

# Brinley Partners, LP

## Part 2A of Form ADV

### Brochure Document

Personal Residence

August 27, 2021

This Form ADV Part 2A (the "Brochure") provides information about the qualifications and business practices of Brinley Partners, LP. If you have any questions about the contents of this Brochure, please contact us at [brinleypartnerscompliance@gmail.com](mailto:brinleypartnerscompliance@gmail.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.

Additional information about Brinley Partners, LP is also available on the SEC's website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 - Material Changes**

Brinley Partners, LP ("Brinley Partners"), formed on July 14, 2021, is applying for registration as an investment adviser with the SEC. This is the first Brochure compiled by Brinley Partners to provide new and prospective clients and investors with current disclosure of its business practices, as well as potential conflicts of interest. In the future, any material changes made after Brinley Partners' last annual update will be discussed under this Item.

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## **Item 4 - Advisory Business**

Brinley Partners, LP ("Brinley Partners" or the "Adviser") was formed in July 2021 and is applying for registration as an investment adviser with the SEC. Brinley Partners, a Delaware limited partnership, is 51% owned by an anchor investor, Tucuxi IMC LLC, a Delaware limited liability company, and 48% owned by Brinley Partners' founder, Kerry Dolan (the "Founder"). Tucuxi IMC is owned by its managing members, which are controlled by British Columbia Investment Management Corporation. Brinley Capital GP LLC, which serves as the General Partner to the funds managed by the Adviser, owns the rest of the Adviser's interest. Ms. Dolan is the owner of Brinley Capital GP LLC. The Adviser's principal place of business is headquartered in New York City, New York.

Brinley Partners provides discretionary investment management services to private investment funds, the securities of which are offered to qualified institutional and high net-worth investors on a private placement basis. The first fund that Brinley Partners manages will be structured as a closed-ended fund. The Fund's sole limited partner is the Anchor Investor's affiliate.

The Adviser, a private debt investment advisory firm, will invest the Fund's assets in transactions involving private or public companies, including participations in bank-led syndication processes and privately placed transactions. Investments will consist of senior debt (i.e., syndicated loans, bank loans, leveraged loans, unitranche or middle market loans), junior debt (i.e., second lien, unsecured debt or bonds), and preferred equity. The Fund may also acquire an equity interest in such private or public company in connection with any debt transaction described above.

The Adviser is applying for registration as an investment adviser with the SEC under the 120-day rule.

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

The fees and expenses associated with an investment in the Fund are described in detail in the Fund's limited partnership agreement between the Adviser and the Fund. The Adviser and the General Partner typically receive a management fee, as well as a performance-based fee or carried interest for providing services to the Fund.

### **Management Fees**

The Fund pays a management fee to the Adviser quarterly in arrears. In addition to the sole limited partner, certain Brinley Partners' employees may invest in the Fund, and the Adviser intends to waive management fees and carried interest when the employees invest in the Fund. Employees, however, shall pay a pro-rata portion of the Fund's expenses described below based on their respective capital account balances.

### Other Fund Expenses

The Fund shall pay any and all legal and other out-of-pocket expenses which are borne or otherwise incurred by the sole limited partner or its affiliates, the Founder, the Adviser or its affiliate, in connection with the organization of the Fund and such parties (as applicable) will be reimbursed by the Fund and the aggregate amount so reimbursed will be deemed to be a contribution of capital by the Fund's sole limited partner and will reduce the sole limited partner's outstanding commitment accordingly.

The Fund will bear all customary ordinary administrative and operating expenses, as will be detailed more fully in the Fund's governing documents, including expenses associated with preparation or auditing of financial statements, and including expenses associated specifically with evaluating, making or holding a particular investment that the Fund is considering making or has made; provided that the sole limited partner will be responsible for any costs or expenses associated with independent reviews that the Sole Limited Partner may determine to conduct with respect to any potential investment.

The Fund is expected to bear all "broken deal" and other expenses of potential investments that are evaluated but not ultimately consummated.

The Adviser, and not the Fund, will bear its own operating and overhead expenses, including salaries, bonuses, office rent and office and administrative expenses.

The Adviser and/or its affiliate may enter into side letters with investors which include the waiver of all or any portion of Brinley Partners' management fees. Please refer to the Fund governing documents for more details on the amount and calculation of the management fees.

### Management Fee Offset

Following the Fund, Brinley Partners may offer interests of the next funds through a placement agent. Any and all fees and expenses due to such placement agent may be borne by the funds, and will offset Management Fees otherwise payable by the limited partners.

### Fund Organizational Expenses

Clients or funds shall pay any organizational expenses up to a cap amount agreed between the Adviser and the funds. Please refer to Adviser's limited partnership agreement with each fund for the cap amount.

### Performance-Based Fee or Carried Interest

Please see Item 6 below, the "Performance-Based Fees and Side-by-Side Management" section, for the discussions on the carried interest.

In its discretion, the Adviser may waive or reduce carried interest for employees' investments. The Adviser may enter into side letters with investors which include the waiver of all or any portion of carried interest.

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

As noted in Item 5, the Adviser and the General Partner receive performance-based fees, referred to as carried interest, from the Fund.

The carried interest provides the Adviser with an incentive to engage in more speculative investment strategies to maximize gross profits, which lead to greater compensation. Brinley Partners currently only serves as investment adviser to the Fund.

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

The Adviser offers investment advisory services to private funds. Underlying investors in the funds may include, but are not limited to, institutional investors such as trusts, endowments, foundations, corporates, sovereign wealth funds, pension and profit-sharing plans, as well as to high net worth investors. All investors, among other requirements, must be: (i) accredited investors as defined in Rule 501(a) of Regulation D under the Securities Act of 1933; and (ii) either qualified purchasers as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended (the "Investment Company Act"), or knowledgeable employees as defined in Rule 3c-5 under the Investment Company Act.

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

### **Methods of Analysis and Investment Strategies**

The descriptions set forth in this Brochure of specific advisory services that we offer to the Fund, and investment strategies pursued and investments made by us on behalf of the Fund, should not be understood to limit in any way our investment activities. We may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that we consider appropriate, subject to the Fund's investment objectives and guidelines, which may change over time. The investment strategies we pursue may be speculative and entail substantial risks. Investors in the Funds should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of the Fund will be achieved.

The Adviser is a private debt investment advisory firm. The Fund investments will be transactions involving private or public companies, including participations in bank-led syndication processes and privately placed transactions. Investments will consist of senior debt (i.e., syndicated loans, bank loans, leveraged loans, unitranche or middle market loans), junior debt (i.e., second lien, unsecured debt or bonds), and preferred equity. The Fund may also acquire an equity interest in such private or public company in connection with any debt transaction described above.

Potential investors should be aware that an investment in the Fund involves a high degree of risk and each investor should carefully consider the risks discussed below. There can be no assurance that the Fund's investment objective will be achieved, that an investor will receive a return of its capital, or that the Fund will otherwise be able to carry out their investment program. In addition, there will be occasions when the General Partner and its affiliates may encounter potential conflicts of interest in connection with the Fund. The considerations below set forth some, but not all, of the risks and potential conflicts of interest. These risk factors should be carefully evaluated before making an investment in the Fund.

### **Risks Relating to Investment Strategies**

#### **Risk of Loss**

No guarantee or representation is made that the Fund's investment program, including the Fund's investment objective, diversification strategies or risk monitoring goals, will be successful. Investment results may vary substantially over time.

**No assurance can be made that profits will be achieved or that substantial or complete losses will not be incurred.**

#### **Investment and Due Diligence Process**

The Fund's investments will be transactions involving private or public companies, including participations in bank-led syndication processes and privately placed transactions. Before making investments, the Adviser will conduct due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence, the Adviser may be required to evaluate important and complex market, business, financial, tax, accounting and legal issues. When conducting due diligence and making an assessment regarding an investment, the Adviser will rely on the resources reasonably available to it, which in some circumstances, whether or not known to the Adviser at the time, may not be sufficient, accurate, complete or reliable. Due diligence may not reveal or highlight matters that could have a material adverse effect on the value of an investment.

#### **Competition; Availability of Investments**

Certain markets in which the Fund may invest are extremely competitive for attractive investment opportunities. As a result, there can be no assurance that the Adviser will be able to identify or successfully pursue attractive investment opportunities in such environments.

#### **Leverage and Borrowing**

##### *Leverage for Investment Purposes*

The use of leverage will allow the Fund to make additional investments, thereby increasing its exposure to assets, such that its total assets may be greater than its equity. However, leverage will also magnify the volatility of changes in the value of the Fund's portfolio. The effect of the use of leverage by the Fund in a market that moves adversely to its investments could result in substantial losses to the Fund, which would be greater than if the Fund were not leveraged.

### *Collateral*

The instruments and borrowings utilized by the Fund to leverage investments may be collateralized by all or a portion of the Fund's portfolio. Accordingly, the Fund may pledge its securities in order to borrow or otherwise obtain leverage for investment or other purposes. Should the securities pledged to brokers to secure the Fund's margin accounts decline in value, the Fund could be subject to a "margin call", pursuant to which the Fund must either deposit additional funds or securities with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. The banks and dealers that provide financing to the Fund can apply discretionary margin, a "haircut", financing and collateral valuation policies. Changes by counterparties in any of the foregoing may result in large margin calls, loss of financing and forced liquidations of positions at disadvantageous prices. Lenders that provide other types of asset-based or secured financing to the Fund may have similar rights. There can be no assurance that the Fund will be able to secure or maintain adequate financing.

### *Costs*

Borrowings will be subject to interest, transaction and other costs, and other types of leverage may also involve transaction and other costs. Any such costs may or may not be recovered by the return on the Fund's portfolio.

### **Diversification and Concentration**

The Adviser may select investments that are concentrated in a limited number or types of securities. In addition, the Fund's portfolio may become significantly concentrated in securities related to a single or a limited number of private or public companies, industries, sectors, strategies, countries or geographic regions. This limited diversification may result in the concentration of risk, which, in turn, could expose the Fund to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in such securities.

### **Lack of Control Over Borrower**

The Fund expects to invest in debt instruments of companies that it does not control, which the Fund may acquire through market transactions or through purchases of securities directly from the issuer or other shareholders. Such securities will be subject to the risk that the issuer may make business, financial or management decisions with which the Fund does not agree or that the majority stakeholders or the management of the issuer may take risks or otherwise act in a manner that does not serve the Fund's interests. The occurrence of any of the foregoing could have a material adverse effect on the Fund and the investors' investments therein.

### **Counterparty Risk**

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



If there is a default by a counterparty, the Fund under most normal circumstances will have contractual remedies pursuant to the agreements related to the transaction. However, exercising such contractual rights may involve delays or costs which could result in the net asset value of the Fund being less than if the Fund had not entered into the transaction. Furthermore, there is a risk that any of such counterparties could become insolvent and/or the subject of insolvency proceedings. In such case, the recovery of the Fund's securities from such counterparty or the payment of claims therefor may be significantly delayed and the Fund may recover substantially less than the full value of the securities entrusted to such counterparty.

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

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

### **Litigation Risk**

With regard to certain of the Fund's investments, the Adviser and/or the Fund may be plaintiffs or defendants in civil proceedings. The expense of prosecuting claims, for which there is no guarantee of success, and/or the expense of defending against claims by third parties and paying any amounts pursuant to settlements or judgments would generally be borne by the Fund and would reduce net assets or may, pursuant to applicable law, require investors to return to the Fund distributed capital and earnings.

### **Exposure to Material Non-Public Information**

From time to time, the Adviser may receive material non-public information with respect to an issuer of publicly traded securities. In such circumstances, the Fund may be prohibited, by law, policy or contract, for a period of time from (i) unwinding a position in such issuer, (ii) establishing an initial position or taking any greater position in such issuer, and (iii) pursuing other investment opportunities related to such issuer and, as a result, may adversely impact the performance of the Fund.

### **Discretion of the Adviser; New Strategies and Techniques**

While the Adviser will generally seek to employ the representative investment strategies and techniques discussed herein, the Adviser has considerable discretion in the types of securities the Fund may trade and has the right to modify the investment strategies and techniques of the Fund

without the consent of the investors. New investment strategies and techniques may not be thoroughly tested in the market before being employed and may have operational or theoretical shortcomings which could result in unsuccessful trades and, ultimately, losses to the Fund. In addition, any new investment strategy or technique developed by the Fund may be more speculative than earlier investment strategies and techniques and may involve material and as-yet-unanticipated risks that could increase the risk of an investment in the Fund.

## **Risks Related to Markets Generally**

### **Long-Term and Short-Term Market Considerations**

The Adviser's trading decisions may be made on the basis of long-term or short-term market considerations. In pursuing any long-term strategy, the Fund may forego value in the short-term or temporary investments in order to be able to avail the Fund of additional and/or longer-term opportunities in the future and, consequently, may not capture maximum available value in the short-term. Additionally, the portfolio turnover rate could result in significant trading related expenses.

### **General Economic and Market Conditions**

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

### **Potential Interest Rate Increases**

The United States has experienced a sustained period of historically low interest rate levels. In recent years, however, short-term and long-term interest rates have risen. The uncertainty of the U.S. and global economy, changes in U.S. government policy, and changes in the federal funds rate, increase the risk that interest rates will be volatile in the future. Sustained future interest rate volatility may cause the value of the fixed income securities held by the Fund to decrease, which may force the Fund to liquidate such securities at disadvantageous prices negatively impacting the performance of the Fund.

### **Discontinuation of LIBOR**

It is expected that the U.S. dollar London Interbank Offered Rate ("LIBOR"), which is commonly used as a reference rate within various financial contracts (any such rate, a "Reference Rate"), will not be published after June 30, 2023 (other than the one-week and two-month tenors, which will not be published after the year 2021). In anticipation of the end of LIBOR, the United States and other countries are currently working to replace LIBOR with alternative Reference Rates. As a general matter, the expected discontinuation of LIBOR may significantly impact financial markets; specifically, discontinuation may impact financial contracts to which the Fund is a party. Generally, the transition to alternative Reference Rates may (i) cause the value of a Reference Rate to be uncertain or to be lower or more volatile than it would otherwise be; (ii) result in uncertainty

as to the functioning, liquidity or value of certain financial contracts; (iii) involve actions of regulators or rate administrators that adversely affect certain markets or specific financial contracts; and (iv) impact the strategy, products, processes, legal positions and information systems of market participants, including the Fund and its counterparties. With respect to financial contracts to which the Fund is a party, any such contract that has a maturity that extends beyond June 2023 and uses LIBOR as a Reference Rate (other than contracts that include curative fallback language or other curative mechanisms) may need to be renegotiated, the process of which will consume resources of the Fund and may result in disputes among counterparties, the result of which may be adverse to the Fund. Considered in their entirety, the impacts of the discontinuation of LIBOR on financial markets generally and on the specific financial contracts to which the Fund is a party may adversely affect the performance of the Fund.

### **Governmental Interventions**

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

### **Assumption of Catastrophe Risks**

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

### **Coronavirus Risks**

In December 2019, the virus SARS-CoV-2, which causes the coronavirus disease known as COVID-19, was first identified in the human population. The disease spread around the world, resulting in the temporary closure of many corporate offices, retail stores, and manufacturing facilities across the globe, as well as the implementation of travel restrictions and remote working and "shelter-in-place" or similar policies by numerous companies and national and local governments. These actions caused the disruption of manufacturing supply chains and consumer demand in certain economic sectors, resulting in significant disruptions in local and global economies. Such disruptions continue to be felt, as many countries and U.S. states struggle to contain the virus and its variants. The short-term and long-term impact of COVID-19 on the operations of the Adviser and the performance of the Fund is difficult to predict. Any potential impact on such operations and performance will depend to a large extent on future developments

and actions taken by authorities and other entities to contain COVID-19 and its economic impact. These potential impacts, while uncertain, could adversely affect the performance of the Fund.

### **Cybersecurity Risk**

As part of its business, the Adviser processes, stores and transmits large amounts of electronic information, including information relating to the transactions of the Fund and personally identifiable information of the investors. Similarly, service providers of the Adviser, the Fund, especially the administrator of the Fund, may process, store and transmit such information. The Adviser has procedures and systems in place that it believes are reasonably designed to protect such information and prevent data loss and security breaches. However, such measures cannot provide absolute security. The techniques used to obtain unauthorized access to data, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time. Hardware or software acquired from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Network connected services provided by third parties to the Adviser may be susceptible to compromise, leading to a breach of the Adviser's network. The Adviser's systems or facilities may be susceptible to employee error or malfeasance, government surveillance, or other security threats. Online services provided by the Adviser to the investors may also be susceptible to compromise. Breach of the Adviser's information systems may cause information relating to the transactions of the Fund and personally identifiable information of the investors to be lost or improperly accessed, used or disclosed.

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

The loss or improper access, use or disclosure of the Adviser's or the Fund's proprietary information may cause the Adviser or the Fund to suffer, among other things, financial loss, the disruption of its business, liability to third parties, regulatory intervention or reputational damage. Any of the foregoing events could have a material adverse effect on the Fund and the investors' investments therein.

### **Risks Associated With Particular Types of Securities**

#### **Debt Securities**

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

#### *Interest Rate Risk*

Changes in interest rates can affect the value of the Fund's investments in fixed-income instruments. Increases in interest rates may cause the value of the Fund's debt investments to decline. The Fund may experience increased interest rate risk to the extent it invests, if

at all, in lower-rated instruments, debt instruments with longer maturities, debt instruments paying no interest (such as zero-coupon debt instruments) or debt instruments paying non-cash interest in the form of other debt instruments.

#### *Prepayment Risk*

The frequency at which prepayments (including voluntary prepayments by the obligors and accelerations due to defaults) occur on debt instruments will be affected by a variety of factors including the prevailing level of interest rates and spreads as well as economic, demographic, tax, social, legal and other factors. Generally, obligors tend to prepay their fixed rate obligations when prevailing interest rates fall below the coupon rates on their obligations, which may impact the Fund's portfolio. For example, prepayments by an obligor in a faster than anticipated manner may cause the Fund's portfolio to experience outright losses and, in the event such prepayment is the result of lower interest rates in the market, the Fund's will often need to deploy capital in a lower yielding market than what was originally expected.

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

#### *Market Making by Dealers*

The value of the Fund's fixed-income investments will be affected by general fixed income market conditions, such as the volatility and liquidity of the fixed income market, which are affected by the ability of dealers to "make a market" in fixed-income investments. In recent years, the market for bonds has significantly increased while dealer inventories have significantly decreased, relative to market size. This reduction in dealer inventories may be attributable to regulatory changes, such as capital requirements, and is expected to continue. As dealers' inventories decrease, so does their ability to make a market (and, therefore, create liquidity) in the fixed income market. Especially during periods of rising interest rates, this could result in greater volatility and illiquidity in the fixed income market, which could impair the Fund's profitability or result in losses.

#### *High-Yield*

Bonds or other fixed-income securities that are "higher yielding" (including non-investment grade) debt securities are generally not exchange-traded and, as a result, these securities trade in the over-the-counter marketplace, which is less transparent and has wider bid/ask spreads than the exchange-traded marketplace. High-yield securities face ongoing uncertainties and exposure to adverse business, financial or economic conditions, which could lead to the issuer's inability to meet timely interest and principal payments. High-yield securities are generally more volatile and may or may not be subordinated to certain other outstanding securities and obligations of the issuer, which may be secured by

substantially all of the issuer's assets. High-yield securities may also not be protected by financial covenants or limitations on additional indebtedness. The market values of certain of these lower-rated and unrated debt securities tend to reflect individual corporate developments to a greater extent than do higher-rated securities, which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than are higher-rated securities. Companies that issue such securities may be highly leveraged and may not have available to them more traditional methods of financing. In addition, the Fund may invest in bonds of issuers that do not have publicly traded equity securities.

The Fund may invest in obligations of issuers that are generally trading at significantly higher yields than had been historically typical of the applicable issuer's obligations. Such investments may involve an issuer that is in technical default of its credit agreement, or undergoing strategic or operational change, or include debt obligations that have a heightened probability of being in covenant or payment default in the future or that are currently in default. The market prices of such instruments are highly volatile, often illiquid and are generally considered speculative. Additionally, the repayment of defaulted obligations is subject to significant uncertainties. Defaulted obligations might be repaid only after lengthy workout or bankruptcy proceedings, during which the issuer might not make any interest or other payments. Typically, such workout or bankruptcy proceedings result only in partial recovery of cash payments or an exchange of the defaulted security for other debt or equity securities of the issuer or its affiliates, which may in turn be illiquid or speculative. There can be no assurance as to the amount and timing of payments, if any, with respect to such debt securities.

#### *Corporate Debt*

Bonds, notes and debentures issued by corporations may pay fixed, variable or floating rates of interest, and may include zero-coupon obligations. Corporate debt instruments may be subject to credit ratings downgrades. Other instruments may have the lowest quality ratings or may be unrated. In addition, the Fund may be paid interest in kind in connection with its investments in corporate debt and related financial instruments (e.g., the principal owed to the Fund in connection with a debt investment may be increased by the amount of interest due on such debt investment). Such investments may experience greater market value volatility than debt obligations that provide for regular payments of interest in cash and, in the event of a default, the Fund may experience substantial losses.

#### *Mezzanine Debt*

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

proceeds from any realization of the secured collateral until they have been reimbursed and there is no guarantee that such proceeds will be sufficient to satisfy the junior debt held by the Fund, which may result in losses to the Fund.

#### *Zero-Coupon and Deferred Interest Bonds*

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

#### *Equitable Subordination*

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

### **Debt and Loan Investments Generally**

The Fund invests in senior debt (i.e., syndicated loans, bank loans, leveraged loans, unitranche or middle market loans) and junior debt (i.e., second lien, unsecured debt or bonds). The Fund's success will depend, in part, on its ability to obtain loans on advantageous terms. In purchasing loans, the Fund will compete with a broad spectrum of investors and institutions. Increased competition for, or a diminution in the available supply of, qualifying loans could result in unfavorable terms or lower yields on such loans, which could reduce returns to investors.

These investments are subject to certain 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) the possible default of the borrower and inability to obtain liquidation proceeds under the bankruptcy and creditor rights laws of the United States, its states, and other jurisdictions. For example, of paramount concern in loan investments is the possibility of material misrepresentation or omission on the part of the borrower or loan seller. Such inaccuracy or incompleteness may adversely affect the valuation of the collateral underlying the loans or may adversely affect the ability of the Fund to perfect or effectuate a lien on the collateral securing the loan. The Fund will rely upon the accuracy and completeness of representations made by borrowers to the extent reasonable, but cannot guarantee

such accuracy or completeness. Under certain circumstances, payments to the Fund may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

Further, in the event of a default by a borrower, the ability of the borrower to file for bankruptcy protection, among other things, may impede the ability to foreclose on or sell the collateral or to obtain liquidation proceeds sufficient to repay all amounts due on the related loan. In addition, under certain circumstances, lenders who have inappropriately exercised control of the management and policies of a debtor may have their claims subordinated or disallowed or may be found liable for damages suffered by parties as a result of such actions. Bankruptcy laws may delay the ability of the Fund to monetize collateral for loan positions held by it or may adversely affect the priority of such loans through doctrines such as equitable subordination or may result in a restructure of the debt.

In analyzing each investment, the Adviser compares the relative significance of the risks against the expected benefits of the investment. The costs of claims by third parties arising from these and other risks will be borne by the Fund.

#### **Syndicated Loans, Participations and Other Indirect Economic Interests**

The Fund may purchase assets in the form of an assignment of, or participation interest in, a note or other obligation issued under a loan facility to which more than one lender is a party. Participations held by the Fund in a seller's portion of a debt instrument typically result in a contractual relationship only with such seller, not with the obligor (see "Counterparty Risk" above). These loan facilities are administered for the lenders by a lender or other agent acting as the lead administrator. The terms and conditions of these loan facilities may be amended, modified or waived only by the agreement of the lenders. Generally, any such agreement must include a majority or a super-majority (measured by outstanding loans or commissions) or, in certain circumstances, a unanimous vote of the lenders, and the Fund may have a minority interest in such loan facilities. Consequently, the terms and conditions of the Fund's asset issued or sold in connection with a loan facility could be modified, amended or waived in a manner contrary to the preferences of the Fund if the amendment, modification or waiver of such term or condition does not require the unanimous vote of the lenders and a sufficient number of the other lenders concur with such modification, amendment or waiver. There can be no assurance that the Fund assets issued or sold in connection with any loan facility will maintain the terms and conditions to which the Fund originally agreed.

Additionally, as an owner of participation interests or other indirect economic interests (including as a member of a loan syndicate), the Fund may not be able to assert any rights against borrowers of the underlying indebtedness, and may need to rely on the holder (or other financial institution) issuing the participation interests or such other entity charged with the responsibility for asserting such rights, if any. Such holders and financial institutions or other entities may have reasons not to assert their rights, whether due to a limited financial interest in the outcome, other relationships with the underlying defaulting borrowers, the threat of potential counterclaims or other reasons, that may diverge from the interests of the Fund. The failure of such holders and financial institutions or other entities to assert their rights (on behalf of the Fund) or the insolvency of such entities could materially adversely affect the value of the assets of the Fund.



### **Priority of Loans and Other Debt Instruments**

The Fund may invest in debt of companies that have, or that may incur additional, debt that is senior to the debt owned by the Fund and such senior or additional debt may or may not be substantial. In the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of any such company, the owners of senior secured debt (i.e., the owners of first priority liens) generally will be entitled to receive proceeds from any realization of the secured collateral until they have been reimbursed. At such time, the owners of junior secured debt will then be entitled to receive proceeds from the realization of the collateral securing such debt and only thereafter would the owners of unsecured debt be entitled to any recovery. There can be no assurances that the proceeds, if any, from the sale of such collateral would be sufficient to satisfy the loan obligations secured by subordinate debt instruments. To the extent that the Fund owns debt that is unsecured or is junior to other secured debt, the Fund may lose the value of its entire investment in such debt.

### **Limitations on Remedies**

Although the Fund will have certain contractual remedies upon the default by any borrowers under debt investments, certain legal requirements may limit the ability of the Fund to effectively exercise such remedies. The laws with respect to the rights of creditors and other investors in certain jurisdictions in which the Fund may invest may not be comprehensive or well-developed, and the procedures for the judicial or other enforcement of such rights may be of limited effectiveness.

### **Secondary Market Trading**

As secondary market trading volumes increase, new loans are frequently adopting standardized documentation to facilitate loan trading, which may improve market liquidity. There can be no assurance, however, that future levels of supply and demand in loan trading will provide an adequate degree of liquidity or that the current level of liquidity will continue. Because of the provision to holders of such loans of confidential information relating to the borrower, the unique and customized nature of the loan agreement, and the private syndication of the loan, loans are not as easily purchased or sold as a publicly traded security, and historically the trading volume in the loan market has been small relative to the high-yield debt market.

### **Leveraged Companies**

The Fund's investments in leveraged companies involve a high degree of risk. Leveraged companies are particularly vulnerable to adverse economic factors such as downturns in the economy or deterioration in the conditions of such companies or their respective industries. In the event that any such company cannot generate adequate cash flow to meet debt service (including on debt senior to the debt held by the Fund), the Fund may suffer a partial or total loss of capital invested in the company, which, depending on the size of the Fund investments, could adversely affect the return on the capital of the Fund.

### **Below Investment Grade Debt**

Investments in loans that are rated below investment grade or unrated are considered speculative because of the credit risk of their issuers or the subordination of the particular debt instruments to other debt of the issuer. The issuers of such loans may default on their payments of interest and

principal owed to the Fund, and such defaults could have a materially adverse effect on the Fund's performance. An economic downturn would generally lead to a higher non-payment rate, and a senior secured loan may lose significant market value before a default occurs. Moreover, there is a risk that the collateral securing such loans may decrease in value over time, may be difficult to sell in a timely manner, may be difficult to appraise and may fluctuate in value based upon the success of the business and market conditions, including as a result of the inability of the issuer to raise additional capital, and, in some circumstances, the Fund's liens could be subordinated to claims of other creditors. Even if a loan is secured, it does not guarantee that the Fund will receive principal and interest payments according to the loan's terms, or at all, or that the Fund will be able to collect on the loan should it be forced to enforce its remedies. There is no assurance that the Adviser will correctly evaluate the value of the assets collateralizing such loans or the prospects for distribution on or repayment of such loans. The Fund may lose its entire investment or may be required to accept cash, property or securities with a value less than the Fund's original investment and/or may be required to accept payment over an extended period of time.

### **Second Lien Loans**

The Fund may invest in loans that are secured by a second lien on assets. Second lien loans have been a developed market for a relatively short period of time, and there is limited historical data on the performance of second lien loans in adverse economic circumstances. In addition, second lien loan products are subject to intercreditor arrangements with the holders of first lien indebtedness, pursuant to which the second lien holders have waived many of the rights of a secured creditor, and some rights of unsecured creditors, including rights in bankruptcy that can materially affect recoveries. While there is broad market acceptance of some second lien intercreditor terms, no clear market standard has developed for certain other material intercreditor terms for second lien loan products. This variation in key intercreditor terms may result in dissimilar recoveries across otherwise similarly situated second lien loans in insolvency or distressed situations. While uncertainty of recovery in an insolvency or distressed situation is inherent in all debt instruments, second lien loan products carry more risks than certain other debt products.

### **Hung Loans**

The term "hung loan" commonly refers to a loan that has been made (or has been committed to be made) where the lender is not able to syndicate the loan on the originally anticipated terms. Hung loans are often illiquid and lack readily ascertainable market values; there is no assurance that the price to be paid for hung loans by the Fund will reflect a discounted price that should allow the Fund to achieve a positive return on such loans or avoid losses. Since the price of the loans to be purchased is expected to continue to be significantly impacted by, in addition to the specific circumstances relating to each loan (e.g., in the case of a loan relating to a leveraged buyout ("LBO"), the financial condition of the target), global and macro-economic conditions (e.g., monetary policy, changes to currency exchange rates, governmental intervention or changes to existing laws, international geo-political events, etc.) as well as other systemic factors, it is possible that loans purchased by the Fund will suffer significant impairments in value as a result of events not predicted by the Fund. The Fund may also face difficulties in disposing of or leveraging such loans, or in doing so without incurring losses. The markets in which hung loans are purchased and sold have been volatile and are likely to continue to be volatile in the future.

### **Bridge Loans or Commitments**

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

### **Debtor-in-Possession ("DIP") Loans**

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

### **Preferred Stock**

Investments in preferred stock involve risks related to priority in the event of bankruptcy, insolvency or liquidation of the issuing company and how dividends are declared. Preferred stock ranks junior to debt securities in an issuer's capital structure and, accordingly, is subordinate to all debt in bankruptcy. Consequently, preferred stockholders must wait until all of the issuing company's creditors are made whole before preferred stockholders have any claim on the company's assets. Preferred stock generally has a preference as to dividends. This tends to make the market price of preferred stocks interest rate-sensitive such that, if prevailing interest rates rise, preferred stock prices tend to fall. Such dividends are generally paid in cash (or additional shares of preferred stock) at a defined rate, but unlike interest payments on debt securities, preferred stock dividends are payable only if declared by the issuer's board of directors and are not guaranteed in the same way interest payments on an issuer's bonds are guaranteed. Dividends on preferred stock may be cumulative, meaning that, in the event the issuer fails to make one or more dividend payments on the preferred stock, no dividends may be paid on the issuer's common stock until all

unpaid preferred stock dividends have been paid. Preferred stock may also be subject to optional or mandatory redemption provisions.

### **Equity Securities**

The value of equity securities of public and private, listed and unlisted companies generally varies with the performance of the issuer and movements in the equity markets. As a result, the Fund may suffer losses if it invests in equity instruments of issuers whose performance diverges from the Adviser's expectations. The Fund also may be exposed to risks that issuers will not fulfill contractual obligations such as, in the case of convertible securities or private placements, delivering marketable common stock upon conversions of convertible securities and registering restricted securities for public resale.

### **Undervalued Securities**

The identification of investment opportunities in undervalued securities is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. While investments in undervalued securities offer the opportunity for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from the Fund's investments may not adequately compensate for the business and financial risks assumed.

## **Item 9 - Disciplinary Information**

The Adviser and its management personnel have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's or prospective client's evaluation of the Adviser's advisory business or management integrity.

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

Neither the Adviser nor any of its management persons is registered, or has an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

Brinley Partners may, from time to time, establish certain investment vehicle through which certain investors or clients may invest alongside one or more funds in one or more investment opportunities. The Adviser may encounter situations in which it must determine how to allocate co-investment opportunities among various funds. Please refer to the Fund's governing documents for the details on how the Adviser will address those situations.

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

### Code of Ethics

The Adviser will adopt and implement a code of ethics (the "Code of Ethics") pursuant to Rule 204A-1 under the Advisers Act, which requires the Adviser and its employees to put the interests of the Adviser's clients before its own interests and to act honestly and fairly in all respects in its

dealings with its clients. The Code of Ethics also requires all employees to comply with applicable federal securities laws.

The Code of Ethics, which describes rules surrounding personal securities transactions, requires Brinley Partners' employees to report certain personal securities transactions and holdings. These personal securities transactions may raise potential conflicts with the interests of Brinley Partners' clients. To mitigate potential conflicts of interest, Brinley Partners requires its employees to pre-clear their personal transactions in any investments involving initial public offerings, private placements, as well as other Reportable Securities defined in Rule 204A-1 under the Advisers Act. The Adviser, however, allows its access persons to trade certain exchange traded funds, as well as other securities that are exempt from the definition, without a prior written approval.

Clients and the Fund investors, including prospective clients and investors, may obtain a copy of the Code of Ethics by contacting Kerry Dolan at [brinleypartnerscompliance@gmail.com](mailto:brinleypartnerscompliance@gmail.com).

#### Participation or Interest in Client Transactions

Brinley Partners and certain of its employees may invest in and alongside the Fund, and this may cause a conflict of interest. The Adviser has adopted a Code of Ethics to address this type of conflict of interest.

#### Insider Trading Policy

Brinley Partners' employees regularly acquire confidential information and Brinley Partners may enter into confidentiality and/or "standstill agreements" when assessing investment opportunities. Brinley Partners and its employees may also, from time to time, come into possession of material non-public information ("MNPI") about an issuer. The information, which if disclosed, might affect an investor's decision to buy, sell or hold a security. Under applicable law, the Adviser and its employees may be prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any other third party. Accordingly, if Brinley Partners and/or its employees come into possession of MNPI with respect to any issuer, the Adviser may be restricted from communicating such information to, or using such information for the benefit of, Brinley Partners' private funds and their underlying investors.

Brinley Partners has adopted a policy in accordance with Section 204A of the Advisers Act, which establishes procedures to prevent the misuse of MNPI by Brinley Partners and its employees.

## **Item 12. Brokerage Practices**

Brinley Partners' acquisition or disposition of an asset will often involve a privately negotiated transaction that will not involve the services of a broker or dealer. In those instances, the Adviser seeks to negotiate and execute transactions in an efficient manner and consistent with its fiduciary duties to its clients. In some circumstances, however, Brinley Partners may acquire or dispose of assets through a broker-dealer.

When Brinley Partners executes portfolio transactions through a broker-dealer, Brinley Partners shall seek the best overall terms available. The selection of investment bankers, brokers and other advisors and the fees paid in connection with such services require a substantial amount of judgment which take into account a range of factors, both qualitative and quantitative. Factors include not only economic considerations but general expertise and background, the type and size of the transaction involved, the stability or solvency of the service provider or counterparty, settlement capabilities, time required to complete the role sought, research services or any arrangements relating to overall performance in the best interest of a client. If a Fund's asset can only be obtained from one broker-dealer, the Adviser will use that broker-dealer.

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

Brinley Partners regularly reviews and analyzes the Fund existing holdings to attempt to timely identify issues and take necessary actions. Brinley Partners' investment team, which will include individuals who underwrite the deal and senior management, reviews the Fund's investments along with the Investment Committee members.

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

Brinley Partners has not entered into a referral arrangement with an unaffiliated entity (the "Placement Agent") for introducing and referring investors to invest in the Fund that Brinley Partners manages.

### **Item 15. Custody**

Brinley Partners is deemed to have custody of the Fund's assets because it serves as the General Partner to the Fund, and therefore, it is subject to Rule 206(4)-2 under the Adviser Act (the "Custody Rule"). While the Adviser from time to time maintains custody of uncertificated securities or "privately offered securities" acquired directly from the issuers in private placements, Brinley Partners deposits all Fund assets (including any fund securities, to the extent the Adviser acquires or comes into possession of such securities) with a qualified custodian (as defined under the Custody Rule).

The Custody Rule generally also requires an investment adviser to ensure that a qualified custodian must send account statements to clients on a quarterly basis, but in this case, the Adviser is not subject to this requirement, because the Fund will be audited at least annually by an independent auditor that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. Brinley Partners will distribute audited financial statements to all fund investors following the end of the fiscal year of such Fund within the number of days required by the Custody Rule.

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

The Adviser provides investment advisory services on a discretionary basis to the Fund. Brinley Partners has the authority to determine what investments are made, and when and how they are

made, consistent with and pursuant to the Fund's limited partnership agreement and other governing documents. Please refer to the Fund's governing documents for any limitations on Brinley Partners' investment authority.

## **Item 17. Voting Client Securities**

Brinley Partners primarily invests in assets that typically do not issue proxies. However, in the event that Brinley Partners receives proxies, Brinley Partners will generally seek to vote proxies in a way that maximizes the value of the Fund's assets. Brinley Partners reserves the right to vote against management, or affirmatively abstain from voting, if in its discretion Brinley Partners determines that it would be in the best interest of its clients to do so. Clients cannot direct Brinley Partners' vote in a particular solicitation.

If the Adviser detects a material conflict of interest in connection with a proxy solicitation, Brinley Partners may engage an outside counsel and/or the relevant Fund's Investor Advisory Committee to review the material conflict of interest and make a recommendation.

While an extreme rarity in practice given Brinley Partners' investment strategies, the Fund may include equity securities that could entitle the Fund to participate in the proceeds of class action lawsuit recoveries. As a fiduciary, the Adviser shall seek to act in client's best interest with good faith, loyalty, and due care. Brinley Partners will determine whether the Fund will (a) participate in a recovery achieved through a class action, or (b) opt out of the class action and separately pursue their own remedy. If Brinley Partners determines the Fund will participate in the recovery, it will complete a proof of claim form and any associated documentation, submit documents to the claim administrator, and monitor the receipt of any recovered monies. Brinley Partners will maintain documentation associated with the Fund's participation in class actions.

Brinley Partners' complete proxy voting policy and procedures are memorialized in writing and are available for review by current clients or existing investors upon request. In addition, a record of all proxy votes cast on behalf of clients or investors is available upon request. To receive a copy, please contact Kerry Dolan at [brinleypartnerscompliance@gmail.com](mailto:brinleypartnerscompliance@gmail.com).

## **Item 18. Financial Information**

The Adviser has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage the Fund.