investment objectives, policies, strategies, limitations and restrictions. Our affiliates likewise manage a variety of separate accounts and pooled investment vehicles.

Side-by-side management gives rise to a variety of potential and actual conflicts of interest for our employees, our supervised persons, and us. Below we discuss the conflicts that we and our employees and supervised persons face when engaging in side-by-side management and how we deal with them.

In order to address these conflicts of interest we manage our accounts consistent with applicable law, and we follow procedures that are reasonably designed to treat our clients fairly and to prevent any client or group of clients from being systematically favored or disadvantaged. For example, we have a Global Allocations Policy, which is designed and implemented to ensure that all clients are treated fairly and equally, and to prevent these conflicts from influencing the allocation of investment opportunities among clients. *Please see Item 12 for an explanation of our Trade Allocation Policies and Procedures.*

## **Conflicts of Interest**

### Disclosure of Conflicts of Interest

Where the management of any conflict of interest may not be practical or disclosure is deemed suitable enough to ensure that the interests of customers are adequately protected, Alcentra may conclude it to be appropriate to disclose the conflict of interest to the affected customer(s).

Disclosure helps customers assess the services they are being offered in light of Alcentra's own interests and decide on the extent to which (if any) the customer will rely on the service. Where Alcentra discloses a conflict of interest or potential conflict of interest to a customer (or third party if applicable), the disclosure will be provided in a durable medium and include sufficient detail, considering the customer and their interests, to enable that customer to make an informed decision regarding the service in the context in which the conflict of interest arises.

### Conflicts of Interest Relating to Performance Based Fees When Engaging in Side-by-Side Management

We manage accounts that are charged a performance-based fee and other accounts that are charged a different type of fee, such as a flat asset-based fee. This presents a conflict of interest because we have a financial incentive to favor accounts with performance-based fees since we (and our employees and supervised persons) may have an opportunity to earn greater fees on such accounts as compared to client accounts without performance-based fees. Thus, we have an incentive to direct our best investment ideas to client accounts that pay performance-based fees, and to allocate, aggregate or sequence trades in favor of such accounts. We also have an incentive to give accounts with performance-based fees better execution and better brokerage commissions. *Please see also Item 12 Brokerage Practices.*

### Conflicts of Interest Relating to Accounts with Different Strategies

Our affiliates and we manage numerous accounts with a variety of strategies, which presents conflicts of interest relating to the allocation of investment opportunities and the aggregation and allocation of

trades. For example, a long/short position in two client accounts simultaneously can result in a loss to one client based on a decision to take a gain in the other. Taking concurrent conflicting positions in certain derivative instruments can likewise cause a loss to one client and a gain to another. *Please see also Item 12 Brokerage Practices.*

#### Conflicts of Interest Relating to the Management of Multiple Client Accounts

Our affiliates and we perform investment advisory services for various clients. We give advice and take action in the performance of our duties with respect to any of our other clients which may differ from the advice given, or the timing or nature of action taken, with respect to other clients. We have no obligation to purchase or sell for a client any security or other property which we purchase or sell for our own account or for the account of any other client, if it is undesirable or impractical to take such action. We may give advice or take action in the performance of our duties with respect to any of our clients which may differ from the advice given, or the timing or nature of action taken by our affiliates on behalf of their clients. Further, we may provide discretionary investment advisory services for some clients while providing non-discretionary investment advice for other clients in the same strategy. This creates conflicts including, with respect to the timing of trades and the potential for front-running.

#### Conflicts of Interest Relating to Investment in Affiliated Accounts

To the extent permissible under applicable law, we will, from time to time, invest some or all the temporary investments of client accounts in money market mutual funds advised or managed by our affiliates. In addition, we may invest client accounts in other affiliated pooled vehicles. For example, our Structured Credit Strategy has the ability to purchase notes of CLOs for which we or one of our affiliates serve as investment manager. We have an incentive to allocate investments to these types of affiliated accounts in order to generate additional fees for our affiliates or us. *Please see also Item 12. Brokerage Practices.*

#### Conflict of Interest Relating to Structured Credit Strategies

Clients in our Structured Credit Strategy may invest in CLOs, including, without limitation, CLO warehouses: (a) issued in transactions which are managed by an Alcentra Party (i.e., Alcentra its affiliated entity ("Affiliated CLOs" and "Affiliated Warehouses", as applicable); (b) in which an Alcentra Party and/or another fund managed by an Alcentra Party has made, or may make, an investment (including, without limitation, an investment in more junior or more senior tranches or interests different from or adverse to, the portfolio investments held by the structured credit client); and/or (c) to which an Alcentra Party, or an affiliate of an Alcentra Party has provided financing or other services. The Alcentra Parties and their affiliates may also have ongoing relationships with or render services to, and engage in transactions with, companies whose securities are included in the collateral underlying one or more CLO and may own debt or equity securities issued by issuers of such collateral. Such purchases of CLOs (including CLO warehouses) by the structured credit client

creates potential conflicts of interest.

The investment manager or its affiliates may receive substantial compensation with respect to investment management services provided to Affiliated CLOs (whether purchased in the primary or secondary market) which may include, but are not limited to, senior, subordinated and incentive management fees. In the case of Affiliated CLOs purchased by structured credit clients directly in the primary market, the structured credit client will receive a full rebate of all such management fees. Such rebate creates a conflict of interest to the extent that the investment manager and its affiliates may not pursue investment opportunities in Affiliated CLOs on behalf of the structured credit client even if the structured credit client is invested in the corresponding Affiliated Warehouse. No fees will be borne by the structured credit client with respect to the Affiliated Warehouses.

With respect to an Affiliated Warehouse, following the issue of a CLO, Alcentra may, in its capacity as an equity holder of the relevant Affiliated Warehouse, receive a portion of any excess interest earned during the CLO warehouse phase applicable to such Affiliated Warehouse. In circumstances where an Affiliated Warehouse does not result in a CLO issue the structured credit client may bear a proportion of the establishment and operating costs of such an Affiliated Warehouse on a pari passu basis with other equity investors and first loss lenders.

In addition, an Alcentra party that manages an Affiliated Warehouse benefits from the structured credit client's investment because establishing and financing the warehouse is an essential component of such Alcentra Party's CLO business. In connection with each Affiliated Warehouse, an Alcentra Party will determine whether a CLO will be launched and at what price, which creates a conflict of interest involving the Alcentra Party, possible future CLO investors and the structured credit client in its capacity as an investor in the Affiliated Warehouse.

#### Conflicts of Interest Relating to "Proprietary Accounts"

Our affiliates, our existing and future employees, and we will, from time to time invest in products managed by Alcentra and our related persons or we may establish "seeded" funds or accounts for the purpose of developing new investment strategies and products ("Proprietary Accounts"). Fees or incentive allocations on such investments, as well as minimum investment amounts, may be reduced or waived altogether in these instances. Investment by Alcentra, our affiliates, or our employees in Proprietary Accounts creates conflicts of interest because we have an incentive to favor these Proprietary Accounts by, for example, directing our best investment ideas to these funds or allocating, aggregating or sequencing trades in favor of such funds, to the disadvantage of other accounts. We also may have an incentive to dedicate more time and attention to our Proprietary Accounts and to give them better execution and brokerage commissions than our other client accounts. *Please see also Item 12. Brokerage Practices*



Conflicts of Interest - Relating to use of Affiliates as Administrators and Custodians of Funds

We use affiliate entities as administrators and custodians for some of our funds we manage. We could receive superior level of service or inferior and/ or more expensive service than that of an external provider. Information barriers could be breached internally allowing Affiliates access to information about funds and the common parent could use. *Please see also Item 12 Brokerage Practices.*

Other Conflicts of Interest

As noted previously, our affiliates and we manage numerous accounts with a variety of interests. This necessarily creates conflicts of interest for us. For example, an affiliate or we may cause multiple accounts to invest in the same investment. Such accounts may have conflicting interests and objectives in connection with such investment, including differing views on the operations or activities of the portfolio company, the targeted returns for the transaction and the timeframe for and method of exiting the investment. Conflicts also arise in cases where multiple Alcentra and/or affiliate client accounts are invested in different parts of an issuer's capital structure. For example, one of our funds could acquire debt obligations of a company while an affiliate's account acquires an equity investment. In negotiating the terms and conditions of any such investments, we may find that the interests of the debt-holding client accounts and the equity holding client accounts conflict. If that issuer encounters financial problems, decisions over the terms of the workout could raise conflicts of interest (including, for example, conflicts over proposed waivers and amendments to debt covenants). For example, debt-holding accounts may be better served by a liquidation of an issuer in which it could be paid in full, while equity holding accounts might prefer a reorganization of the issuer that would have the potential to retain value for the equity holders. As another example, holders of an issuer's senior securities may be able to act to direct cash flows away from junior security holders, and both the junior and senior securities may be held in client accounts. Any of the foregoing conflicts of interest will be discussed and resolved on a case-by-case basis. Any such discussions will factor in the interests of the relevant parties and applicable laws. *Please see also Item 12. Brokerage Practices*

**Item 7. Types of Clients**

We provide discretionary advisory services to investment companies, pooled investment vehicles, pension and profit sharing plans as well as corporations and other businesses.

**Account Requirements**

Each private fund is required to execute a written agreement with Alcentra, granting Alcentra authority to manage its assets and setting out minimum and ongoing investment requirements. All such terms are subject to negotiation. Investors in private funds we manage are also subject to minimum and ongoing investment requirements as determined by such funds, though commitments of lesser amounts are accepted at the sole discretion of the funds' general partners (or other governing party). *Please refer to the offering and subscription documents of such private funds for more specific information.*

**Account Requirements for Separate Accounts**

We require clients to execute a written investment management agreement with us, granting us authority to manage their assets. Generally, client accounts are subject to minimum account sizes in the region of \$50 – \$100 million which vary depending upon the strategy of the account. Separate accounts may also be subject to minimum annual fees; *please refer to Item 5. Fees and Compensation* for more information.

**Account Strategy Minimum Account Size**

- European Leveraged Loan Strategy: Minimum €200,000 (or equivalent in other currency)
- Global Special Situations Strategy: Minimum €1,000,000 (or equivalent in other currency)
- Structured Credit Strategy: ASCOF II: €125,000 (or equivalent in other currency). A minimum of €50,000 is allowed for sophisticated, well-informed investors. ASCOF IV: \$5,000,000 subject to the General Partner's discretion to accept lesser amounts.
- Global High Yield Strategy: €5,000 (or equivalent in other currency)
- European Direct Lending Strategy: €5 million (or its equivalent in the currency of the non-Euro denominated parallel partnerships Alcentra Limited may establish, although the General Partner may accept commitments of lesser amount at its discretion.
- Multi-Credit Strategy: €125,000 (or equivalent in other currency).

We reserve the right to waive the minimum account size requirements.

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

We are credit investors and we invest primarily, on behalf of our clients, in the sub-investment grade credit markets. Our objective is to deliver favorable, risk-adjusted returns together with capital preservation. Generally, we seek to meet this objective through intensive fundamental research and credit analysis, combined with active portfolio management to minimize principal losses and impairment of risk capital. However, our methods of analysis do vary depending on the type of client and the investment strategy selected.

Each client account typically follows one of and/or combination of the following strategies:

- European Leveraged Loan Strategy
- Global Special Situations Strategy
- Structured Credit Strategy
- Global High Yield Strategy
- European Direct Lending Strategy
- Multi-Credit Strategy

**Strategies****European Leveraged Loan Strategy**

This strategy invests in leveraged loans typically originated in Europe or the United States. European leveraged loans are corporate loans of below investment grade issuers bearing floating interest rates. Historically, these were typically based off an index, such as either the London Interbank Offering rate (“LIBOR”), Sterling Overnight Index Average (“SONIA”) or the European Interbank Offered Rate, a widely used floating rate index. From 2021 some of the LIBOR rates will be transitioning to other reference rates. These loans are generally senior secured obligations, which are at or near the top of an issuer's capital structure.

Alcentra’s Leveraged Loan Strategy seeks to generate attractive risk adjusted returns by investing in syndicated senior secured loans in mostly large, below investment-grade European corporate debt issuers. In addition, the strategy makes selective investments in syndicated senior secured and unsecured bonds that offer appealing relative value opportunities. The strategy focuses on investment opportunities in larger capitalization companies typically with annual earnings before interest, taxes, depreciation, and amortization (“EBITDA”) of €50 million and greater, with the greater proportion of investments in companies with EBITDA greater than €\$100MM.

The methods of analysis for the European Leveraged Loan Strategy can be divided into three areas: credit analysis, portfolio management and vehicle management:

Credit analysis is performed on the individual investments that comprise a portfolio. Investment evaluation is approached from both a top-down industry analysis that includes a review of the current economic outlook, observed default trends in the industry and

performance drivers specific to that business and a bottom-up review of the operating performance, and risk metrics of each company. Our analysts also conduct one-on-one meetings with key senior management when possible and attend conferences and teleconferences where we can meet with and get to know management from a large range of issuers within a given industry. The credit analysis process incorporates an analyst's review and screen of the financial fundamentals followed by a quantitative analysis of corporate earnings, cash flow, leverage and more. To assess the future direction of credit quality, we build our own pro-forma financials based on input/data received from the company, rating agency contacts and other sources. A qualitative evaluation of product lines, competitive position, and company USP, market trends and dynamics, Environmental, Social and Governance criteria ("ESG"), management quality and customer base and more will lead to a presentation to and review by the Firm's credit committee. Generally, the credit committee will assess the relative risks and returns and either reject the investment, ask for additional evaluative analysis and information or approve the credit. Alongside internal counsel and independent research firms' analysts will also review the relevant legal documentation. Typically following an investment, the credit analyst responsible for the transaction will monitor company and investment performance via discussions and conference calls with management, industry specialists and buy and sell side traders and analysts. As well as ongoing ad-hoc performance analysis and reviews across investments between analysts, Portfolio Managers and the Head of Credit Research the Credit Committee conducts quarterly performance reviews ("QPR") covering recent performance, changes in outlook and projections, price movements and relative values and changes in risk metrics. The reviews and conclusions drawn from the QPRs are incorporated into portfolio and vehicle management strategies.

Portfolio management is undertaken by the portfolio management team in concert with the investment analysts. Portfolio management entails the creation of a portfolio of individual investments in loans or other assets that aggregate into a total that seeks to match the return objectives and risk characteristic of a particular fund. Our management objective is to create a portfolio of solid, performing loans that generate stable cash interest payments quarter after quarter. Since there is limited opportunity for capital appreciation in par loans, emphasis must be placed on risk mitigation. Here, the portfolio management team uses diversification in industry (including the avoidance of certain perceived at-risk industries), size, location, and absolute number to help to reduce the impact of any single event. In the CLOs, the number of individual issuers in a portfolio is typically in the region of 50 names.

Vehicle management is a third critical element in investment management. Each client account has its own risk parameters and return objectives. In CLOs, additional constraints related to spread, industry diversification, price, average ratings, maturity limits, geographic location and a multitude of other tests and limits requires precision in investment buys and sells. Portfolio

managers, along with the analyst team and the operations team, work to monitor the tests and constraints in advance of trade allocations with a view to optimizing the risk-adjusted returns for the vehicles. This can often lead to different investment decisions for the same assets among our funds.

### Global Special Situations Strategy

The Strategy has a mandate to invest on both the long and short side, across the capital structure in a variety of instruments including senior secured and mezzanine debt, common equity (both publicly listed and OTC) as well as high yield bonds and credit default swaps ("CDS"). High-yield bonds are issued by organizations that do not qualify for "investment-grade" ratings. These assets are generally unsecured, rank behind the senior debt and are mostly issued with a fixed rate coupon. High yield bonds provide a high rate of current income and the potential for capital appreciation. The buying or selling of CDS contracts allow the investor to express a view as to the creditworthiness of the borrower: by entering into such an agreement the risk of default on an obligor's debt securities is transferred from the buyer of the CDS contract to the seller of the swap, as the buyer becomes entitled to the par value of the bond or loan in the event of a default. The use of such contracts provides the Global Special Situations Strategy with the ability to express both a negative view of an obligor's creditworthiness, or alternatively hedge its exposure to risk that it may have on the long side. The investment team actively monitors positions and employs disciplined trading to manage its risk.

Each member of the Alcentra Global Special Situations team is responsible for the identification and analysis of potentially attractive investment opportunities. If, following preliminary analysis, it is believed the investment fits the fund risk/reward criteria the team will undertake a more thorough review, incorporating a combination of in-depth fundamental and technical analysis. This analysis will include, but will not be limited to: business and industry analysis; contact with the company and discussions with management; financial modelling of the company's earnings and cash flow; valuation analysis; and legal due diligence associated with the company's finance documentation. All investment proposals are submitted to the Fund's Investment Committee for consideration. This Committee is responsible for the approval of any proposal and as part of this process sets limits according to the maximum exposure the Fund can acquire, whether it be on the long or short side, to any particular security.

### Structured Credit Strategy

Alcentra provides discretionary investment services to private funds, Cayman Islands open-ended unit trusts, and managed accounts with structured credit strategies. We also serve as sub-adviser for an open-ended mutual fund under an agreement with an unaffiliated third-party and provide non-discretionary investment services to a private fund. Services provided typically include risk management services and portfolio management. Portfolio management services for these funds are also provided by our affiliate, Alcentra NY, under sub-advisory agreements. The Structured Credit

Strategy invests primarily in securities that are secured or collateralized by non-investment grade U.S. and European leveraged loans (collateralized loan obligations or “CLOs”). Structured credit investments can include CLO tranches (both rated and unrated), subordinate notes/shares of CLO warehouses and tranches of other securitized products. CLO securities are issued in tranches with different seniorities of security and cash flow, and consequently different credit risks. Cash flows from collateral are used to pay the manager, trustee and other service providers of the transaction and make principal and interest payments to the note holders in the order of seniority (senior notes first, followed by the junior notes). Equity shares are entitled to the residual interest proceeds generated by the collateral; however, this cash flow may be deferred or eliminated since the interests of equity shareholders are subordinated to the interests of holders of other tranches. The rates of interest payments (or “coupons”) on the senior notes are set to be lower than the coupons on the more junior notes, reflecting the lower risk assumed by the senior note holders. We and Alcentra NY, use a disciplined approach to investment selection and portfolio management and investment decisions are predicated upon a complete credit analysis. The team applies asset specific default and recovery assumption as well as additional default stresses to form an expected return on an investment. The team uses internal systems to model transaction cashflows and will review the transaction documentation and structure in detail.

There is no assurance that we and Alcentra NY, will adopt this strategy in all circumstances and/or at all times. We and Alcentra NY, will generally employ a portfolio management strategy that will seek diversification and liquidity.

#### Global High Yield Strategy

The Alcentra High Yield investment process combines top-down, macroeconomic analysis with bottom-up research to identify attractive securities based on proprietary, fundamental research. Our top-down approach includes macroeconomic research to assess the overall risk environment, and determine broad portfolio themes, industry emphasis, and overall portfolio quality. Industry analysis includes identifying the key players within each industry, understanding the evolution and history of the industry, determining what business models are likely to be successful, and participating in key industry events when possible.

With this macroeconomic foundation in place, the analysts scour their respective industry universes to identify issuer- and security-level sources of potential alpha. In analyzing a specific company and its fixed income securities, we carefully assess the credit characteristics of each issuer Alcentra conducts a comprehensive historical analysis of company operations and financials, including applying financial and scenario analysis of individual issuers. We focus on important leading indicators and measures of profitability, including management quality, free cash flow, financial flexibility, market share, revenue growth, margin trends, and access to capital. To assess the future direction of credit quality, we build our own pro-forma financials based on input/data received from the company, rating agency contacts and other sources. Our analysts also conduct one-on-one

meetings with key senior management when possible and attend conferences and teleconferences where we can meet with and get to know management from a large range of issuers within a given industry.

Objective: Generally maximized return relative to benchmark index over a 3-5 year market cycle with appropriate amount of risk.

Benchmarks: Includes BofA Merrill Lynch High Yield Master II Index, BofA Merrill Lynch Global High Yield Constrained Index, and Barclays Capital U.S. Corporate High Yield Index.

Investment Universe: Generally non-U.S. high yield and investment grade corporate bonds. The portfolio employs various fixed income derivatives including futures, exchange traded funds, options, swaps and forward contracts.

Alpha Sources: Strategy seeks to add alpha through active management which includes decisions with respect to yield curve management, security selection and sector allocation.

Risk: Annualized tracking error is typically between 100-300 basis points.

Use of Derivatives in Alcentra High Yield: Except to the extent prohibited or limited by client agreements or guidelines, Alcentra High Yield from time to time includes derivatives in client portfolios. Derivatives typically include, swaps, and in particular credit default swap indexes (CDX), options, FX forwards and futures. Derivatives are used for interest rate and other hedging purposes relating to particular investments or for overall portfolio management. In the absence of a contrary direction in a client account agreement or guideline, Alcentra High Yield does not generally use derivatives for speculative purposes or to create leverage. In using derivatives, Alcentra High Yield considers, among other things, structural, operational and counterparty risks, as well as the characteristics of the underlying investment or index.

Cash Management – Alcentra High Yield: Most of our strategies will be fully invested most of the time but will use cash for tactical or strategic purposes. We hold some cash balances due to cash flows or limited availability of securities due to market conditions rather than tactical judgments. We will also from time to time hold cash balances as a means of reducing risk in portfolios. We manage cash conservatively.

#### European Direct Lending Strategy

European Direct Lending invests in middle market companies through first lien, second lien, unitranche, and, to a lesser extent given the current credit environment, mezzanine debt and primary equity investments. A borrower who has also borrowed money via a syndicated bank loan or a high yield bond may provide European Direct Lending with material, non-public information that is not available to that borrower's syndicated bank loan investors or its high yield bond investors. To prevent the potential misuse of material non-public information, we and Alcentra NY have implemented

information barriers separating their respective Direct Lending teams from the rest of the business.

The funds will target individual transactions with expected gross returns of 6% to 12% per annum. With a typical term of up to seven years and an expected investment horizon of three to four years. Additional returns may be pursued from transactions where the funds also makes equity co-investments alongside a debt investment. The funds are focused on senior secured investments but are able to allocate up to 30% to more junior tranches.

Investment Process: Alcentra Direct Lending sources investment opportunities largely in mid to upper-mid market sized companies that most commonly conduct a material part of their business in Europe. Borrowers typically have an enterprise value of €300m - €600m although the funds have flexibility to invest in smaller and larger companies. Borrowers typically have some or all of the following characteristics: (i) a solid financial track record; (ii) a leading and defensible market position; (iii) operate in a stable or growing industry; (iv) are a cash generative business with strong debt service capabilities; (v) and have an experienced, incentivized management team. Alcentra undertakes comprehensive due diligence and credit analysis on each investment opportunity, with a strong focus on sensible capital structures and cash flow generation capability. Alcentra will typically seek investments with a loan to value ratio of 40-50%.

No investments will be made directly in real estate assets, or asset-backed securities.

Sourcing: Alcentra will originate opportunities in the European mid-market space through several channels including direct approaches from European corporates, banking and sponsor relationships, and debt advisory firms across Europe.

The deal teams undertake comprehensive analysis on each investment opportunity including financial, commercial, legal and ESG-related due diligence as well as utilizing expert networks and Alcentra's broader sector focused Alcentra analyst team. The due diligence process also includes an in-depth analysis of the optimal structure for the investment and drafting of appropriate documentation to obtain adequate risk/return characteristics. The due diligence process consists of three stages:

Stage 1- Initial Due Diligence: An Alcentra analyst will prepare a Preliminary Investment Paper which is submitted to the Investment Committee for discussion and vote in order to determine the suitability of the asset for continued due diligence leading to the potential inclusion in the Fund's portfolio

Stage 2- In Depth Due Diligence Review: If the Investment Committee gives its preliminary approval to the potential investment, the responsible deal team will perform more in-depth due diligence as needed to progress with or decline the investment opportunity. Recommendations are submitted in a Final Paper to the Investment



Committee for discussion and vote.

Stage 3-Execution Phase: Once Alcentra has made the final decision to invest, the deal team will continue to work with internal and external legal counsel to draft all loan documentation.

### Multi-Credit Strategy

Alcentra provides discretionary investment services to private funds with multi-credit strategies. These private funds seek to invest in multiple credit strategies and will generally be divided into sleeves for each of the underlying strategies. Portfolio management for specific sleeves may be delegated to our affiliate, Alcentra NY, under a sub-advisory agreement. Alcentra allocates to the sleeves based on its analysis of the relative attractiveness of the underlying strategies and the investment program of the fund. Sleeve allocation determinations are led by the Co-Chief Investment Officers and Portfolio Managers and, for some clients, may involve an investment committee. Depending on the investment program of the fund, investments may be made directly into specific assets within the respective strategies and/or into other funds managed by Alcentra or our affiliate, Alcentra NY. Direct investments into specific assets are made using the method of analysis that has been established for the relevant strategy. Alcentra typically re-evaluates its sleeve allocations at least quarterly or more frequently if conditions warrant.

Alcentra provides discretionary sub-investment services to a private fund with a multi-credit strategy and a separately managed account. The private fund is divided into sleeves for each of the underlying strategies. Portfolio management for specific sleeves is delegated from our affiliate, Alcentra NY, under a sub-advisory agreement. Each sleeve of a multi-credit account managed under a sub-advisory agreement utilizes the investment process of the underlying strategy described above.

### **Risks**

The table below and section that follows sets forth information concerning the material risks involved with each strategy. However, there are also different risks depending on the type of client account we manage (i.e. our CLO investors have different risks than our private middle market debt fund investors and our high yield investors have a different set of risks).

CLOs have third parties invested from the senior-most tranche funding the CLO capital structure (typically rated AAA at its launch) through to the equity, and these make up the liability side of a CLO balance sheet (whereas the loans in which a CLO is invested make up the asset side of the balance sheet). The senior tranches have priority in payouts but the returns by design are lower than the average aggregate returns on the loans that CLOs hold as assets. This provides the leverage and therefore the return arbitrage needed to generate more attractive and higher returns to the subordinated debt and equity tranches of the capital structure. In CLOs, the leverage adds a measure of risk to returns as both gains and losses are magnified. Diversification reduces the risk and impact of any individual credit default or any specific industry facing problems.

Unleveraged funds do not rely on leverage to generate additional return. As in all funds invested in assets with lower absolute returns, loss avoidance is important, but because there is a lack of leverage, losses and gains on individual investments do not have a magnified impact on the fund. Risk and return are more balanced in an unleveraged fund and will therefore tend towards fewer, more selective investments, but diversification remains important.

### Table of Risks

The table below and section that follows sets forth information concerning the material risks involved with each strategy

An “X” in the table indicates that the strategy involves the corresponding risk. An empty box indicates that the strategy does not involve the corresponding risk in a material way. **However, an empty box does not guarantee that the strategy will not be subject to the corresponding risk.**

The risks set forth below represent a general summary of the material risks involved in the investment strategies we offer. If applicable, please refer to the “Risk Factors” section in the offering documents for a more detailed discussion of the risks involved in an investment in a fund. **In the case of a conflict between these risks and those in the offering documents, the offering documents will control.**

Risk Type	European Leveraged Loan Strategy	European Direct Lending	Global Special Situations Strategy	Alcentra High Yield	Multi-Credit Strategy	Structured Credit Strategy
General Risk	X	X	X	X	X	X
Allocation Risk				X	X	X
Asian Emerging Market Risk					X	
Bank Loans and Participations Risk	X				X	X
Banking Industry Risk					X	
Call Risk	X	X	X		X	X
Closed-End Investment Companies				X	X	

<b>Risk Type</b>	<b>European Leveraged Loan Strategy</b>	<b>European Direct Lending</b>	<b>Global Special Situations Strategy</b>	<b>Alcentra High Yield</b>	<b>Multi-Credit Strategy</b>	<b>Structured Credit Strategy</b>
Convertible Securities Risk			X	X	X	
Corporate and Other Debt Obligations Risk	X	X	X	X	X	X
Counterparty Creditworthiness Risk			X	X	X	X
Counterparty Risk			X	X	X	X
Country/Sector Allocation Risk	X	X	X	X	X	X
Country, Industry and Market Sector Risk			X	X	X	X
Credit Default Swaps (CDS)			X	X	X	X
Credit Risk	X	X	X	X	X	X
Cybersecurity Risk	X	X	X	X	X	X
Derivative Risk				X	X	X
Emerging Market Risk – Fixed Income				X	X	
Floating Rate Loan Risk	X	X	X	X	X	X
Fixed-Income Market Risk	X	X	X	X	X	X
Forward Foreign Currency Exchange Transactions			X	X	X	X

<b>Risk Type</b>	<b>European Leveraged Loan Strategy</b>	<b>European Direct Lending</b>	<b>Global Special Situations Strategy</b>	<b>Alcentra High Yield</b>	<b>Multi-Credit Strategy</b>	<b>Structured Credit Strategy</b>
Foreign Currency Risk			X	X	X	X
Foreign Government obligations and securities of supranational entities risk				X	X	
Foreign Investment Risk			X	X	X	X
Futures Contracts			X	X	X	X
Government Securities Risk				X	X	
Health Care Sector Risk			X		X	X
High-Yield Bond Risk	X		X	X	X	X
Interest Rate Risk	X	X	X	X	X	X
Investment Strategy Risk			X	X	X	X
Initial Public Offering (“IPO”) Risk			X	X	X	X
Issuer Risk	X	X	X	X	X	X
Lender Liability Considerations/ Equitable Subordination	X		X		X	X
Leverage Risk	X	X	X	X	X	X

<b>Risk Type</b>	<b>European Leveraged Loan Strategy</b>	<b>European Direct Lending</b>	<b>Global Special Situations</b>	<b>Alcentra High Yield</b>	<b>Multi-Credit Strategy</b>	<b>Structured Credit Strategy</b>
Libor Risk	X	X	X	X	X	X
Liquidity Risk	X	X	X	X	X	X
Loan Valuation Risk	X	X	X		X	X
Management Conflicts risk	X	X	X	X	X	X
Market Risk	X	X	X	X	X	X
Market Sector Risk			X	X	X	X
Micro-Cap Company Risk		X		X	X	X
Midsize Company Risk		X	X	X	X	X
Non-Diversification Risk		X	X			X
Participation Interests and Assignment Risks	X	X	X		X	X
Preferred Stock Risk		X	X	X		
Pre-Payment Risk	X	X	X	X	X	X
Social Investment Risk	X	X	X	X	X	X
Subordinated Securities Risk	X	X	X	X	X	X
Systemic Risk				X	X	
Trading Limitations	X			X	X	

Risk Type	European Leveraged Loan Strategy	European Direct Lending	Global Special Situations	Alcentra High Yield	Multi-Credit Strategy	Structured Credit Strategy
Unlisted Financial Instruments Risk	X	X	X	X	X	X
US Government Securities				X	X	
Volcker Rule Risk	X	X	X	X	X	X
Warrants and Rights Risks		X	X			
When Issued and Delayed Securities	X			X	X	

- General Risks.** Each investment strategy we offer invests in a variety of securities and employs a number of investment techniques that involve certain risks. Investments involve risk of loss that clients [and investors in our Funds] should be prepared to bear. We do not guarantee or represent that our investment program will be successful. Our past results are not necessarily indicative of our future performance and our investment results may vary over time. We cannot assure you that our investments of your money will be profitable, and in fact, you could incur substantial losses. Your investments with us are not a bank deposit and are not insured or guaranteed by the FDIC or any other government agency.
- Allocation risk.** The asset classes in which the strategy seeks investment exposure can perform differently from each other at any given time (as well as over the long term), so the strategy will be affected by its allocation among the various asset classes. If the strategy favors exposure to an asset class during a period when that class underperforms, performance may be hurt.
- Asian Emerging Market Risk.** Many Asian economies are characterized by over-extension of credit, frequent currency fluctuations, devaluations and restrictions, rising unemployment, rapid fluctuations in inflation, reliance on exports, and less efficient markets. Currency devaluation in one Asian country can have a significant effect on the entire region. The legal systems in many Asian countries are still developing, making it more difficult to obtain and/or enforce judgments. Furthermore, increased political and social unrest in some Asian countries could cause economic and market uncertainty throughout the region. The auditing and

reporting standards in some Asian emerging market countries may not provide the same degree of shareholder/investor protection or information to investors as those in developed countries. In particular, valuation of assets, depreciation, exchange differences, deferred taxation, contingent liability and consolidation may be treated differently than under the auditing and reporting standards of developed countries.

The imposition of sanctions, confiscations, trade restrictions (including tariffs) and other government restrictions by the United States and other governments, or problems in share registration, settlement or custody, may also result in losses.

- *Bank Loans and Participations Risk.* Bank loans and derivatives of bank loans and participations are subject to unique risks, including: (i) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors' rights laws; (ii) so-called lender liability claims by the issuer of the obligations; (iii) environmental liabilities that may arise with respect to collateral securing the obligations; and, (iv) limitations on the ability of the strategy to directly enforce its rights with respect to participations. In analyzing each bank loan assignment or swap, we must compare the relative significance of the risks against the expected benefits of the investment. Successful claims by third parties arising from these and other risks will be borne by the investors.
- *Banking Industry Risk.* The risks generally associated with concentrating investments in the banking industry, such as interest rate risk, credit risk, and regulatory developments relating to the banking industry.
- *Call Risk.* Some bonds / mezzanine debt instruments (collectively “bonds”) give the issuer the option to call, or redeem, the bonds before their maturity date. If an issuer “calls” its bond during a time of declining interest rates, the strategy might have to reinvest the proceeds in an investment offering a lower yield, and therefore might not benefit from any increase in value as a result of declining interest rates. During periods of market illiquidity or rising interest rates, prices of “callable” issues are subject to increased price fluctuation.
- *Closed-end Investment Companies – Valuation Risk.* The interests of a closed-end investment company at times trade above (a premium) or below (a discount) the net asset value of such entity’s portfolio. At times, discounts could widen, or premiums could shrink either diluting positive performance or compounding negative performance. There is no assurance that discounted entities will appreciate to their net asset value.
- *Convertible Securities Risk.* Convertible securities may be converted at either a stated price or stated rate into underlying shares of common stock. Convertible securities generally are subordinated to other similar but non-convertible securities of the same issuer. Although to a

lesser extent than with fixed-income securities, the market values of convertible securities tend to decline as interest rates increase. In addition, because of the conversion feature, the market values of convertible securities tend to vary with fluctuations in the market value of the underlying common stock. Although convertible securities are designed to provide for a stable stream of income, they are subject to the risk that their issuers may default on their obligations. Convertible securities also offer the potential for capital appreciation through the conversion feature, although there can be no assurance of capital appreciation because securities prices fluctuate. Convertible securities generally offer lower interest or dividend yields than non-convertible securities of similar quality because of the potential for capital appreciation.

- *Corporate and Other Debt Obligations Risk.* Corporate and other debt obligations, including commercial paper, are subject to the risk of an issuer's inability to meet principal and interest payments on the obligations.
- *Counterparty Creditworthiness Risk.* Under certain conditions, a counterparty to a transaction could default and the market for certain securities or financial instruments in which the counterparty deals may become illiquid.
- *Counterparty Risk.* The risk that a counterparty in a repurchase agreement or other derivative investment could fail to honor the terms of its agreement.
- *Country Industry and Sector Allocation Risk.* While the portfolio managers use the country and sector weightings of the strategy's benchmark index as a guide in structuring the strategy's portfolio, they may overweight or underweight certain countries or sectors relative to the index. This may cause the strategy's performance to be more or less sensitive to developments affecting those countries or sectors.
- *Country, Industry and Market Sector Risk.* The strategy may be overweighted or underweighted, relative to the selected benchmark in companies in certain countries, industries or market sectors, which may cause the strategy's performance to be more or less sensitive to positive or negative developments affecting these countries, industries or sectors. In addition, the strategy can, from time to time, invest a significant portion (more than 25%) of its total assets in securities of companies located in particular countries, such as the United Kingdom and Japan, depending on such country's representation within the client's selected benchmark.
- *Credit Default Swaps ("CDS").* The "buyer" in a credit default contract is obligated to pay the "seller" a periodic stream of payments over the term of the contract provided that no event of default on an underlying obligation has occurred. If a "credit event" occurs, the seller must pay the buyer the full notional value, or "par value," of the obligation. CDS transactions are either "physical settled" or "cash settled." Physical settlement entails the actual delivery by the buyer



of the reference asset to the seller in exchange for the payment of the full par value of the reference asset. Cash settled entails a net cash payment from the seller to the buyer based on the difference of the par value of the reference asset and the current market value of the reference asset. The portfolio may be either the buyer or seller in a CDS transaction. CDS can be used to address the perception of the client that a particular credit, or group of credits, may experience credit improvement or deterioration. In the case of expected credit improvement, the portfolio may sell credit default protection in which it receives a premium to take on the risk. In such an instance, the obligation of the portfolio to make payments upon the occurrence of a credit event creates leveraged exposure to the credit risk of the referenced entity. The portfolio may also buy credit default protection with respect to a reference entity if there is a high likelihood of perceived credit deterioration or for risk management purposes. In such instance, the portfolio will pay a premium regardless of whether there is a credit event. If the portfolio is a buyer and no credit event occurs, the portfolio will have made a series of periodic payments and recover nothing of monetary value. However, if a credit event occurs, the portfolio (if the buyer) will receive the full notional value of the reference obligation either through a cash or physical settlement. As a seller, the portfolio receives a fixed rate of income throughout the term of the contract, which typically is between six months and five years (but may be longer), provided that there is no credit event. CDS transactions involve greater risks than if the portfolio had invested in the reference obligation directly. The CDS market in high yield securities is comparatively new and rapidly evolving compared to the CDS market for more seasoned and liquid investment-grade securities, creating the risk that the newer markets will be less liquid and be difficult to exit or enter into a particular transaction.

- *Credit Risk.* Failure of an issuer to make timely interest or principal payments when due, or a decline or perception of a decline in the credit quality of a security, can cause a security's price to fall, lowering the value of the portfolio's investment in such security. The lower the security's credit rating, the greater the chance the issuer of the security will default or fail to meet its payment obligations. See also "High Yield Securities Risk."
- *Cybersecurity Risk.* In addition to the risks described above that primarily relate to the value of investments, there are various operational, systems, information security and related risks involved in investing, including but not limited to "cybersecurity" risk. Cybersecurity attacks include electronic and non-electronic attacks that include but are not limited to gaining unauthorized access to digital systems to obtain client and financial information, compromising the integrity of systems and client data (e.g., misappropriation of assets or sensitive information), or causing operational disruption through taking systems off-line (e.g., denial of service attacks). As the use of technology has become more prevalent, we and the client accounts we manage have become potentially more susceptible to operational risks through cybersecurity attacks. These attacks in turn could cause us and client accounts (including funds) we manage to incur regulatory penalties, reputational damage, additional

compliance costs associated with corrective measures, and/or financial loss. Similar adverse consequences could result from cybersecurity incidents affecting issuers of securities in which we invest, counterparties with which we engage in transactions, third-party service providers (e.g., a client account's custodian), governmental and other regulatory authorities, exchange and other financial market operators, banks, brokers, dealers and other financial institutions and other parties. While cybersecurity risk management systems and business continuity plans have been developed and are designed to reduce the risks associated with these attacks, there are inherent limitations in any cybersecurity risk management system or business continuity plan, including the possibility that certain risks have not been identified. Accordingly, there is no guarantee that such efforts will succeed, especially since we do not directly control the cybersecurity systems of issuers or third-party service providers.

- *Derivatives Risk.* A small investment in derivatives could have a potentially large impact on a strategy's performance. The use of derivatives involves risks different from, or possibly greater than, the risks associated with investing directly in the underlying assets, and the use of derivatives may result in losses. Derivatives in which we may invest can be highly volatile, illiquid and difficult to value, and there is the risk that changes in the value of a derivative held by the strategy will not correlate with the underlying instruments or the strategy's other investments in the manner intended. Derivative instruments also involve the risk that a loss is sustained as a result of the failure of the counterparty to the derivative instruments to make required payments or otherwise comply with the derivative instruments' terms. As many derivatives have a leverage component, adverse changes in the value or level of the underlying asset, reference rate or index can result in a loss substantially greater than the amount invested in the derivative itself on its nominal value. Certain derivatives have the potential for unlimited loss, regardless of the size of the initial investment. Certain types of derivatives, including swap agreements, forward contracts and other over-the-counter transactions, involve greater risks than the underlying obligations because, in addition to general market risks, they are subject to illiquidity risk, counterparty risk, credit risk and pricing risk. Additionally, some derivatives involve economic leverage, which could increase the volatility of these investments as they fluctuate in value more than the underlying instrument. *See also "Leverage Risk."*
- *Emerging Market Risk – Fixed Income.* The securities of issuers located in emerging markets tend to be more volatile and less liquid than securities of issuers located in the markets of more mature economies, and generally have less diverse and less mature economic structures and less stable political systems than those of developed countries. The fixed income securities of issuers located in emerging markets can be more volatile and less liquid than those of issuers in more mature economies. In addition, such securities often are considered to be below investment grade credit quality and predominantly speculative. The imposition of sanctions, confiscations, trade restrictions (including tariffs) and other government restrictions by the United States and other governments, or problems in share registration, settlement or custody,

may also result in losses.

- *Floating Rate Loan Risk.* Unlike publicly traded common stocks which trade on national exchanges, there is no central place or exchange for loans to trade. Loans trade in an over-the-counter market, and confirmation and settlement, which are effected through standardized procedures and documentation, may take significantly longer than seven days to complete. Loans trade in an over-the-counter market and are confirmed and settled through standardized procedures and documentation. Extended trade settlement periods may, in unusual market conditions with a high volume of shareholder redemptions, present a risk to shareholders regarding the fund's ability to pay redemption proceeds within the allowable time periods stated in this prospectus. The secondary market for floating rate loans also may be subject to irregular trading activity and wide bid/ask spreads. The lack of an active trading market for certain floating rate loans may impair the ability of the portfolio to realize full value in the event of the need to sell a floating rate loan and may make it difficult to value such loans. There may be less readily available, reliable information about certain floating rate loans than is the case for many other types of securities, and the strategy's portfolio managers may be required to rely primarily on their own evaluation of a borrower's credit quality rather than on any available independent sources. The value of collateral, if any, securing a floating rate loan can decline, and may be insufficient to meet the issuer's obligations in the event of non-payment of scheduled interest or principal or may be difficult to readily liquidate. In the event of the bankruptcy of a borrower, the portfolio could experience delays or limitations imposed by bankruptcy or other insolvency laws with respect to its ability to realize the benefits of the collateral securing a loan. The floating rate loans in which the portfolio invests typically will be below investment grade quality and, like other below investment grade securities, are inherently speculative. As a result, the risks associated with such floating rate loans are similar to the risks of below investment grade securities, although senior loans are typically senior and secured in contrast to other below investment grade securities, which are often subordinated and unsecured. Floating rate loans may not be considered to be "securities" for purposes of the anti-fraud protections of the federal securities laws, including those with respect to the use of material non-public information, so that purchasers, such as the fund, may not have the benefit of these protections.
- *Fixed-income market risk.* The market value of a fixed-income security may decline due to general market conditions that are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. The fixed-income securities market can be susceptible to increases in volatility and decreases in liquidity. Liquidity can decline unpredictably in response to overall economic conditions or credit tightening. Increases in volatility and decreases in liquidity may be caused by a rise in interest rates (or the expectation of a rise in interest rates), which are at or near historic lows in the

United States and in other countries. During periods of reduced market liquidity, the fund may not be able to readily sell fixed-income securities at prices at or near their perceived value. If the portfolio needed to sell large blocks of fixed-income securities to meet redemption requests or to raise cash, those sales could further reduce the prices of such securities. An unexpected increase in portfolio redemption requests, including requests from investors who may own a significant percentage of the portfolio, which may be triggered by market turmoil or an increase in interest rates, could cause the portfolio to sell its holdings at a loss or at undesirable prices and adversely affect the portfolio's price and increase the portfolio's liquidity risk, portfolio expenses and/or taxable distributions. Economic and other market developments can adversely affect fixed-income securities markets. Regulations and business practices, for example, have led some financial intermediaries to curtail their capacity to engage in trading (i.e., "market making") activities for certain fixed-income securities, which could have the potential to decrease liquidity and increase volatility in the fixed-income securities markets. Policy and legislative changes worldwide are affecting many aspects of financial regulation. The impact of these changes on the markets, and the practical implications for market participants, may not be fully known for some time.

- *Forward Foreign Currency Exchange Transactions.* We engage in spot transactions and use forward contracts for investment purposes and to protect against uncertainty in the level of future exchange rates. For example, these portfolios use forward contracts in connection with existing portfolio positions to lock in the U.S. dollar value of those positions, to increase a portfolio's exposure to foreign currencies that rise in value relative to the U.S. dollar or to shift the portfolio's exposure to foreign currency fluctuations from one country to another. The precise matching of the forward contract amounts and the value of the securities involved will not generally be possible because the future value of such securities in foreign currencies will change as a consequence of market movements in the value of those securities between the date the forward contract is entered into and the date it matures. Accordingly, it may be necessary for a portfolio to purchase additional foreign currency on the spot (that is, cash) market and bear the expense of such purchase if the market value of the security is less than the amount of foreign currency the portfolio is obligated to deliver and if a decision is made to sell the security and make delivery of the foreign currency. Conversely, it may be necessary to sell on the spot market some of the foreign currency received upon the sale of the portfolio security if its market value exceeds the amount of foreign currency the portfolio is obligated to deliver. Per current market convention, Alcentra typically does not employ ISDAs for foreign currency exchange transactions with maturities less than 3 months. In order to minimize risk, we roll these contracts monthly.
- *Foreign Currency Risk.* Investments in foreign currencies are subject to the risk that those currencies will decline in value relative to the U.S. dollar, or in the case of hedged positions, that the U.S. dollar will decline relative to the currency being hedged. Currency exchange

rates can fluctuate significantly over short periods of time. A decline in the value of foreign currencies relative to the U.S. dollar will reduce the value of securities held by the strategy and denominated in those currencies. Foreign currencies are also subject to risks caused by inflation, interest rates, budget deficits and low savings rates, political factors, and government controls.

- *Foreign Government Obligations and Securities of Supranational Entities Risk.* Investing in the sovereign debt of emerging market countries creates exposure to the direct or indirect consequences of political, social or economic changes in the countries that issue the securities or in which the issuers are located. The ability and willingness of sovereign obligors in emerging market countries or the governmental authorities that control repayment of their debt to pay principal and interest on such debt when due depends on general economic and political conditions within the relevant country. Certain countries in which the strategy may invest have historically experienced, and may continue to experience, high rates of inflation, high interest rates and extreme poverty and unemployment. Some of these countries are also characterized by political uncertainty or instability. Additional factors which influence the ability or willingness to service debt include a country's cash flow situation, the availability of sufficient foreign exchange on the date a payment is due, the relative size of its debt service burden to the economy as a whole and its government's policy towards the International Monetary Fund ("IMF"), the International Bank for Reconstruction and Development ("IBRD") and other international agencies. The ability of a foreign sovereign obligor to make timely payments on its external debt obligations also will be strongly influenced by the obligor's balance of payments, including export performance, its access to international credits and investments, fluctuations in interest rates and the extent of its foreign reserves. A governmental obligor may default on its obligations. Some sovereign obligors in emerging market countries have been among the world's largest debtors to commercial banks, other governments, international financial organizations, and other financial institutions. These obligors, in the past, have experienced substantial difficulties in servicing their external debt obligations, which led to defaults on certain obligations and the restructuring of certain indebtedness.
- *Foreign Investment Risk.* Special risks associated with investments in foreign companies include exposure to currency fluctuations, less liquidity, less developed or less efficient trading markets, lack of comprehensive company information, political or economic instability, seizure or nationalization of assets, imposition of taxes or repatriation restrictions and differing auditing and legal standards. The securities of issuers located in emerging markets can be more volatile and less liquid than those of issuers in more mature economies.
- *Futures Contracts.* Futures contracts generally provide a high degree of liquidity and a low level of counterparty performance and settlement risk. While the use of futures contracts by a portfolio can amplify a gain, it can also amplify a loss. This loss can be substantially more

money than the initial margin posted by the portfolio pursuant to the contracts. There is no assurance of market liquidity for futures contracts, whether traded on an exchange or in the over-the-counter market and, as a result, there may be times where a portfolio would not be able to close a future investment position when it wanted to do so. Upon entering into a futures transaction, a portfolio will generally be required to deposit an initial margin payment with the futures commission merchant (the “futures broker”). The initial margin payment will be deposited with a portfolio’s custodian in an account registered in the futures broker’s name; however, the futures broker can gain access to that account only under specified conditions. As the future is marked-to-market to reflect changes in its market value, subsequent margin payments, called variation margin, will be paid to or by the futures broker on a daily basis. Prior to expiration of the future, if a portfolio elects to close out its position by taking an opposite position, a final determination of variation margin is made, additional cash is required to be paid by or released to the portfolio, and any loss or gain is realized for tax purposes. Position limits also apply to futures traded on an exchange. An exchange can order the liquidation of positions found to be in violation of those limits and may impose certain other sanctions. Initial margin is posted to a collateral pool which may be used to cover third-party liabilities in an event of default by a clearing broker or a major clearing broker’s client.

- *Government Securities Risk.* Not all obligations of the U.S. government’s agencies and instrumentalities are backed by the full faith and credit of the U.S. Treasury. Some obligations are backed only by the credit of the issuing agency or instrumentality, and in some cases there is some risk of default by the issuer. Any guarantee by the U.S. government or its agencies or instrumentalities of a security held by the strategy does not apply to the market value of such security. A security backed by the U.S. Treasury or the full faith and credit of the United States is guaranteed only as to the timely payment of interest and principal when held to maturity. In addition, because many types of U.S. government securities trade actively outside the United States, their prices rise and fall as changes in global economic conditions affect the demand for these securities.
- *Health Care Sector Risk.* For investments focused in the health care and related sectors, the value of your investment will be affected by factors particular to those sectors and may fluctuate more widely than that of a strategy which invests in a broad range of industries. Health care companies are subject to government regulation and approval of their products and services, which can have a significant effect on their market price. The types of products or services produced or provided by these companies may quickly become obsolete. Moreover, liability for products that are later alleged to be harmful or unsafe can be substantial and have a significant impact on the health care company’s market value and/or share price. Biotechnology and related companies are affected by patent considerations, intense competition, rapid technology change and obsolescence, and regulatory requirements of various federal and state agencies. In addition, some of these companies are relatively small

and have thinly traded securities, not yet offer products or offer a single product, and have persistent losses during a product's transition from development to production, or erratic revenue patterns. The stock prices of these companies are very volatile, particularly when their products are up for regulatory approval and/or under regulatory scrutiny.

- *High-Yield Bond Risk.* High yield ("junk") bonds involve greater credit risk, including the risk of default, than investment grade bonds, and are considered predominantly speculative with respect to the issuer's ability to make principal and interest payments. The prices of high-yield bonds can fall dramatically in response to bad news about the issuer, its industry, or the economy in general.
- *Interest Rate Risk.* Prices of bonds and other fixed-income securities tend to move inversely with changes in interest rates. Typically, a rise in rates will adversely affect fixed rate fixed-income securities and, accordingly, will cause the value of the fund's investments in these securities to decline. During periods of very low interest rates, which occur from time to time due to market forces or actions of governments and/or their central banks, including the Board of Governors of the Federal Reserve System in the U.S., the fund may be subject to a greater risk of principal decline from rising interest rates. Risks associated with rising interest rates are heightened given that interest rates in the United States and other countries are at or near historic lows. When interest rates fall, the values of already-issued fixed-income securities generally rise. However, when interest rates fall, the fund's investments in new securities may be at lower yields and may reduce the fund's income. The magnitude of these fluctuations in the market price of fixed-income securities is generally greater for securities with longer effective maturities and durations because such instruments do not mature, reset interest rates or become callable for longer periods of time. Unlike investment grade bonds, however, the prices of high yield bonds may fluctuate unpredictably and not necessarily inversely with changes in interest rates. In addition, the rates on floating rate instruments adjust periodically with changes in market interest rates. Although these instruments are generally less sensitive to interest rate changes than fixed rate instruments, the value of floating rate loans and other floating rate securities may decline if their interest rates do not rise as quickly, or as much, as general interest rates.
- *Investment Strategy Risk.* The strategy's sustainability investment criteria may limit the number of investment opportunities available to the strategy, and, as a result, at times the strategy's returns may be lower than those of strategies that are not subject to such special investment considerations.
- *Initial public offering ("IPO") Risk.* The prices of securities purchased in IPOs can be very volatile. The effect of IPOs on a strategy's performance depends on a variety of factors, including the number of IPOs the strategy invests in relative to the size of the strategy and

whether and to what extent a security purchased in an IPO appreciates or depreciates in value. Therefore, IPO investments may magnify the returns of the strategy.

- *Issuer Risk.* A security's market value may decline for a number of reasons which directly relate to the issuer, such as management performance, financial leverage and reduced demand for the issuer's products or services, or factors that affect the issuer's industry, such as labor shortages or increased production costs and competitive conditions within an industry.
- *Lender Liability Considerations/Equitable Subordination.* In recent years, a number of judicial decisions in the United States have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories, including equitable subordination (collectively termed "lender liability"). Generally, lender liability is founded upon the premise that the institutional lender has 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. Funds that we manage, as a creditor, may be subject to allegations of lender liability. Furthermore, funds may be unable to control the conduct of the other lenders under a loan syndication agreement requiring less than a unanimous vote, yet funds may be subject to lender liability for such conduct.
- *Leverage Risk.* The companies in which client accounts will invest expect to employ considerable leverage, a significant portion of which may be at floating interest rates. The leveraged capital structure of the companies will increase the sensitivity of client accounts' investments to any deterioration in a company's revenues, condition or industry, competitive pressures, an adverse economic environment or rising interest rates. In the event any such company cannot generate adequate cash flow to meet debt service, client accounts may suffer a partial or total loss of capital invested in the company, which could adversely affect client account returns.
- *Libor Risk.* Banks will not continue to provide submissions for the calculation of the London Inter-bank Offered Rate ("LIBOR") after 2021 and possibly prior to then. Accounts that undertake transactions in instruments that are valued using LIBOR rates or other interbank offered rates ("IBORs") or enter into contracts which determine payment obligations by reference to LIBOR or other IBOR rates may be adversely affected as a result.

In light of this eventuality, public and private sector industry initiatives are currently underway to identify new or alternative reference rates to be used in place of LIBOR and to transition LIBOR-based instruments to the replacement rates. There is no assurance that the composition or characteristics of any such alternative reference rate will be similar to or produce the same value or economic equivalence as LIBOR or that it will have the same volume or liquidity as did LIBOR prior to its discontinuance or unavailability, which may affect the value, liquidity



or return on LIBOR-based investments such as loans, derivatives, fixed income, floating rate securities or other instruments. As a result, client accounts that hold such instruments, now or at any time prior to the transition, may incur costs in connection with closing out positions and entering into new trades.

- *Liquidity Risk.* When there is little or no active trading market for specific types of securities or other instruments, it can become more difficult to sell the securities or other instruments at or near their perceived value. In such a market, the value of such securities or other instruments and the value of your investment may fall dramatically, even during periods of declining interest rates. Investments that are illiquid or that trade in lower volumes may be more difficult to value. The market for below investment grade securities may be less liquid and therefore these securities may be harder to value or sell at an acceptable price, especially during times of market volatility or decline. Liquidity risk also exists when a particular derivative instrument is difficult to purchase or sell. If a derivative transaction is particularly large or if the relevant market is illiquid (as is the case with many privately negotiated derivatives), it may not be possible to initiate a transaction or liquidate a position at an advantageous time or price. Investments in foreign securities tend to have greater exposure to liquidity risk than domestic securities. No active trading market may exist for some of the floating rate loans in which we invest, and certain loans may be subject to restrictions on resale. Because some floating rate loans that we invest in may have a more limited secondary market, liquidity risk is more pronounced for the fund than for mutual funds that invest primarily in other types of fixed-income instruments or equity securities. Liquidity risk also may refer to the risk that we will not be able to pay redemption proceeds within the allowable time period stated in the client agreements because of unusual market conditions, an unusually high volume of redemption requests, or other reasons. To meet redemption requests, the fund may be forced to sell securities at an unfavorable time and/or under unfavorable conditions, which may adversely affect the account.
- *Loan Valuation Risk.* Because there may be a lack of centralized information and trading for certain loans in which we may invest, reliable market value quotations may not be readily available for such loans and their valuation may require more research than for securities with a more developed secondary market. Moreover, the valuation of such loans may be affected by uncertainties in the conditions of the financial market, unreliable reference data, lack of transparency and inconsistency of valuation models and processes.
- *Management Conflicts Risk.* The adviser and its affiliates may participate in the primary and secondary market for loan obligations. Because of limitations imposed by applicable law, the presence of the adviser and its affiliates in the loan obligations market may restrict the Firm's ability to acquire some loan obligations or affect the timing or price of such acquisitions. The Firm and its affiliates engage in a broad spectrum of financial services and asset management

activities in which their interests or the interests of their clients may conflict with those of the fund. In addition, because of the financial services and asset management activities of the Firm and its affiliates, the Firm may not have access to material non-public information regarding the borrower to which other lenders have access.

- *Market Risk.* The market value of a security may decline due to general market conditions that are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates, outbreaks of an infectious disease, or adverse investor sentiment generally. A security's market value also may decline because of factors that affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. Global economies and financial markets are becoming increasingly interconnected, and conditions and events in one country, region or financial market may adversely impact issuers in a different country, region or financial market. These risks may be magnified if certain events or developments adversely interrupt the global supply chain; in these and other circumstances, such risks might affect companies world-wide.
- *Market Sector Risk.* A given strategy may significantly overweight or underweight certain companies, industries or market sectors, which may cause the strategy's performance to be more or less sensitive to developments affecting those companies, industries or sectors.
- *Micro-Cap Company Risk.* Micro-Cap stocks may offer greater opportunity for capital appreciation than the stocks of larger and more established companies; however, they also involve substantially greater risks of loss and price fluctuations. Micro-Cap companies carry additional risks because their earnings and revenues tend to be less predictable (and some companies may be experiencing significant losses), and their share prices tend to be more volatile and their markets less liquid than companies with larger market capitalizations. Micro-Cap companies may be newly formed or in the early stages of development, with limited product lines, markets or financial resources, and may lack management depth. In addition, there may be less public information available about these companies. The shares of micro-cap companies tend to trade less frequently than those of larger, more established companies, which can adversely affect the pricing of these securities and the Firm's ability to sell these securities. Also, it may take a long time before the value of your investment realizes a gain, if any, on an investment in a micro-cap company.
- *Midsized Company Risk.* Midsized companies carry additional risks because the operating histories of these companies tend to be more limited, their earnings and revenues less predictable (and some companies may be experiencing significant losses), and their share prices more volatile than those of larger, more established companies.

- *Non-Diversification Risk.* The strategy is non-diversified, which means that the strategy may invest a relatively high percentage of its assets in a limited number of issuers. Therefore, the strategy's performance may be more vulnerable to changes in the market value of a single issuer or group of issuers and more susceptible to risks associated with a single economic, political or regulatory occurrence than a diversified strategy.
- *Participation Interests and Assignments Risk.* A participation interest gives the portfolio an undivided interest in a loan in the proportion that the portfolio's participation interest bears to the total principal amount of the loan, but does not establish any direct relationship between the portfolio and the borrower. If a floating rate loan is acquired through a participation, the portfolio generally will have no right to enforce compliance by the borrower with the terms of the loan agreement against the borrower, and the portfolio may not directly benefit from the collateral supporting the debt obligation in which it has purchased the participation. As a result, the portfolio will be exposed to the credit risk of both the borrower and the institution selling the participation. The portfolio also may invest in a loan through an assignment of all or a portion of such loan from a third party. If a floating rate loan is acquired through an assignment, the portfolio may not be able to unilaterally enforce all rights and remedies under the loan and with regard to any associated collateral.
- *Preferred Stock Risk.* Preferred stock is a class of a capital stock that typically pays dividends at a specified rate. Preferred stock is generally senior to common stock, but subordinate to debt securities, with respect to the payment of dividends and on liquidation of the issuer.
- *Prepayment Risk.* Some securities give the issuer the option to prepay or call the securities before their maturity date, which may reduce the market value of the security and the anticipated yield-to-maturity. If an issuer "calls" its securities during a time of declining interest rates, we may have to reinvest the proceeds in an investment offering a lower yield, and therefore might not benefit from any increase in value as a result of declining interest rates. During periods of market illiquidity or rising interest rates, prices of "callable" issues are subject to increased price fluctuation.
- *Social Investment Risk.* Socially responsible and sustainability investment criteria may limit the number of investment opportunities available to a strategy and, as a result, at times the strategy's returns may be lower than those strategies that are not subject to such special investment considerations.
- *Subordinated Securities Risk.* Holders of securities that are subordinated or "junior" to more senior securities of an issuer are entitled to payment after holders of more senior securities of the issuer. Subordinated securities are more likely to suffer a credit loss than non-subordinated securities of the same issuer, any loss incurred by the subordinated securities is likely to be

proportionately greater, and any recovery of interest or principal may take more time. As a result, even a perceived decline in creditworthiness of the issuer is likely to have a greater impact on the market value of these securities. Subordinated loans generally are subject to similar risks as those associated with investments in senior loans, except that such loans are subordinated in payment and/or lower in lien priority to first lien holders. Consequently, subordinated loans generally have greater price volatility than senior loans and may be less liquid. The risks associated with subordinated unsecured loans, which are not backed by a security interest in any specific collateral, are higher than those for comparable loans that are secured by specific collateral.

- *Systemic Risk.* World events and/or the activities of one or more large participants in the financial markets and/or other events or activities of others could result in a temporary systemic breakdown in the normal operation of financial markets. Such events could result in a portfolio losing substantial value caused predominantly by liquidity and counterparty issues which could result in a portfolio incurring substantial losses.
- *Trading Limitations.* For all securities, including options, listed on a public exchange, the exchange generally has the right to suspend or limit trading under certain circumstances. These suspensions or limits could render certain strategies difficult to execute or continue and subject a portfolio to loss.
- *Unlisted Financial Instruments Risk.* Unlisted securities may involve higher risks than listed securities. Because of the absence of any trading market for unlisted securities, it may take longer to liquidate, or it may not be possible to liquidate, positions in unlisted securities than would be the case for publicly traded securities. Companies whose securities are not publicly traded may not be subject to public disclosure and other investor protection requirements applicable to publicly traded securities.
- *U.S. Government Securities.* The strategy may invest in U.S. government securities, including bills, notes, bonds and other debt securities issued by the U.S. Treasury. These instruments are direct obligations of the U.S. government and, as such, are backed by the “full faith and credit” of the United States government. They differ primarily in their interest rates, the lengths of their maturities and the dates of their issuance. Each portfolio may also invest in securities issued by agencies or instrumentalities of the U.S. government. These obligations, including those guaranteed by federal agencies or instrumentalities, may or may not be backed by the “full faith and credit” of the United States government. All of the foregoing are referred to collectively as “U.S. government securities.” Securities issued or guaranteed by agencies or instrumentalities are supported by: (i) the full faith and credit of the United States; (ii) the limited authority of the issuer to borrow from the U.S. Treasury; or (iii) the authority of the U.S. government to purchase certain obligations of the issuer. No assurance can be given that

the U.S. government will provide financial support to its agencies and instrumentalities as described in (ii) and (iii) above, other than as set forth, since it is not obligated to do so by law. In the case of securities not backed by the full faith and credit of the United States, a portfolio must look principally to the agency issuing or guaranteeing the obligation for ultimate repayment and may not be able to assert a claim against the United States if the agency or instrumentality does not meet its commitments.

- *Volcker Rule Risk.* If Bank-controlled entities invest in a private fund and are subsequently required to divest some of all of their investments to meet the 3% Fund Limit (Bank-controlled entities could be required to limit their aggregate ownership interests in the fund to no more than 3% by (i) July 21, 2015, if the fund was established after December 31, 2013, or (ii) July 21, 2017, if the fund was established on or before December 31, 2013) or 3% Aggregate Limit (the aggregate investment in the fund and all “covered funds” by all Bank-controlled entities could be capped at 3% of the Bank’s Tier 1 capital), then this could have ramifications for the fund and its investors. The fund could be forced to sell portfolio holdings to raise cash for liquidations. This could result in the sale of portfolio holdings at inopportune times or at below-market prices. In addition, forced sales of portfolio holdings could increase brokerage and transfer costs and expenses, result in lost investment opportunities and generate tax consequences. However, in the case of any such divestment, we would seek to minimize any adverse impact to the fund.
- *Warrants and Rights Risk.* Warrants and rights may become worthless if the price of the stock does not rise above the exercise price by the expiration date. This increases the market risks of warrants as compared to the underlying security.
- *When-Issued and Delayed-Delivery Securities.* “When-issued” or “delayed delivery” refers to securities whose terms and indenture are available and for which a market exists, but which are not available for immediate delivery. While the portfolio will purchase securities on a when-issued or delayed-delivery basis only with the intention of acquiring the securities, the portfolio may sell the securities before the settlement date if it is deemed advisable. At the time the portfolio makes the commitment to purchase securities on a when-issued or delayed delivery basis, the portfolio will record the transaction and thereafter reflect the value, each day, of the security in determining the net asset value of the portfolio. When these transactions are negotiated, the price (which is generally expressed in yield terms) is fixed at the time the commitment is made, but delivery and payment for the securities take place at a later date. During the period between commitment by a portfolio and settlement (generally within two months but not to exceed 120 days), no payment is made for the securities purchased by the purchaser, and no interest accrues to the purchaser from the transaction. These securities are subject to market fluctuation, and the value at delivery may be less than the purchase price. A portfolio will engage in when-issued transactions in order to secure what is considered to be

an advantageous price and yield at the time of entering into the obligation. When a portfolio engages in when-issued or delayed-delivery transactions, it relies on the buyer or seller, as the case may be, to consummate the transaction. Failure to do so may result in a portfolio losing the opportunity to obtain a price and yield considered to be advantageous. If a portfolio chooses: (i) to dispose of the right to acquire a when-issued security prior to its acquisition; or (ii) to dispose of its right to deliver or receive against a forward commitment; it may incur a gain or loss. To the extent a portfolio engages in when-issued and delayed-delivery transactions, it will do so for the purpose of acquiring or selling securities consistent with its investment objectives and policies and not for the purposes of investment leverage. A portfolio enters into such transactions only with the intention of actually receiving or delivering the securities, although (as noted above) when-issued securities and forward commitments may be sold prior to the settlement date.

**Item 9. Disciplinary Information**

From time to time, we and/or BNY Mellon may be involved in regulatory examinations or litigation that arise in the ordinary course of our business. At this time, we are not aware of any regulatory matters or litigation that we believe would be material to an evaluation of our advisory business or integrity of our management.

**Item 10. Other Financial Industry Activities and Affiliations****Alcentra NY, LLC (“Alcentra NY”)**

Alcentra NY and we are affiliates and indirect subsidiaries of BNY Alcentra Group Holdings, Inc. (“Alcentra Group”). Alcentra Group is an indirect, wholly owned subsidiary of BNY Mellon. The firms provide discretionary and non-discretionary investment advisory services to each other under sub-advisory agreements. In addition to the sub-advisory relationship described in *Item 8. Methods of Analysts, Investment Strategies and Risk of Loss*, Alcentra NY also provides us with various services under certain intercompany agreements.

**BNY Mellon****BNY Mellon is a Global Financial Services Company:**

BNY Mellon is a global financial services company providing a comprehensive array of financial services (including asset management, wealth management, asset servicing, clearing and execution services, issuer services and treasury services) through a world-wide client focused team that enables institutions and individuals to manage and service their financial assets. BNY Mellon Investment Management is the umbrella designation for BNY Mellon’s affiliated investment management firms, wealth management business and global distribution companies and is responsible, through various subsidiaries, for U.S. and non-U.S. retail, intermediary and institutional distribution of investment management and related services.

We may enter into transactions with unaffiliated counterparties or third-party service providers who then use affiliates of ours to execute such transactions. Additionally, we may effect transactions in American Depositary Receipts (“ADRs”) or other securities and the involved issuers or their service providers may use affiliates for support services. Services provided by our affiliates to such unaffiliated counterparties, third party service providers and/or issuers may include, for example, clearance of trades, purchases or sales of securities, serving as depositary bank to issuers of ADRs, providing foreign exchange services in connection with dividends and other distributions from foreign issuers to owners of ADRs, or other transactions not contemplated by us. Although one of our affiliates may receive compensation for engaging in these transactions and/or providing services, the decision to use or not use an affiliate of ours is made by the unaffiliated counterparty, third party service provider or issuer. Further, we will likely be unaware that the affiliate is being used to enter into such transaction or service.

BNY Mellon and/or its other affiliates may gather data from us about our business operations, including information about holdings within client portfolios, which is required for regulatory filings to be made by us or BNY Mellon or other affiliates (e.g., reporting beneficial ownership of equity securities) or for other compliance, financial, legal or risk management purposes, pursuant to policies and procedures of Alcentra, BNY Mellon or other affiliates. This data is deemed confidential and procedures are followed to ensure that any information is utilized solely for the purposes intended.



BNY Mellon's Status as a Bank Holding Company

BNY Mellon and its direct and indirect subsidiaries, including us are subject to certain U.S. banking laws, including the Bank Holding Company Act of 1956, as amended (the "BHCA"), to regulation and supervision by the Board of Governors of the Federal Reserve System (the "Federal Reserve"), and to the provisions of, and regulations under the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"). The BHCA and the Dodd-Frank Act" (and other applicable banking laws, and their interpretation and administration by the appropriate regulatory agencies, including but not limited to the Federal Reserve) may restrict the transactions and relationships among BNY Mellon, its affiliates (including us) and our clients, and may restrict our investments, transactions and operations. For example, the BHCA regulations applicable to BNY Mellon and us may, among other things, restrict our ability to make certain investments or the size of certain investments, impose a maximum holding period on some or all of our investments, and restrict our ability to participate in the management and operations of the companies in which we invest. In addition, certain BHCA regulations may require aggregation of the positions owned, held or controlled by related entities. Thus, in certain circumstances, positions held by BNY Mellon and its affiliates (including us) for client and proprietary accounts may need to be aggregated and may be subject to a limitation on the amount of a position that may be held. These limitations may have an adverse effect on our ability to manage client investment portfolios. For example, depending on the percentage of a company we and our affiliates (in the aggregate) control at any given time, the limits may: (1) restrict our ability to invest in that company for certain clients and/or (2) require us to sell certain client holdings of that company at a time when it may be undesirable to take such action. Additionally, BNY Mellon may in the future, in its sole discretion and without notice, engage in activities impacting us in order to comply with the BHCA or other legal requirements applicable to (or reduce or eliminate the impact or applicability of any bank regulatory or other restrictions on) us and accounts managed by us and our affiliates.

The Volcker Rule

The Dodd-Frank Act includes provisions that have become known as the "Volcker Rule," which restrict bank holding companies, such as BNY Mellon and its subsidiaries (including us) from (i) sponsoring or investing in a private equity fund, hedge fund or otherwise "covered fund", with the exception, in some instances, of maintaining a de minimis investment, subject to certain other conditions and/or exceptions, (ii) engaging in proprietary trading, and (iii) entering into certain transactions involving conflicts of interest (e.g., extensions of credit). The final Volcker Rule was jointly adopted by a group of U.S. federal financial regulators in December 2013 and was fully implemented by BNY Mellon by July 21, 2017.

The Volcker Rule generally prohibits certain transactions involving an extension of credit between BNY Mellon and its affiliates, on the one hand, and "covered funds" managed by BNY Mellon and/or its affiliates (including us), on the other hand, subject to certain exemptions pursuant to which such extensions of credit are permitted. BNY Mellon affiliates provide securities clearance and settlement

services to broker-dealers on a global basis. The operational mechanics of the securities clearance and settlement process can result in an unintended intraday extension of credit between the securities clearance firm and a “covered fund.” As a result, unless an applicable exemption is available, we may be restricted from using a BNY Mellon affiliate as custodian or in other capacities for covered funds as well as be restricted in executing transactions for certain funds through broker-dealers that utilize a BNY Mellon affiliate as their securities clearance firm. Such restrictions could limit the covered fund’s selection of service providers and prevent us from executing transactions through broker-dealers we would otherwise use in fulfilling our duty to seek best execution.

### Affiliated Placement Agents

We have affiliated “placement agents,” including BNY Mellon Securities Corporation (“BNYMSC”), BNY Mellon Investment Management EMEA Limited, and BNYMIA who solicit persons to invest in various private funds, including our private funds, as well as our separate account products and may also provide other administrative services. Certain private funds and Alcentra have entered into agreements with these placement agents to pay them commissions or fees for such solicitations should such sales activity occur. We or our affiliates are solely responsible for the payment of these commissions and fees - they will not be borne by the private funds and their investors. We or our affiliates will pay these commissions and fees out of our profits, and these payments do not increase the fees paid by the private funds’ investors or our separate account clients. Nonetheless, these arrangements present a conflict of interest because they provide a financial incentive to the placement agents and their employees and/or salespersons to steer investors toward those private funds or separate account products that will generate higher commissions and fees. *Please see Item 14. for more information on the compensation arrangements related to client referrals.*

Our sales and client service employees are registered representatives of our affiliate, BNYMSC, a registered investment adviser under the Investment Advisers Act of 1940, as amended, a registered broker-dealer under the Securities Exchange Act of 1934, as amended, and a member of the Financial Industry Regulatory Authority (“FINRA”). In their capacity as registered representatives of BNYMSC, these employees sell and provide services regarding funds managed by us. There is a financial arrangement in place between us and BNYMSC with respect to these services.

### Affiliated Service Providers

In addition, to the extent permitted under applicable law, placement agents and their respective affiliates may provide brokerage and certain other financial and securities services to us, our affiliates or related private funds. Such services, if any, will be provided at competitive rates. BNY Mellon is also affiliated with service providers, distributors and consultants that provide services and receive fees from BNY Mellon in connection with such services, which would incentivize such persons to distribute interests in a private fund or other BNY Mellon products.

Alcentra has entered into an agreement with its affiliate, The Bank of New York Mellon (“BNYM

AIS”) to provide certain operational, middle and back office support for us.

#### BNY Mellon Incentive Compensation Plan

BNY Mellon has adopted an incentive compensation program (“IC Program”), which seeks to financially reward eligible employees who offer a business lead that results in a sale of certain affiliated products or services to existing clients and prospects. These rewards may be paid to Alcentra and its employees for referring business (services or products) to its affiliates, and Alcentra’s affiliates and their employees may receive rewards for referring business to Alcentra. The rewards may be based on the number of referrals made. These rewards may create conflicts of interest for Alcentra and our employees because we have an incentive to encourage our clients to engage in transactions with our affiliates, based on the compensation that we will receive for these referrals. To the extent that Alcentra participates in the IC Program, it will do so in a manner that complies with all applicable law and Rule 206(4)-3 under the Advisers Act, if applicable.

#### **Other Relationships**

In addition, BNY Mellon personnel, including certain of our employees, may have board, advisory, or other relationships with issuers, distributors, consultants and others that may have investments in a private fund and/or related funds or that may recommend investments in a private fund or distribute interests in a private fund. To the extent permitted by applicable law, BNY Mellon and its affiliates, including us and our personnel, may make charitable contributions to institutions, including those that have relationships with investors or personnel of investors. As a result of the relationships and arrangements described in this paragraph, placement agents, consultants, distributors and other parties would have conflicts associated with their promotion of a private fund, or other dealings with a private fund, that create incentives for them to promote a private fund.

Some of our clients may retain consulting firms to assist them in selecting investment managers. Some consulting firms provide services to both those who hire investment managers and to investment management firms, and we may provide separate advisory services directly or indirectly to employees of such consulting firms. We may pay to attend conferences sponsored by consulting firms and/or purchase services from consulting firms where we believe those services will be useful to us in operating our investment management business. We do not pay referral fees to consultants. However, our clients and prospective clients should be aware that consulting firms might have business relationships with investment management firms that they recommend to their clients.

BNY Mellon maintains, and we have adopted, a Code of Conduct that addresses these types of relationships and the conflicts of interest they present, including the provision and receipt of gifts and entertainment.

BNY Mellon, among several other leading investment management firms, has a minority equity interest in Luminex Trading and Analytics, LLC (“Luminex”), a registered broker-dealer under the

Exchange Act, which was formed for the purpose of establishing and operating a “buy-side” owned and controlled electronic execution utility for trading securities (the “Alternative Trading System”). Transactions for clients for which we serve as adviser or sub-adviser may be executed through the Alternative Trading System. We and BNY Mellon disclaim that either is an affiliate of Luminex.

#### Affiliated Broker-Dealers and Investment Advisers

We are affiliated with a significant number of advisers and broker/dealers. *Please see our Form ADV, Part 1A - Schedule D, Section 7.A for a list of our affiliated advisers and broker-dealers.* Several of our investment adviser affiliates have, collectively, a significant number of investment-related private funds for which a related person serves as sponsor, general partner or managing member (or equivalent), respectively. *Please refer to the Form ADV, Part 1A – Schedule D, Section 7.B for each of our affiliated investment advisers for information regarding such firm’s private funds (if applicable) and such firm’s Form ADV, Part 1A – Schedule D, Section 7.A for information regarding related persons that serve in a sponsor, general partner or managing member capacity (if applicable).*

Where we select the broker to effect purchases or sales of securities for client accounts, we may use either an affiliated or unaffiliated broker (unless otherwise restricted by an agreement, law or regulation). We have an incentive to enter into transactions with an affiliated broker-dealer, in an effort to direct more commission dollars to the affiliate. However, we have broker selection policies in place that require our selection of a broker-dealer to be consistent with duty to seek best execution, and subject to any client and regulatory proscriptions. *Please see Item 12 below for more information on our broker selection process.*

We may be prohibited or limited from effecting transactions for you because of rules in the marketplace, foreign laws or our own policies and procedures. In certain cases, we may face further limitations because of aggregation issues due to our relationship with affiliated investment management firms. *Please Item 6 above and Item 12 below for a discussion of trade aggregation issues.*

#### Affiliated Underwriters

Our broker-dealer affiliates occasionally act as underwriter or as a member of the underwriting syndicate for certain new issue securities, which presents a conflict of interest because it creates an incentive for us to purchase these new issue securities, in an effort to provide additional fees to the broker-dealer affiliate.

BNY Mellon or its affiliates are frequently engaged to serve as trustee, indenture trustee, custodian, paying agent or other similar capacities for the issuers of corporate bonds and other securities, including asset backed and/or mortgage-backed securities. Because the receipt of compensation for such services by an affiliate may be affected by the success and/or size of a primary offering of such securities, we may be prohibited from purchasing such securities in the primary offering for our ERISA

clients in order to avoid a violation of ERISA's prohibited transaction rules. We, through BNY Mellon, have received an exemption from the U.S. Department of Labor in order to provide relief from these restrictions for our ERISA clients.

#### Affiliated Banking Institutions

BNY Mellon engages in trust and investment business through various banking institutions, including the Bank and BNY Mellon, National Association. These affiliated banking institutions provide certain services to us, such as recordkeeping, accounting, marketing services, and/or referrals of clients. We provide the affiliated banking institutions with sales and marketing materials regarding our investment management services that may be distributed under the name of certain marketing "umbrella designations" such as BNY Mellon, BNY Mellon Wealth Management, BNY Mellon IM, and BNY Mellon EMEA.

We may provide certain investment advice and/or security valuation services to the Bank. We also provide certain investment advisory and trading services to certain Bank clients and separately managed accounts (including separately managed accounts for which the Bank acts as trustee, custodian, or investment manager).

Certain clients may have established custodial or sub-custodial arrangements with the Bank and other financial institutions that are affiliated with us. Furthermore, the Bank and other financial institutions that are affiliated with us may provide services (such as trustee, custodial or administrative services) to issuers of securities. Because of their affiliation with us, our ability to purchase securities of such issuers and to take advantage of certain market opportunities may be subject to certain restrictions and in some cases, prohibited.

#### Affiliated Private Funds and Sponsors

As discussed in Items 4-8 above, we act as investment adviser to various private funds, including certain direct lending private funds. Related persons, owned in part by our management persons but ultimately controlled by BNY Mellon, sponsor and/or act as the general partner of such mezzanine & direct lending debt private funds. *Please see Form ADV, Part I - Schedule D, Section 7.B for a list of our affiliated private funds and sponsors.* Our management persons' relationship to these funds, the affiliated general partner and other affiliates as well as the related conflicts of interest are disclosed to underlying investors before they invest. For example, the general partner receives performance-based compensation (i.e. carried interest) from certain of the direct lending private funds, which creates an incentive for our management persons to recommend investments that are riskier than might otherwise be the case. Also, such management persons have conflicts of interest in allocating their time and service among such funds, the Firm and certain other BNY Mellon entities. *Please see the applicable fund's offering materials for further information regarding such conflicts.*

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

We have adopted a Code of Ethics that is made up of two parts:

1. BNY Mellon Code of Conduct (the “BNY Mellon Code”); and
2. BNY Mellon Personal Securities Trading Policy (the “PSTP”).

The BNY Mellon Code provides to employees the framework and sets the expectations for business conduct. In addition, it clarifies our responsibilities to clients, suppliers, government officials, competitors and the communities we serve and outlines important legal and ethical issues. Below are key principles of the BNY Mellon Code and an overview of areas covered by these principles:

1. Respecting Others: We are committed to fostering an inclusive workplace where talented people want to stay and develop their careers. Supporting a diverse, engaged workforce allows us to be successful in building trust, empowering teams, serving our clients and outperforming our peers. We give equal employment opportunity to all individuals in compliance with legal requirements and because it’s the right thing to do.
2. Avoiding Conflicts: We make our business decisions free from conflicting outside influences. Our business decisions are based on our duty to BNY Mellon and our clients, and not driven by any personal interest or gain. We are alert to any potential conflict of interest and ensure we identify and mitigate or eliminate any such conflict.
3. Conducting Business: We secure business based on honest competition in the marketplace, which contributes to the success of our company, our clients and our shareholders. We compete in full compliance with all applicable laws and regulations. We support worldwide efforts to combat financial corruption and financial crime.
4. Working with Governments: We follow all requirements that apply to doing business with governments. We recognize that practices that may be acceptable when dealing with a private company that is the client may cause problems or be a violation of law when working with a government.
5. Protecting Company Assets: We ensure all entries made in the company’s books and records are complete and accurate and comply with established accounting and record-keeping procedures. We maintain confidentiality of all forms of data and information entrusted to us, and prevent the misuse of information belonging to the company or any client.
6. Supporting Our Communities: We take an active part in our communities around the world, both as individuals and as a company. Our long-term success is linked to the strength of the global economy and the strength of our industry. We are honest, fair and transparent in every way that we interact with our communities and the public at large.

As a global financial institution, BNY Mellon and its subsidiaries (the “Company”) are subject to certain laws and/or regulations governing the personal trading of securities. In order to ensure that all employees’ personal investments are conducted in compliance with the applicable rules and regulations and are free from conflicts of interest, the Company has established limitations on personal trading, as reflected in the PTSP.

The PSTP sets forth procedures and limitations that govern the personal securities transactions of our employees in accounts held in their own names as well as accounts in which they have indirect ownership. We, and our related persons and employees, may, under certain circumstances and consistent with the PSTP, purchase or sell for their own accounts securities that we also recommend to clients.

The PSTP imposes different requirements and limitations on employees based on the nature of their business activities for Alcentra Limited. Each of our employees is generally classified as one of the following:

1. Investment Employee (“IE”): IE is an employee who, in the normal conduct of his/her job responsibilities, has access (or are likely to be perceived to have access) to nonpublic information regarding any advisory client’s purchase or sale of securities or nonpublic information regarding the portfolio holdings of any Proprietary Fund, is involved in making securities recommendations to advisory clients, or has access to such recommendations before they are public.
2. Access Decision Maker (“ADM”): Generally, employees are considered to be ADM Employees if they are portfolio managers or research analysts and make or participate in recommendations or decisions regarding the purchase or sale of securities for mutual funds or managed accounts. Portfolio managers of broad-based index funds and traders are not typically classified as ADM Employees.
3. Non-Classified Employee: Our employees are considered non-classified if they are not an IE or ADM.

#### PSTP Overview

1. IEs and ADMs are subject to preclearance and personal securities reporting requirements, with respect to discretionary accounts in which they have direct or indirect ownership;
2. Transaction reporting is not required for non-discretionary accounts, transactions in exempt securities or certain other transactions that are not deemed to present any potential conflicts of interest;
3. Preclearance is not required for transactions involving certain exempt securities (such as open-end investment company securities that are not Proprietary Funds or money market funds and short-term instruments); non-financial commodities; transactions in non-discretionary accounts (approved accounts over which the employee has no direct or indirect influence or control over the investment decision-making process); transactions done pursuant to automatic investment plans;

and certain other transactions detailed in the PSTP which are either involuntary or deemed not to present any potential conflict of interest;

4. We have a “Prclearance Compliance Officer” who maintains a “restricted list” of companies whose securities are subject to trading restrictions. This list is used by the Prclearance Compliance Officer to determine whether or not to grant trading authorization.
5. The acquisition of any securities in a private placement requires prior written approvals;
6. With respect to transactions involving BNY Mellon securities, all employees are also prohibited from engaging in short sales, purchases on margin, option transactions (other than employee option plans), and short-term trading (*i.e.*, purchasing and selling or selling and purchasing BNY Mellon securities within any 60 calendar day period);
7. For IEs and ADMs, with respect to non-BNY Mellon securities, purchasing and selling, or selling and purchasing the same or equivalent security within 60 calendar days is discouraged, and any profits must be disgorged.
8. No covered employee should knowingly participate in or facilitate late trading, market timing or any other activity with respect to any fund in violation of applicable law or the provisions of such fund’s disclosure documents.

A copy of our Code of Ethics will be provided upon request.

Due to the nature of the relationship between us and our affiliate Alcentra NY, employees of both firms (including Alcentra High Yield) will face certain shared personal trading restrictions based on the personal trading restrictions of each of the firms.

#### Material Non-Public Information and Limitations in Securities Transactions

When providing advisory services focused on sub-investment grade debt, including senior secured, mezzanine and second lien loans, we and Alcentra NY regularly receive information about debt issuers that is not made available to the general public. Certain of this private information may be considered material non-public-information (MNPI). We have implemented policies to prevent the misuse of MNPI. Under no circumstances can our personnel trade public securities on MNPI for their own reportable accounts or those of a fund.

Generally, disclosure of such information is subject to internal limitations to prevent the flow of confidential information between ourselves and our affiliates, except as noted below.

We have put in place a joint policy to address the manner in which we and Alcentra NY handle private information, including MNPI. The policy creates a joint restricted list based on the receipt of private information each firm gets from issuers they follow. Neither we nor Alcentra NY can transact in the public securities of issuers that appear on the joint restricted list.

In the instances where our investment strategies contemplate the purchase and sale of publicly traded securities and the issuer of the relevant securities appear on the joint restricted list, we will be



prohibited from purchasing/selling such securities. Therefore, we may be restricted from purchasing or selling certain public securities on behalf of client accounts, which might negatively affect investment performance. In particular, Alcentra High Yield may be restricted from purchasing or selling high yield bonds on behalf of client accounts if Alcentra has MNPI about that bond issuer. In addition, Alcentra may be prevented from gathering non-public information about a debt issuer because the Alcentra High Yield team has a bond position in that same issuer. Because Alcentra High Yield holds a number of positions, the impact to the U.S. and European loan teams may be significant. Furthermore, in the event of the receipt of MNPI by an employee of Alcentra NY or Alcentra Limited the two firms will generally place a restriction on investment in the securities of that issuer, which would bar any purchases or sales of the securities by any department or person within the two firms, whether for a client or personal account (absent specific approval). Alternatively, the firms may, on a limited basis, establish an Ethical Wall around the individual or a select group or division. In this case, those persons falling within the Ethical Wall would be subject to the securities trading prohibition and except for need-to-know communications to others within the Ethical Wall (or, based on the information transmission, will now be within the wall), the communication prohibition discussed above. The breadth of the Ethical Wall and the persons included within it would have to be determined on a case-by-case basis.

Structured Credit invests in CLO tranches which are collateralized by pools of corporate loans. We and Alcentra NY may be in possession of private information with respect to some of the underlying corporate loans. To prevent the potential misuse of material non-public information, we and Alcentra NY have implemented information barriers separating their respective Structured Credit teams from any private information possessed by us and Alcentra NY.

Direct Lending invests in middle market companies through first lien, second lien, unitranche, and, to a lesser extent given the current credit environment, mezzanine debt and primary equity investments. A borrower who has also borrowed money via a syndicated bank loan or a high yield bond may provide US Direct Lending with material, non-public information that is not available to that borrower's syndicated bank loan investors or its high yield bond investors. To prevent the potential misuse of material non-public information, we and Alcentra Limited have implemented information barriers separating their respective Direct Lending teams from the rest of the business.

We require, to the extent possible, pricing from an independent third-party pricing vendor.

### **Interest in Client Transactions**

Note that while each of the following types of transactions present conflicts of interest for us, as described below, we manage our accounts consistent with applicable law, and we follow procedures that are reasonably designed to treat our clients fairly and to prevent any client or group of clients from being systematically favored or disadvantaged.

#### Principal Transactions

“Principal transactions” are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys any security from or sells any

security to any client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated pooled investment vehicle and another client account. We generally do not engage in principal transactions. However, we may engage in principal transactions subject to the disclosure and consent requirements under the Advisers Act and as permitted under applicable law. When we engage in a principal transaction, we have an incentive to favor our own interests over the interests of our client. The Structured Credit strategy may purchase assets from, sell assets to or otherwise engage in transactions with affiliates of the Firm. The strategy is also permitted to invest in entities managed by the Firm and/or its affiliates. These investments may have limited or restricted liquidity.

#### Cross Transactions

From time to time, securities to be sold on behalf of a client may be suitable for purchase by another client. In such instances, if we determine in good faith that the transaction is in the best interest of each client, then we will arrange for the securities to be transferred between the client accounts at a fair market value (a “cross trade”). Cross trades present conflicts of interest, as there is an incentive for us to favor one client to the cross trade over the other. For example, if one client account pays performance fees to us, while the other client account pays only asset-based fees, we would have a financial incentive to favor the performance fee paying account in the cross-trade. However, note that cross trades are subject to Advisers Act restrictions, and will only be undertaken by us as permitted under applicable law. We do not receive fees or commissions when making these trades.

We may direct one client to sell securities or instruments to another client or affiliated client through a cross-transaction in which neither we nor an affiliated person receives compensation. Since Alcentra has an incentive to effect cross transactions between funds in order to position profitable trades into higher paying and/or performance fee funds, any such transaction is effected consistent with the funds’ offering materials and our Alcentra Global Order Execution Policy. We generally only effect cross trades in securities or other instruments for which market quotations are readily available though, on occasion, we may effect cross trades in securities or other instruments for which a market quotation is not readily available.

Alcentra will effect cross trades in securities or other instruments for which market quotations are available and will use a mid of the best selling level and best buying level to ensure that each fund equally benefits from trade. If no market quotations are available, Alcentra will effect at a price, based on numerous factors which include, but are not exclusive to; last quote price, Markit pricing source data and Alcentra pricing committee agreed pricing, for which Alcentra believes has a reasonable basis to fair and equitable to both the buyer and seller funds, subject to Co-CIOs approval.

Transaction costs are typically split pro-rata between the participating clients. Alcentra considers a variety of factors when determining the appropriateness of a cross transaction which include, but are not limited to, applicable legal rules and regulations, whether the trade is advantageous to both parties, investment objectives and strategies, applicable investment restrictions, appetite for the security, and cash availability.

Transactions in Same Securities

We or our affiliates may invest in the same securities that we or our affiliates recommend to clients. When we or an affiliate currently holds for our own benefit the same securities as a client, we have a conflict of interest. For example, we or our affiliate could be seen as harming the performance of the client's account for our own benefit if we short-sell the securities in our own account while holding the same securities long in the client account, causing the market value of the securities to move lower. If our portfolio managers make inconsistent trading decisions, the basis for those decisions must be documented, and may be reviewed periodically by our compliance department to determine whether they were made on an appropriate basis.

Other Potential Interests in Client Transactions

Common investments do arise in connection with the CDO/CLO funds and the Global Special Situations strategy. Other Alcentra affiliates generally do not make the same investments as the Firm. When the Firm or an affiliate currently holds for our own benefit the same securities as a client, we could be viewed as having a potential conflict of interest. For example, we or our affiliate could be seen as harming the performance of the client's account for our own benefit if we short-sell the securities in our own account while holding the same securities long in the client account, causing the market value of the securities to move lower. If our portfolio managers make inconsistent trading decisions, the basis for those decisions must be documented.

Interests in Recommended Securities/Products

We or our affiliates may recommend securities to clients, or buy or sell securities for client accounts, at or about the same time that we or one of our affiliates buys or sells the same securities for our (or the affiliate's) own account. This practice gives rise to a variety of conflicts of interest, particularly with respect to aggregating, allocating and sequencing securities being purchased on both our (or our affiliate's) behalf and our clients' behalf. For example, we have an incentive to cause a client or clients to participate in an offering because we desire to participate in the offering on our own behalf and would otherwise be unable to meet the minimum purchase requirements. Likewise, we have an incentive to cause our clients to participate in an offering to increase our overall allocation of securities in that offering, or to increase our ability to participate in future offerings by the same underwriter or issuer. On the other hand, we have an incentive to cause our clients to minimize their participation in an offering that has limited availability so that we do not have to share a proportionately greater amount of the offering to the client. Allocations of aggregated trades likewise raise a conflict of interest as we have an incentive to allocate securities that are expected to increase in value to ourselves. *See Item 12 for a discussion of our brokerage and allocations practices and policies.* Further, a conflict of interest could arise if a transaction in our own account closely precedes a transaction in related securities in a client account, such as when a subsequent purchase by a client account increases the value of securities that were previously purchased for ourselves. Our compliance personnel review periodic transaction reports and holdings reports on our accounts to evaluate the nature of sequenced transactions and to assess potential harm caused by trades in our account to client accounts.

On occasion, we may recommend the purchase or sale of securities that are issued by our parent company, BNY Mellon, or underwritten by its affiliate, BNY Mellon Capital Markets, LLC for client accounts if such recommendation or purchase or sale is in accordance with the client's guidelines and applicable law. In addition, we or a related person may recommend the purchase of securities in certain

private funds which we manage and for which we may serve as sole director or managing member. We, our employees, and our related persons currently invest in certain private funds that may also include client assets managed by us, and we and such related persons will receive proportional returns associated with our investment. Additionally, we may receive an investment management fee in our capacity as investment adviser or sub-adviser and related persons (including affiliated broker-dealers) may receive certain amounts associated with placement agent fees, custodial fees, administrative fees, loads, or sales charges.

#### Interest in Affiliated Accounts

To the extent permissible under applicable law, we may decide to invest some or all of our temporary investments in money market accounts advised or managed by a BNY Mellon affiliate. For example, cash remitted into some client accounts due to pay downs or sales of loans may be invested in BNY Mellon overnight deposit products, including affiliated money market funds. In addition, we may invest client accounts in affiliated pooled vehicles. Further, to the extent permissible under applicable law, our strategies, including Structured Credit, may invest in the notes of CLOs that we manage. We have an incentive to allocate investments to these types of affiliated accounts to generate additional fees for us or our affiliates.

#### **Investments by Related Persons and Employees**

We and our existing and future employees, our board members, and our affiliates and their employees may from time to time invest in products managed by us. We have developed policies and procedures to address conflicts of interest created by such investment. We are part of a large diversified financial organization that includes banks and broker-dealers. As a result, it is possible that a related person may, as principal, purchase securities or sell securities for itself that we also recommend to clients. We do permit our employees to invest for their own account within the guidelines and restrictions of the Code of Ethics, as described above. *For more information, please see “Interests in Recommended Securities/Products” in this Item 11, and “Affiliated Underwriters/Trustees” in Item 10 with regard to purchases of securities in an offering where an affiliate acts as underwriter or a member of the underwriting syndicate.*

#### **Agency Transactions Involving Affiliated Brokers**

Neither we, nor any of our officers or directors, acting as broker or agent, effects securities transactions for compensation for any client. We are part of a large diversified financial organization that includes broker-dealers. As a result, it is possible that a related person, other than our officers and directors, may, as agent, effect securities transactions for our clients for compensation. Please also see Item 10 and Item 12 for additional information relating to affiliate arrangements and with regard to purchases of securities in an offering where an affiliate acts as underwriter or a member of the underwriting. *Please also see Schedule D, Section 7A of our Form ADV Part 1 for a list of broker-dealers which are our affiliates.*

## **Item 12. Brokerage Practices**

Typically, we seek to execute portfolio transactions in a manner designed to obtain the best overall qualitative execution for the private funds under the prevailing circumstances. The funds' offering materials and/or our advisory agreements generally grant the Firm discretion and authority to select broker-dealers and to negotiate spreads and other costs. We typically effect transactions with broker-dealers acting as principals at prices which include markups or markdowns. In addition, the administrative agent of a loan/debt instrument can typically charge an assignment fee for a particular loan.

We have no duty or obligation to seek in advance competitive bidding for the most favorable spreads or transaction costs applicable to any particular fund transaction but will endeavor to be aware of the current level of transaction costs and will seek to minimize the expenses incurred for effecting fund transactions when possible.

On occasion we may execute transactions directly with an issuer without transacting through a broker-dealer/agent bank if it is determined that doing so is in the best interest of the client.

The various Portfolio Managers for each of the Strategies have the authority to direct transactions in securities and other investments on behalf of our clients to brokers-dealers the Firm has selected and approved in accordance with its broker approval process. In doing so, we seek best execution of such transactions. When seeking best execution, we consider the overall costs and proceeds of particular investments, including the price of the security, broker-dealer mark-ups or mark-downs and related transaction costs. Transactions will not always be executed at the lowest available price or transaction cost but will be within a generally competitive range. Additionally, transactions which involve specialized services on the part of the broker-dealer usually entail higher transaction costs than would be the case with other transactions requiring more routine services or other broker-dealers that may not offer such products or services. *Please see the discussion concerning the Volcker Rule and its possible implications concerning our broker-dealer selection practices in Item 10, above.*

Considerations include a broker-dealer's specific expertise and/or agent bank status with respect to a particular investment, access to underwritten offerings, execution capabilities including such factors as responsiveness to the Firm and back office settlement capabilities, the ability to generate credit investment ideas and the broker-dealer's financial stability. We often direct transactions to full service broker-dealers that provide research reports, generally on an unsolicited basis. Such broker-dealers may pay for certain ancillary items (i.e. meals) for our investment professionals while attending seminars and other opportunities for education and fostering of business relationships. While we recognize that such activities can create potential conflicts of interest, we seek to minimize these conflicts by, for example, not permitting broker-dealers to pay for our travel and lodging expenses. The Alcentra Trading and Portfolio Oversight Committee meets periodically to evaluate the execution capabilities of broker-dealers and maintain efforts to seek best execution of client transactions. The Committee also assesses the types of research or other services that are provided (whether solicited or unsolicited) to determine if they are appropriate under the circumstances and if the provision of such research or services appears to have had any effect on the execution quality for client accounts.

The European Direct Lending team does not generally use broker-dealers because their investments in portfolio companies are conducted through private offerings whereby the funds' ownership is

recorded on the books of the issuer. Most of the time the disposal of portfolio company positions is effected through private transactions and not through broker-dealers/agent banks due to the nature of the transaction (i.e. pay-downs, pay-offs and/or refinancing by portfolio companies of their outstanding debts). However, in the few instances when the fund uses a broker-dealer/agent bank to effect the liquidation of its holdings in portfolio companies, best execution is the primary consideration in placing portfolio transactions with a particular broker-dealer. The team considers the price of the instrument, broker-dealer mark-ups or mark-downs and related transaction costs. Other considerations include a broker-dealer's specific expertise and/or agent bank status with respect to a particular security, access to underwritten offerings, execution capabilities including such factors as responsiveness to Alcentra and back office settlement capabilities, the ability to generate credit investment ideas and the broker-dealer's financial stability.

### **Soft Dollars**

The term "soft dollars" is commonly understood to refer to arrangements where an investment adviser uses client brokerage commissions to pay for research or other services used by the investment adviser. Section 28(e) of the Securities Exchange Act of 1934 provides a "safe harbor" that permits investment advisers to enter into soft dollar arrangements if the investment adviser determines in good faith that the amount of the commission is reasonable in relation to the value of the brokerage and research services provided.

A firm providing independent advice, restricted advice or portfolio management services to retail or Professional Clients in the United Kingdom are prohibited from receiving inducements (other than acceptable minor non-monetary benefits) in relation to those services. A firm can receive third party research without breaching that prohibition if it is received in return for:

1. Direct payment by the firm out of its own resources; or
2. Payment from a separate research payment account, provided that the firm meets specific requirements required by UK Financial Conduct Authority rules relating to the operation of the account.

Alcentra has made the decision to pay directly for research itself rather than pass those costs to its clients via a separate research account. As a matter of policy, we do not utilize "soft dollar" arrangements, but do receive research of the type that is customarily provided by brokers or dealers to their institutional customers, which may be useful to us in serving the accounts that we advise. Although our receipt of such research services does not reduce our normal independent research activities, it may enable us to avoid the additional expenses that we might otherwise incur if we were to attempt to independently develop comparable information.

### **Other Brokerage Practices Conflicts of Interest**

In addition to conflicts of interest associated with soft dollars, the following brokerage practices may lead to an actual or potential conflict of interest when selecting broker-dealers to execute client trades:

1. receiving client referrals from a broker-dealer;
2. acting on a client's direction to use a particular broker-dealer; and
3. using affiliated broker-dealers.

### Compensation for Client Referrals

We do not direct securities transactions to any broker-dealer in exchange for referral of investment management clients.

### Affiliated Brokerage

We generally do not execute securities transactions through affiliated broker-dealers.

### Brokerage for Client Referrals

We do not direct securities transactions to any broker-dealer in exchange for referral of investment management clients.

### Directed Brokerage

We may accept direction from a client to place trades for a client's account with a particular broker-dealer or list of brokers. At times, a client may instruct us to direct a portion of its commissions to a specified broker-dealer. In the event that such direction occurs, we may have limited capability to negotiate commission levels or obtain volume discounts and may experience other impediments to achieving best execution. In addition, in meeting the client's brokerage directive, we may not be able to aggregate these transactions with transactions we effect for other accounts we manage and we may delay placing the orders for directed accounts until our orders for other accounts have been completed. As a result, the net price paid or received by the directed account may be different than the price paid or received by our other accounts and, therefore, we may be unable to achieve the most favorable execution for such directed account. Accordingly, directing brokerage may cost clients more money.

Due to the directed brokerage arrangements that a number of our clients have in place, the overall firm-wide commission rates may be higher than they otherwise would be if we did not participate in any client-directed brokerage programs.

### Trade Aggregation

We manage numerous private funds and accounts with similar investment objectives. Additionally, we manage clients with different objectives that trade in the same investments. Despite such similarities, investment decisions relating to the clients' investments are made independent of each other in light of differing conditions and we will not necessarily purchase or sell securities at the same time or in the same proportionate amounts for all eligible clients. Therefore, not all funds will necessarily participate in the same investment opportunity or participate on the same basis and the performance resulting from such decisions will differ from client to client. However, if the same investment decision is made for two or more clients within or across investment strategies, we will seek to aggregate such transactions for the same security into a single aggregated order to obtain best execution and/or price for participating clients. Each client who participates in an aggregated order generally receives an average price with all transaction costs shared on a pro-rata basis.

### Trade Allocation

Clients invest in many of the same loans. The Portfolio Manager seeks to allocate investment opportunities among the clients on a fair and equitable basis over time, taking into consideration each

fund's investment restrictions and various other factors as noted below. When allocating investment opportunities the Firm is precluded from favoring any client or set of clients under this strategy over another, considering different fee structures as an incentive in allocating investment opportunities to a client or clients that have the potential to pay a larger fee, or recommending or causing a client to enter into transactions for the purpose of benefiting the direct or indirect securities holdings of the Firm or its affiliates or employees. When allocating investment opportunities, the Firm first seeks to ascertain the amount of the asset available while keeping in mind each client's overall investment objective and cash availability. We use our best judgment as determined by our portfolio managers in conjunction with the co-Chief Investment Officers, in allocating investments among the clients. Alcentra considers a wide range of factors in determining allocations of investments among clients, including, but not limited to, each client's available cash, investment objectives, limitations outlined in each client's offering materials, and certain position considerations such as concentration limitations and round lots. In addition, we give special consideration to our clients in the ramping stage, nearing an upcoming determination date or the end of a reinvestment period, avoiding an event of default, or bringing a client into compliance with indenture or other restrictions. Allocations among clients are periodically reviewed and monitored on an ongoing basis by the Alcentra Trading and Portfolio Oversight Committee. Such determinations will be maintained in writing by the portfolio managers of the relevant clients. For more information investors should refer to the offering materials of the fund or the client's investment advisory agreement following the relevant strategy.

The trade allocation and trade error policies and procedures allow for reallocation of certain trades after their initial allocation. As part of this reallocation process, we follow our Alcentra Global Order Execution Policy and the Alcentra Global Error and Breach Policy which states that reallocations are only permitted under certain circumstances (such as to correct a misallocation) and require the approval of Compliance or Legal.

The trade allocation policies of the European Direct Lending, Structured Credit, European Leveraged Loans, and the Global Special Situations strategies are determined by Alcentra Limited in consultation with Alcentra NY. *Please refer to Alcentra NY's ADV Part 2A for more detail on the allocation policies for these strategies*

#### Aggregation/Allocation Across Multiple Portfolio Managers and Advisers

From time to time, traders at Alcentra Limited and/or us (including Alcentra High Yield), receive orders from multiple portfolio managers for a particular asset. A trader may aggregate orders across multiple portfolio managers. In the event that the order is not able to be filled completely, the quantity received will generally be allocated pro rata among the participating portfolio managers in proportion to the aggregate size of their respective orders (subject to minimum denomination / odd-lot requirements). Each portfolio manager will then allocate their share of the order among their respective clients in a manner consistent with the standard allocation policy that is applicable for their desk/strategy.

#### Co-Investments – Fund Investors

During the investment period, private funds may offer co-investment opportunities to fund investors. Co-investments are a direct investment by an investor alongside a fund's investment in a



target portfolio company. In this context, co-investments increase a fund investor's exposure to a fund portfolio company. We may but are not obliged to invite fund investors to co-invest along with the funds in investment opportunities offered to the funds. Any invitation to co-invest is at our complete discretion. For more information about co-investments, please refer to offering materials of the respective private funds.

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

### **European Leveraged Loan Strategy**

Each fund's investments are frequently reviewed by the assigned portfolio manager and/or the relevant Credit Analyst for the investment. In addition, the investment team and the portfolio administration team meet regularly to review relevant data to assess each CLO's compliance with terms established by the indentures. Supplementary in-depth reviews by the portfolio managers may be triggered by market or economic factors, severe deterioration in credit performance, collateral value, cash flow or rating. Trustees or administrators for the CLOs prepare monthly written reports for the Firm and the investors in the vehicles. Reports are distributed directly to the underlying investors in the funds by the Trustee or administrator. In addition, the Firm makes the reports available to investors by posting them to the Firm password protected website. We typically prepare a monthly written commentary on overall market conditions for fund investors under this strategy.

### **European Direct Lending Strategy**

The European Direct Lending Team team/and or the relevant credit analyst conducts due diligence on proposed investments and compiles information supporting its analysis for consideration in the first instance by the Alcentra European Direct Lending Investment Committee. If an investment opportunity is approved by the Committee, it is then presented to the fund's independent board for consideration.

Monitoring is conducted by the credit analyst responsible for the relevant investment as well as the EDL Portfolio Monitoring team. Typically, Alcentra will receive private, monthly management accounting data from the companies to which it lends. The relevant analyst and Portfolio Monitoring will track monthly data for each borrower using proprietary systems and standardised monitoring reports. In many cases, analysts will regularly meet key executive management in invested companies. The investment team will meet weekly to discuss developments with the Portfolio companies. All credits will be reviewed in detail by the Investment Committee at quarterly portfolio reviews, based by work done by investment analysts in a process led by the Portfolio Monitoring team. Annual audited financial statements, as well as unaudited quarterly reports are provided to the funds' investors. The quarterly reports include a summary of fund investments made during the related quarterly period, information on existing portfolio positions, and fund performance data and a statement of each fund net asset value at the beginning and end of such quarterly period.

### **Multi-Credit Strategy**

Alcentra generally receives and reviews monthly reports on the performance of the multi-credit accounts and their respective underlying investments. Allocations among strategies are determined by the Global Co-Chief Investment Officers in conjunction with any investment committee or similar decision-making authority that may be established under the respective client's governing documents.

Allocations among strategies much be made within the guidelines established for the respective client.

### Global Special Situations Strategy

The Special Situations Strategy team is responsible for the ongoing monitoring of any approved investments, continually analysing and reassessing any changes or developments that may affect the company's financial performance. These may include but will not be limited to: the evolution of the company's earnings and cash flow, industry developments, macroeconomic factors and changes in capital structure.

### Global High Yield

Portfolio Manager review their portfolios with the Co-CIOs monthly. The review covers performance of each portfolio, attribution of performance, and reasons for any performance dispersion between like strategies. The Portfolio Manager for the strategy provides documentation on those topics and minutes are taken. These meetings are open for any other investment team members and client service personnel.

Alcentra High Yield meets daily to go over current issues, potential strategy shifts, and market changes. Portfolio Managers and Portfolio Analysts for each investment team review all trades for all accounts daily and meet formally on a weekly basis. The Portfolio Manager and Portfolio Analyst for each team reviews daily the fixed income account summary data for each account relating to quality, diversification, duration, and yield curve distribution, which shall be consistent with the current investment policy of High Yield. Such reviews consider, but are not limited to, computer-generated reports that identify targets, and any dispersion from targets, on sectors, curve, duration, etc. The Portfolio Managers also review performance daily, for daily, month-to-date, and year-to-date performance. On a regular basis, Portfolio Managers review holdings and themes with other Portfolio Managers and their investment teams. The teams undertake an in-depth, more detailed review when certain rank levels are triggered and during other circumstances, as required.

### Structured Credit Strategy

The Portfolio Manager of the Structured Credit team reviews the portfolios on a weekly basis. The Risk Committee has additional oversight and reviews the portfolio holdings and investment guidelines on a monthly basis. When requested to do so, the Portfolio manager provides additional narrative on the portfolio and current market conditions to the committee. The team monitor investments utilizing proprietary internal cash flow models as well as third party systems. The criteria typically includes:

- breakeven default and downgrade rates;
- yield, price and potential investment return;
- weighted average life of investment;
- collateral composition;

- subordination levels;
- liquidity of the investment;
- technical features governing events of default and over-collateralisation tests;
- situation assessment (ratings outlook, current news or outstanding issues, etc.);
- cash flow level, pliability and sustainability.

Simultaneously, the underlying portfolio is reviewed with primary focus on the following criteria:

- market price of portfolio
- downgrade and default risk for individual credits;
- second lien and mezzanine exposure;
- recovery rate risk;
- structured finance and bond exposure; and
- portfolio industry concentrations.

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

### **Unaffiliated Solicitors and Placement Agents**

We may hire third parties to solicit new investment advisory clients. The commissions or fees, if any, payable to such solicitors (also referred to as placement agents) with respect to solicitation of investments with the Firm will be paid solely by the Firm. Clients will not pay fees for these solicitations. These solicitors have an incentive for the client to hire us because we will pay the solicitor for the referral. The prospect of receiving solicitation/placement fees may provide such placement agents and/or their salespersons with an incentive to favor these sales over the sale of other investments with respect to which the placement agent does not receive such compensation, or receives lower levels of compensation. In addition, to the extent permitted by law, certain placement agents and their respective affiliates may provide brokerage and certain other financial and securities services to the Firm or our affiliates. Such services, if any, will be provided at competitive rates.

### **Affiliated Solicitors and Placement Agents**

We may pay referral fees to our affiliates (and/or their employees) for referrals that result in additional investment management business. *Please see the discussion of affiliated placement agents in Item 10, above.*

Our ultimate parent company, BNY Mellon, has organized its lines of business into two groups: Investment Management and Investment Services (collectively “Groups”). We are part of the Investment Management Group. A sales force has been created to focus on developing new customer relationships and developing and coordinating large complex existing customer relationships within those Groups.

In certain circumstances, Investment Management sales representatives are paid fees for sales. The fees may be based on revenues and may be a one-time payment or paid out over a number of years

Sales of any alternative investment products (such as private funds) may be made through a broker-dealer affiliate. Only registered representatives of such broker-dealer receive compensation for sales of alternative investments.

We and our affiliates also participate in the BNY Mellon Incentive Compensation Plan, which presents certain conflicts of interest, all as described in Item 10, above.

Receipt of compensation in connection with the sale of our products and services gives rise to a conflict of interest in that it may give our sales representatives or affiliates an incentive to recommend investment products and services based on the compensation they will receive, rather than solely on a client’s needs.

## **Item 15. Custody**

Rule 206(4)-2 under the Advisers Act (the “Custody Rule”) defines “custody” to include a situation in which an adviser or a related person holds, directly or indirectly, client funds or securities or has any authority to obtain possession of them, in connection with advisory services provided by the adviser.

For purposes of the Custody Rule, we are deemed to have “custody” of certain client assets because we may have the ability to deduct fees from client custodial accounts; client funds or securities are held by a related person of Alcentra; or we may serve as general partner/ managing member/trustee (or similar capacity) of investment funds organized as limited partnership/limited liability company/trust.

Generally, an adviser that is deemed to have custody of a client’s funds or securities, among other things, is required to arrange for an annual independent verification of such funds or securities in accordance with the Custody Rule (the “Surprise Exam Requirement”). However, the Custody Rule contains the following exceptions from the Surprise Exam Requirement:

1. Ability to Deduct Fees: advisers deemed to have custody of client assets solely because of their ability to deduct fees from client accounts are not subject to the Surprise Exam Requirement. Alcentra does not deduct fees from client’s custodian accounts.
2. Related Person & Operational Independence: advisers deemed to have custody of client assets solely because a related person holds client assets will not be subject to the Surprise Exam Requirement, provided the adviser and the related person are “operationally independent.” Alcentra will rely upon this exemption to avoid a surprise audit for certain clients. We have determined that our operations are independent from those of the related person holding client assets.
3. Pooled Investment Vehicles: advisers who are deemed to have custody of the assets of clients formed as pooled investment vehicles may comply with the rule if the pool has audited financial statements that are prepared in accordance with generally accepted accounting principles and such statements are distributed to investors in the pool within 120 days (or 180 days for funds of funds) of the end of the fiscal year. Alcentra advises certain pooled investment vehicles and intends to cause such pooled investment vehicles to receive and distribute audited financial statements to their investors.

Separate account clients: you will receive from your bank, broker-dealer or other qualified custodian an account statement, at least quarterly, identifying the amount of funds and each security in the account at the end of the period and setting forth all transactions in the account during that period. Please review these statements carefully. You will also receive account statements separately from us. You are strongly urged to compare the account statements you receive from us with those that you receive from your qualified custodian.

**Physical Custody**

We do not maintain physical possession of client assets held in separately managed accounts. Typically, each of our clients independently selects a custodian with whom it contracts directly. Our authority to instruct the client's custodian is limited to that granted by the client to us in the investment management agreement.

## **Item 16. Investment Discretion**

We typically accept discretionary investment authority over client assets. Clients grant this discretionary authority to us in writing via a contract or through an appointment to become the investment adviser of a private fund. Such discretion is to be exercised in a manner consistent with the stated investment objectives and guidelines for the particular client account.

Clients must deliver their investment guidelines and restrictions to us in writing, and we will adhere to such guidelines and restrictions when making investment decisions. We have also entered into agreements with Alcentra NY where we provide investment advice but are not responsible for day-to-day investment management decisions.



**Item 17. Voting Client Securities**

As part of the contractual relationship between us and our clients, typically through an investment advisory agreement, a client may delegate to us its right to exercise voting authority in connection with the securities we manage for that client. Voting rights are most commonly exercised by casting votes by proxy at shareholder meetings on matters that have been submitted to shareholders for approval. Consistent with applicable rules under the Advisers Act, we have adopted and implemented written proxy voting policies and procedures that are reasonably designed: (i) to vote proxies, consistent with our fiduciary obligations, in the best interests of clients; and (ii) to prevent conflicts of interest from influencing proxy voting decisions made on behalf of clients. We provide these proxy voting services as part of our investment management service to client accounts and do not separately charge a fee for this service.

Clients that have granted us with voting authority are not permitted to direct us on how to vote in a particular solicitation. Clients that have not granted us voting authority over securities held in their accounts will receive their proxies in accordance with the arrangements they have made with their service providers. We generally do not provide proxy voting recommendations to clients who have not granted us voting authority over their securities.

A copy of the Alcentra Global Proxy Voting Policy, as well as information regarding the voting of securities, is available upon request by contacting our Chief Compliance Officer at the address designated on Page 1 of this Form ADV Part 2.

**Item 18. Financial Information**

In certain circumstances, registered investment advisers are required to provide you with financial information or disclosures about their financial condition in this Item. Alcentra Limited has no financial commitment that impairs our ability to meet contractual and fiduciary commitments to clients and have never been the subject of a bankruptcy proceeding.