

## **ADV Part 2A: Firm Brochure**

December 2021

York Capital Management Global Advisors, LLC

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This brochure provides information about the qualifications and business practices of York Capital Management Global Advisors, LLC which does business under the name “York Capital Management” (the “Adviser”). If you have any questions about the contents of this brochure, please contact Brian S. Traficante, Co-Chief Operating Officer, General Counsel and Chief Compliance Officer, at 212-300-1304 or [btraficante@yorkcapital.com](mailto:btraficante@yorkcapital.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. This brochure is strictly a disclosure document and is not an offer to sell securities.

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

Item 2. Material Changes

This brochure dated December 2021 updates the brochure filed in July 2021. This document should be reviewed in its entirety as some changes to the document may be considered material to some readers and immaterial to others. Material alterations have been made to the following section:

- Item 4. Advisory Business was updated to reflect the spin out of York's Asia hedge fund business.
- Item 10. Other Financial Industry Activities and Affiliations was updated.
- Item 19. Management Persons was updated.

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Item 4. Advisory Business

York Capital Management Global Advisors, LLC, which does business under the name “York Capital Management” (the “Adviser”), provides administrative services and, either directly or through controlled entities serves as investment adviser to a variety of private investment partnerships and offshore investment funds (each, a “Fund” and, collectively, the “Funds” or the “York Funds”), which are privately placed. These Funds utilize a variety of investment strategies. The Adviser also manages collateralized loan obligation funds (“CLOs”). The Adviser, which manages or controls the general partners and investment managers, as applicable, of the Funds is registered with the Securities and Exchange Commission (“SEC”). The mere fact that an adviser is registered with the SEC does not imply any particular level of skill or training.

Adviser is affiliated with several other companies that serve as general partners/investment managers and/or administrators (collectively, “York”, the “York Group” or the “Firm”) that are responsible for running the day-to-day operations of the Funds. Adviser also serves as investment adviser to certain other institutional managed accounts and accounts related to its founders and has sole discretion as to the management of the affairs of such accounts and the selection of their investments. (However, certain of the Adviser’s managed accounts have restrictions as to what types of assets they are permitted to own.)

Credit Suisse Manager Holdings Limited, an indirect wholly owned subsidiary of Credit Suisse Group AG (“Credit Suisse”), owns a passive, non-controlling, minority equity interest in Adviser. Certain subsidiaries of Credit Suisse provide brokerage and placement agent services to Adviser on a non-exclusive basis. York operates independently of the Credit Suisse group of companies and is managed by its Partners and other senior management personnel.

Throughout this brochure, we disclose a number of conflicts of interest. We encourage clients and potential clients to review our policies and procedures and inquire directly with us about such conflicts. Our policies and procedures are available for review in each of our offices. In addition, conflicts of interest and specific risks are identified in the offering materials of Funds that we manage. Please request a copy of the relevant fund’s most current offering materials for a description of other conflicts and risks that might exist.

The Firm was founded in 1991 by James G. Dinan. The Adviser’s principal owner is James G. Dinan.

In November 2020, the Firm announced that it had undertaken a strategic review of the Firm’s businesses and would make the following changes: a planned spin out in 2021 of York Capital Management Asia (HK) Advisors Limited into a new, independent firm, in which York will maintain a non-controlling, passive interest; the wind down of the Firm’s European hedge fund business, including the York European Opportunities Fund and the York European Focus Fund; the Firm’s Multi-Strategy Fund strategy will primarily manage internal capital; and the Firm will focus its business on longer duration assets, including Private Equity and Private Debt going forward.

In furtherance of this strategic review, on April 22, 2021, the Firm and Kennedy Lewis Investment Management (“Kennedy Lewis”), announced a strategic partnership to form a new entity to be called Generate Advisors, LLC (“Generate Advisors”). This strategic partnership began on July 15, 2021. Under the partnership agreement, York’s approximately \$4 billion CLO business (other than York CLO-1 Ltd) and team, led by Rizwan Akhter, has transitioned to Generate Advisors and continue to manage the current CLO portfolio as well as any future CLOs issued by Generate

Advisors. York CLO Managed Holdings, Rizwan Akhter in his capacity as an employee of York CLO Managed Holdings, and certain members of the CLO team will continue to manage York CLO- 1 Ltd. Generate Advisors is a relying adviser of Kennedy Lewis. Kennedy Lewis will be investing in Generate Advisors and has committed at least \$200 million of capital to be invested in the equity of Generate Advisors' future CLOs.

On December 1, 2021, York completed the successful spin out of York Capital Management Asia (HK) Advisors Limited into a new, independent firm, MY.Alpha Management HK Advisors Limited ("MY.Alpha"), in which York maintains a non-controlling, passive revenue interest. Pursuant to the spin out, York's approximately \$3 billion Asia hedge fund business and team, led by Masa Yamaguchi, has transitioned to MY.Alpha.

As of November 1, 2021, the Adviser managed approximately \$9.84 billion in assets. The regulatory AUM for the Adviser as of September 30, 2021 was approximately \$12,033,862,000. All of these assets are managed on a discretionary basis.

Item 5. Fees and Compensation

**THIS SECTION SHOULD BE REVIEWED CAREFULLY AS CERTAIN FEES AND EXPENSES THAT PREVIOUSLY HAD BEEN COVERED BY THE ADVISER HAVE BEEN ALLOCATED TO THE RELEVANT FUNDS BEGINNING ON JULY 1, 2020.**

The Adviser provides investment management services on a fee basis, which includes fees based upon the net asset value of the assets under management by the Adviser, as well as fees based on performance of the Funds and accounts. Applicable fees are set forth in detail in each Fund's offering documents. A brief summary of the Adviser's fees is provided below. Investors should refer to the relevant offering documents for a complete understanding of how the Adviser is compensated for its advisory services.

The Adviser generally receives an annual management fee of between 1% and 2% for each Fund's assets under management, paid either monthly or quarterly, in advance based on the net asset value of the Fund at the beginning of the applicable month or quarter. Other accounts are charged fees that are negotiated with the client and range from .50% to 2% per annum. The percentage advisory compensation rate generally varies from Fund to Fund, and from share class to share class within a Fund, and is based on a variety of factors that includes the types and mix of assets involved; the nature and complexity of the assets; the nature and complexity of the particular Fund; the nature of the services provided; the liquidity of the particular share class; the size of the Fund; and the types and size of investors in the particular Fund. With respect to certain closed end funds with private equity-like terms, management fees may be based on capital commitments or funded commitments to such funds. Certain strategic clients may be charged management fees and incentive allocations at lower rates than those set forth in a Fund's offering documents. In addition, the Adviser at times grants certain investors preferential rights with respect to various matters, including, without limitation, the right to most favorable economic terms for their investments. Any such fee reductions or other preferential rights are determined by the Adviser on a case by case basis.

The Adviser or one of its affiliates also will generally receive an incentive fee or incentive allocation of up to 20% of the aggregate profits or distributions, as applicable, to investors, which is in addition to advisory and administrative fees and expenses, as described more fully in the

offering documents of the particular Fund, as permitted by 17 C.F.R. 275.205-3 and/or section 205 of the Investment Advisers Act of 1940, as amended (the “Investment Advisers Act”).

In some cases, Adviser or its affiliates receive reimbursement of certain expenses from the Funds, as described in the offering documents and periodic reports of those Funds. These reimbursements are for expenses deemed by the Firm in its discretion to be beneficial services to the Funds.

Adviser and/or other York Group entities, or the Funds are permitted to pay placement fees, certain expenses, and servicing fees to broker-dealers acting as placement agent that place investors for the Funds, as described in the offering documents of the relevant Funds, that may be based on a percentage of the assets initially invested, or assets remaining invested over time, from the investor, or based upon fees received by Adviser, in respect of the investors placed by that placement agent.

Each Fund bears all its organizational, offering and ordinary operating expenses and other fees and expenses incurred in relation to such Fund, other than the operating expenses of the Adviser, all as further described in such Fund’s offering documents.

Organizational and initial offering fees and expenses borne by a Fund typically include all those incurred in connection with (i) the offering and sale of the interests in the Fund, including placement agent costs, (ii) the formation and organization of the Fund and (iii) the preparation, negotiation, execution and delivery of the Fund’s governing and offering documents, including any related legal and accounting fees and expenses, travel expenses and filing fees.

Other fees and expenses borne by a Fund typically include, without limitation, (i) expenses incurred in buying, structuring, restructuring, negotiating, holding and selling or otherwise disposing of securities and other investments, including, without limitation, brokerage commissions, transactional fees and expenses, (including fees and expenses related to potential purchases and sales of securities and other investments, even if not consummated), interest and other borrowing and financing costs, dividends and interest payable with respect to securities sold short, trade execution expenses (*e.g.*, costs associated with trading communication hardware, software and private lines), external research expenses, soft dollar expenses, custody and transfer fees, currency conversion expenses, expenses of currency and other hedging transactions, investment-related travel and entertainment expenses, the costs of preparing and filing reports to regulatory authorities relating to such Fund’s investments (*e.g.*, filings under Section 13 of the Securities Exchange Act of 1934, as amended, notifications under the EU Transparency Directive and the EU Regulation on Short Selling and similar filings), Form PF filings under the Investment Advisers Act and similar filings), the costs of proxy or corporate control contests, fees and other costs associated with any joint venture or similar investments (including management fees, expense reimbursements and profit sharing arrangements with joint venture or similar partners), broken-deal fees and the costs of any litigation, arbitration, investigation or other proceeding relating to such Fund’s investments (including legal fees and the amounts of any judgments or settlements), (ii) fees and other costs associated with third-party software, systems and services relating to trade order management, trade reconciliation, trade surveillance, trade collateral management, portfolio management (including the allocable portion of the compensation payable to internal developers), proxy voting, risk management, portfolio accounting, valuation and regulatory reporting (*e.g.*, reporting and publishing in connection with the EU Alternative Investment Fund Managers Directive and the EU Markets in Financial Instruments Directive), (iii) initial and ongoing offering fees and expenses (including amendments to such Fund’s organizational and offering documents), (iv) insurance premiums and fees and expenses of banks, custodians, administrators (including third-party license fees associated with the administrator’s access to portfolio accounting and reporting software used by York), trustees, legal counsel, independent public accountants, fees and expenses of

auditors/assessors of York's systems and procedures for compliance with Cayman Islands anti-money laundering and counter-terrorist financing regulations, external valuers and appraisers of all asset types, providers of tax-related services, investment bankers and other brokers of transactions, placement agents for securities purchased or sold by such Fund, and other persons, agents and consultants retained by or on behalf of such Fund, (v) out-of-pocket costs of meetings with, and the preparation, reproduction and mailing of annual financial statements, tax returns and other reports to, investors, (vi) subject to certain exceptions, any taxes, fees or other governmental charges levied against the Fund or its income, assets or transactions, (vii) the Fund's share of the fees payable to its directors and/or advisory board members, out-of-pocket travel and other expenses of members of its advisory board reimbursed by such Fund, and any printing and other out-of-pocket costs associated with meetings of the members of the advisory board, (viii) any indemnification expenses and other extraordinary fees and expenses (such as those associated with litigation and threatened litigation) and (ix) the costs of winding up and liquidating such Fund. As an example of fees and expenses of a consultant retained by or on behalf of a Fund, a Fund may bear its allocated share of the costs associated with an individual who will advise regarding environmental and social policies and prudent responsible governance matters (ESG) relating to such Fund's portfolio.

If a Fund is part of a "master-feeder" structure, it will also bear its share of the fees and expenses incurred or reimbursed by any "intermediate fund" or "master fund" through which it invests, which may include fees and expense of or similar any or all of the types listed above. York is entitled to reimbursement for any fees and expenses that it pays on behalf of a Fund. Each Fund will also indirectly bear its share of the fees and expenses incurred or reimbursed by any investment holding vehicles and any other underlying investment vehicles, which may include, without limitation, fees and expenses of or similar to any or all of the types listed above. As further described below under the caption "Allocation of Costs with Respect to Certain Shared Expenses", in connection with the investment holding vehicles organized in Luxembourg, an office has been established in Luxembourg for transactions with parties located in other European Union ("EU") countries. Costs of the Luxembourg office borne indirectly by a Fund include personnel costs (such as salaries and benefits of the dedicated staff, compensation paid to outside directors and out-of-pocket expenses incurred by all the directors in connection with their service as directors), occupancy costs, technology costs, and fund administration and other associated expenses.

Many of the fees and expenses described above (including fees and expenses related to potential purchases and sales of securities even if not consummated, as well as a share of the costs of general research which may benefit a Fund and other York Funds, along with the fees and expenses of legal counsel and certain other agents and consultants retained by or on behalf of one or more York Funds), generally will be allocated among a Fund and other York Funds, whether or not directly useful to a Fund. Such allocations of fees and expenses may be based on the ratio that the total net assets of or capital committed to a Fund bears to the total net assets of or capital committed to all other York Funds or such other ratio that York deems appropriate in its sole and absolute discretion (such as the ratio that the value of a Fund's participation in a particular investment or transaction to which a particular expense relates bears to the total value of the York Funds' participation therein). For example, costs and expenses associated with third party portfolio accounting and risk systems (e.g., Bloomberg terminals, the Geneva portfolio accounting system and the systems utilized for reporting to RiskMetrics or Axioma) will be allocated pro rata among certain of the York Funds that utilize such systems. A Fund may pay a greater or smaller portion of allocated fees and expenses than if an attempt were made to allocate such fees and expenses among the York Funds based on the relative benefit to such Fund and each other York Fund. Certain of the fees and expenses described above will not be allocated to any Fund organized as a separately managed account or "fund of one" if the relevant investor(s) or advisor does not agree that such Fund will

bear its allocable portion thereof, in which event York (and not the other York Funds) will bear the portion that would otherwise have been allocated to such Fund.

Fees and expenses attributable solely to one or more particular classes or sub-classes of interests in a fund generally will be allocated solely to such class or classes, or sub-class or sub-classes, as applicable., for so long as interests of such class or classes of interests remain outstanding. York is responsible for its own operating expenses incurred in providing investment advisory and administrative services to the Funds, such as personnel costs, salaries and rent, but not for a Fund's investment-related and other operating expenses. York is entitled to reimbursement for any Fund fees and expenses that it pays on behalf of such Fund.

It should be noted that fees and expenses related to the Funds' investment in CLO securities are addressed in Item 8 below.

#### **Allocation of Costs with Respect to Certain Shared Expenses**

In connection with the investment holding vehicles organized in Luxembourg, and in the interest of conducting business with parties located in other EU countries in a tax-efficient manner and in compliance with European tax laws, an office has been established in Luxembourg for transactions with parties located in other EU countries. The office has a staff of three persons who review and approve transactions in conjunction with the boards of the Luxembourg investment holding vehicles. All costs of the Luxembourg office will be allocated among the York Funds that conduct transactions through the Luxembourg office, based on the ratio that the value of a York Fund's participation in a particular investment or transaction bears to the total value of such York Funds' participation therein. Prior to July 1, 2020, the foregoing costs were borne by York.

#### **Trustee's Fee**

In the case of any Fund that has a Trustee, the Trustee will receive a fee for its services.

#### **Administrator's Fee**

The Fund pays its administrator fees out of Fund assets based on the size of the Fund, in accordance with the administrator's standard schedule for providing similar services.

To be clear, clients have been asked or could be asked to pay additional fees and expenses, including expenses associated with specific investment transactions, such as the following non-exhaustive list of items:

- Brokerage commissions
- Hedging expenses
- Expenses relating to short sales
- Consulting expenses
- Clearing and settlement charges
- Custodial fees
- Bank service fees
- Administrative expenses
- Valuation and appraisal expenses
- Organizational expenses
- Costs of winding up a fund
- Interest expenses
- Financing costs
- Investment-related travel expenses
- Risk management expenses
- Legal and compliance expenses
- Auditing and tax preparation expenses
- Accounting and operations expenses
- Litigation and indemnification expenses
- Taxes
- Expenses related to unconsummated investments
- Expenses of asset management personnel
- Third party administrator expenses



- Insurance costs
- Costs of software in connection with investments
- Professional fees related to investments
- Research expenses
- Fees and expenses paid to advisory board members

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

As discussed in response to Item 5 above, the Adviser or one of its affiliates receives a performance-based fee, *i.e.*, an incentive fee or incentive allocation or carried interest distributions borne by the investors in the Funds. This fee arrangement creates a potential conflict of interest. The performance-based fee may be an incentive for the Adviser to make investments that are riskier or more speculative than would be the case absent a performance-based fee arrangement. In addition, because performance-based compensation is calculated on a basis that includes unrealized appreciation of assets, it may be greater than if such compensation were based solely on realized gains.

The Adviser serves as an investment adviser or general partner, as applicable, primarily to the Funds and is not actively seeking other new non-Fund accounts. However, on occasion Adviser will allow an investor who meets certain criteria to open a separately managed account or funds of one which may have as its terms regarding fees, transparency and liquidity different from those of the Funds. These separately managed accounts or funds of one often make similar investments to the Funds have specific rules and mandates. Each Fund imposes minimum investment limits upon investors in the Fund that can be waived in certain circumstances, as set forth in that Fund's offering documents.

The fact that Adviser manages assets for different clients at different fee structures can create a conflict of interest for the Adviser with regard to the allocation of investment opportunities or transactions among clients (*i.e.* cross trades). As a result, Adviser's senior management and Compliance Department strive to identify potential conflicts and address them in a fair and consistent manner.

On occasion, following an investment by one of the Funds, the Adviser has the opportunity to make an additional or follow-on investment in the same or related entity. Sometimes, instead of allocating these opportunities to the same Funds which made the initial investment, the Adviser allocates the opportunity to other Funds or even to strategic outside investors.

Item 7. Types of Clients

The Adviser generally provides investment advice to the Funds which are organized as domestic or foreign partnerships, incorporated or unincorporated entities, or other similar entities. The Funds are comprised of various types of investors, including high net worth individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, business entities, endowments, and foreign sovereign wealth funds. Certain Funds require a minimum initial investment which may be waived at Adviser's discretion. In addition, each investor in the Funds must meet the eligibility requirements outlined in each respective Fund's offering documents.

As noted above, Adviser also advises separately managed accounts, which generally receive more information including portfolio transparency and have more favorable fee and/or liquidity rights than investors in the Funds. The opportunity to open a separately managed account with Adviser is not available to all prospective investors and is generally subject to minimum asset levels determined by the Adviser in its sole discretion.

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

The methods of analysis, investment strategies and material risks applicable to the Adviser's advisory services are set forth in detail in the offering documents provided to each investor in the Funds. A summary of material risks is provided below.

Investments in the Funds are speculative and are suitable only for investors who can tolerate substantial risks. An investor may lose some or all of its investment. There is no assurance that the Funds will be successful and will achieve their investment objectives. An investment should be considered only by sophisticated investors who understand the risks involved. The risks of investing in the Funds and in separately managed accounts include, without limitation, those set forth below.

**General**

The transactions in which the Funds will engage involve substantial risks. Growing competition may limit the Funds' abilities to take advantage of trading opportunities in rapidly changing markets or to access investment opportunities believed to be attractive. No assurance can be given that investors will realize a profit on their investments in the Funds. Moreover, investors may lose all or some of their investments in the Fund.

Due to the nature of the Funds' trading and investment activities, the results of the Funds' operations may fluctuate from month to month and from period to period. Accordingly, investors should understand that the results of a particular period will not necessarily be indicative of results in future periods.

**Investment Risks**

*Overall Investment Risk.* All securities investments involve the risk of loss of capital. The nature of the securities to be purchased and traded by the Funds and the investment techniques and strategies to be employed in an effort to increase profits may increase this risk. The identification and exploitation of investment opportunities involve uncertainty, and no assurance can be given that Adviser will be able to identify promising investment opportunities or to correctly exploit inefficiencies in the markets. In addition, the Funds' use of certain strategies and instruments, including derivatives such as options, that are themselves inherently volatile and may increase the Funds' exposure to specific market movements. Many unforeseeable events, including actions by governmental authorities, such as the U.S. Federal Reserve Board, may cause sharp market fluctuations that impact the Funds' investments.

*General Economic and Market Conditions; Possible Economic Downturns.* The success of the Funds' investment activities will be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws and national and international political circumstances, trade wars, governmental or regulatory intervention in capital markets, currency exchange controls, failures of major financial institutions, as well as changes in the financial condition of the issuers of the Funds' investments and the Funds'

brokers and dealers and other custodians and counterparties due to other factors. Such conditions may affect the level and volatility of securities prices and the liquidity of the Funds' investments. Volatility or illiquidity in the markets in which the Funds will invest could impair the Funds' profitability or result in losses. The Funds may maintain substantial investment positions that can be adversely affected by such volatility or illiquidity; the larger the positions, the greater the potential for loss. Moreover, economic slowdowns or downturns may lead to losses.

*Leverage; Margin Calls.* Part of the Funds' investment strategy may involve the use of leverage, including margin loans from the Funds' brokers and dealers, in order to make additional investments. Fluctuations in the market value of the Funds' portfolio investments will be magnified to the extent such investments are leveraged and thus may have a more significant effect on the Funds' capital. The risk and magnitude of possible losses, as well as the magnitude of possible gains, is therefore increased. The amount of borrowings which the Funds may have outstanding at any time may be large in relation to its capital.

In general, the use of short-term margin borrowings results in certain additional risks to the Funds. For example, should the securities pledged to brokers to secure the Funds' margin accounts decline in value, the Fund could be subject to a "margin call," pursuant to which the Funds 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. In the event of a sudden drop in the value of the Funds' assets, the Funds might not be able to liquidate assets quickly enough to satisfy its margin requirements.

In addition, certain of the Funds' investments from time to time may be in securities of issuers that are themselves highly leveraged, which will increase the Funds' exposures to leverage-related risks. The amount of leverage that may be used by such issuers will increase their exposure to adverse economic factors such as downturns in the economy or deterioration in the conditions of such issuers or their respective industries. The interest rates at which the Funds and the issuers of its portfolio securities can borrow will affect the operating results of the Funds.

*Availability of Margin Loans and Other Financing Arrangements.* There can be no assurance that the Funds will be able to maintain desired financing arrangements under all market circumstances. As a general matter, the brokers and dealers that provide financing to the Funds can apply essentially discretionary margin, "haircuts," financing and security and collateral valuation policies. Changes by brokers and dealers in one or more of these policies, or the imposition of other credit limitations or restrictions, whether due to market circumstances or governmental, regulatory or judicial action, may result in substantial margin calls, loss of financing, forced liquidations of positions at disadvantageous prices (or on unfavorable terms), termination of prime brokerage, swap and repurchase agreements. Any such adverse effects may be exacerbated in the event that such limitations or restrictions are imposed suddenly or by multiple brokers and dealers and counterparties simultaneously.

*Event-Driven and Arbitrage Transactions.* The Funds may purchase securities at prices slightly below the anticipated value of the cash, securities or other consideration to be paid or exchanged for such securities in a proposed merger, exchange offer, tender offer, spin-off or other similar transaction. Such purchase price may be substantially in excess of the market price of the securities prior to the announcement of the merger, exchange offer, tender offer, spin-off or other similar transaction. If the proposed transaction later appears likely not to be consummated or in fact is not consummated or is delayed, the market price of the securities purchased by the Funds may decline sharply, resulting in a loss. Losses may result even if the proposed transaction is consummated. In addition, the Funds may sell short securities to be issued in a merger or exchange

offer in the expectation that the short position will be covered by delivery of such securities when issued. If the merger or exchange offer is not consummated, the Funds may be forced to cover their short positions at prices that are higher than their short sale prices, resulting in a loss.

The Funds also may purchase securities above the price offered in a takeover bid, if Adviser determines that the offer price is likely to be increased, either by the original bidder or by another party. However, if no transaction ultimately is consummated, it is likely that a loss will result.

The Funds may sell the securities of a target company short if Adviser determines that it is probable that a proposed transaction will not be consummated. If the transaction (or another transaction, such as a “defensive” merger or a “friendly” tender offer) is consummated and the price of the target company’s securities increases, the Funds may be forced to cover their short positions at prices that are higher than the short sale prices, resulting in a loss.

The consummation of mergers, exchange offers, tender offers, spin-offs and other similar transactions can be prevented or delayed by a variety of factors. Offerors in exchange offers and tender offers customarily reserve the right to cancel such offers for many reasons, including an insufficient response from security holders of the target company. An exchange offer or a tender offer by one company for the securities of another may be opposed by the management or security holders of the target company on the grounds that the consideration offered is inadequate or for other reasons, and this opposition may result in regulatory action and/or litigation which delays or prevents consummation of the transaction, or the management of the target company may pursue defensive strategies, such as seeking a “friendly” merger with, or tender offer by, a company other than the offeror. Even if the transaction has been agreed upon by the management of the companies involved, its consummation may be prevented by the intervention of a governmental authority, litigation brought by a security holder or, in the case of a merger, the failure to receive the necessary security holder approvals, market conditions resulting in material changes in securities prices, and other circumstances, including, without limitation, the failure to meet certain conditions customarily specified in acquisition agreements. Even if the defensive activities of a target company or the actions of governmental authorities or security holders fail to defeat a transaction, they may result in significant delays, during which time the Funds’ capital will be committed to the transaction and the Funds will continue to pay interest on any funds borrowed by the Funds in connection with the transaction. In a risk arbitrage trade, any failure or delay in the consummation of the transaction, or any change in the consideration received upon consummation, may materially adversely affect the return on the trade.

An exchange offer or a tender offer will often be made for less than all of the outstanding securities of an issuer, with the provision that, if a greater number is tendered, securities will be accepted *pro rata*. Thus, after the completion of a tender offer, and at a time when the market price of the securities has declined below the Funds’ cost, the Funds may have returned to it, and be forced to sell at a loss, a portion of the securities they tendered.

*Balance Sheet Arbitrage.* The success of Adviser’s balance sheet arbitrage strategy will depend on the ability of Adviser to identify and exploit the relationships between movements in different securities and instruments within an issuer’s capital structure. If the perceived pricing inefficiencies underlying an issuer’s securities fail to materialize as expected by Adviser, a loss would result.

*Investments in Distressed Companies.* The Funds may invest in securities of issuers that are in a weak financial condition, experiencing poor operating results, having substantial financial needs or negative net worth, facing special competitive or product obsolescence problems, or that

are involved in bankruptcy or reorganization proceedings. Investments of this type involve substantial financial and business risks that can result in substantial or total losses. It frequently can be difficult to obtain reliable information as to the financial conditions of troubled issuers. An issuer's financial stress may impact different levels of its capital structure differently. The market prices of such securities are also subject to abrupt and erratic movements and above-average price volatility, and there may be wide spreads between the bid and asked prices of such securities. The ability of such companies to pay their debts on schedule and the market values of their debt securities could be affected substantially by adverse interest rate movements, changes in general economic conditions, economic factors affecting a particular industry or specific developments within such companies. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant financial and business difficulties is particularly high. Such types of securities require active monitoring and may, at times, require participation in bankruptcy or reorganization proceedings by Adviser on behalf of the Funds. To the extent that Adviser becomes involved in such proceedings, the Funds may have a more active participation in the affairs of the issuer than that assumed generally by an investor and restrictions may be imposed that limit the Funds' ability to liquidate its position in the securities of the company. The Funds, however, do not generally make investments for the purpose of exercising day-to-day management of any issuer's affairs.

*Special Situations.* The Funds also make speculative purchases of "special situation" securities. Such purchases include securities that Adviser believes to be undervalued, or may involve situations where a significant position in the securities of a particular company has been acquired by other persons or where companies in the same or a related industry have recently been the target of acquisition attempts. If the Funds purchase securities in anticipation of an acquisition attempt or reorganization, and no acquisition attempt or reorganization occurs during the timeframe anticipated by Adviser, the Funds may sell the securities at a loss. A substantial period of time may elapse between the Funds' purchase of the securities and the acquisition attempt or reorganization. During such a period, a portion of the Funds' assets would be committed to the securities purchased, and the Funds will continue to pay interest on any funds borrowed by the Funds to finance such purchases. In liquidations and other forms of corporate reorganizations, there is a risk that the reorganization will be unsuccessful, will be delayed or will result in a distribution of cash or a new security with a value less than the purchase price of the security originally purchased by the Funds. Adviser attempts to assess all of the foregoing risk factors, and others, in determining the nature and extent of the investment the Funds will make in specific "special situation" securities. However, many risks, such as the outcome of governmental approvals or the outcome of pending or threatened litigation, cannot be quantified.

*Equity Securities.* The Funds are permitted to invest in common and preferred stock and other equity securities, including both public and private equity securities. Equity securities generally will be subordinate to the debt securities and other indebtedness of the issuers of such equity securities. Prices of equity securities generally fluctuate more than prices of debt securities and are more likely to be affected by poor economic or market conditions, general stock market fluctuations and changes in market confidence and perceptions of their issuers. Investor perceptions are based on various and unpredictable factors, including expectations regarding governmental, economic, monetary and fiscal policies, inflation and interest rates, economic expansion or contraction, and global or regional political, economic or financial crises. Some of the small- and mid-cap issuers of equity securities in which the Funds may invest may be more vulnerable than larger companies to adverse business or market developments, may have limited markets or financial resources, may lack experienced management and may not be followed by stock or industry analysts. Due to perceived or actual illiquidity or investor concerns regarding leveraged capitalization, certain equity securities often trade at significant discounts to otherwise

comparable investments or are not readily tradable. In addition, actual and perceived accounting irregularities may cause dramatic price declines in the equity securities of companies reporting such irregularities or that are rumored to be subject to accounting irregularities. Furthermore, there may be no public market for some equity securities. Equity securities generally do not produce current income for the Funds.

*Short Sales.* The Funds at times engage in selling securities short. Short selling involves selling securities that are not owned by the short seller and borrowing them for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from a decline in market price to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security (and thus the cost to the Funds of buying those securities to cover the short position) could theoretically increase without limit. There can be no assurance that the Funds will be able to maintain the ability to borrow securities sold short. The securities may be “bought in” (*i.e.*, the Funds may be forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out a short position can itself cause the price of the securities to rise further. In a “short squeeze,” a lack of supply and an excess of demand for a traded stock caused by short sellers seeking to cover their short positions forces the price upward. If the price of a stock starts to rise rapidly, the trend may escalate as an increasing number of short sellers seek to close out their positions quickly. Moreover, short selling is continually the subject of regulatory scrutiny and regulatory restrictions in certain markets in which the Funds may trade. Such restrictions and regulations may be imposed with little or no warning, which could result in substantial losses.

*Debt Obligations Generally.* Debt obligations are subject to credit and interest rate risks. “Credit risk” refers to the likelihood that an issuer will default in the payment of principal and/or interest on an instrument. Financial strength and solvency of an issuer are the primary factors influencing credit risk. In addition, lack or inadequacy of collateral or credit enhancement for a debt instrument may affect its credit risk. Credit risk can change over the term of an instrument, and debt obligations that are rated by rating agencies are often reviewed and may be subject to downgrade. “Interest rate risk” refers to the risks associated with market changes in interest rates. Interest rate changes can affect the value of a debt instrument indirectly (especially in the case of fixed-rate debt securities) and directly (especially in the case of debt instruments whose rates are adjustable). In general, rising interest rates will negatively impact the price of a fixed-rate debt instrument and falling interest rates will have a positive effect on price. Adjustable-rate instruments also react to interest rate changes in a similar manner, although generally to a lesser degree, depending on the characteristics of the reset terms, including the index chosen, frequency of reset, and reset caps or floors, among other factors. Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules. There is also a risk that the general condition of the debt markets may deteriorate. Prices of debt securities fluctuate and are susceptible to general stock market fluctuations and to changes in market confidence and perceptions of their issuers.

*Below Investment-Grade Securities.* There is no minimum credit standard that is a prerequisite to the Funds’ investments in any instrument, and a significant portion of the Funds’ investments from time to time are at times in fixed-income securities that are or are deemed to be the equivalent in terms of quality to securities rated below investment grade by a nationally recognized statistical rating organization such as Moody’s Investors Service, Inc. or Standard & Poor’s Ratings Services and accordingly involve great risk. Companies that issue such securities

are often highly leveraged and may not have access to more traditional methods of financing. While all security investments have some degree of risk, these types of securities may be subject to greater market fluctuations and risk of loss of income and principal than are investments in lower yielding fixed income securities with higher ratings. It often takes a number of years for the market price of such securities to reflect their intrinsic value. It is anticipated that some of the portfolio securities of the Funds may not be widely traded, and that the Funds' positions in such securities may be substantial in relation to the market for the securities. In addition, such securities generally are traded in the over-the-counter marketplace, which is less transparent than the markets for securities traded on organized exchanges. The Funds also at times invest in bonds of issuers that do not have publicly traded equity securities, making it more difficult to hedge the risks associated with such investments.

*Second Lien Loans.* The Funds at times 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 which 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 forms of debt.

*Non-Performing Loans and Participations.* The Fund may acquire pools or portfolios of loans where the borrower has failed to make payments of principal and/or interest on a timely basis (such loans are referred to as "non-performing loans") at the time of their acquisition, or may become non-performing loans after acquisition for a variety of reasons. Such non-performing loans often require a substantial amount of workout negotiations and/or restructuring, which may entail, among other things, a substantial reduction in the interest rate and a substantial write-down of the principal of such loan. However, even if a restructuring were successfully accomplished, a risk exists that, upon maturity of such loan, replacement takeout financing will not be available. Purchases of participations in loans raise many of the same risks as investments in loans and also carry risks of illiquidity and lack of control. In cases where the Fund retains a third party to service loans acquired by the Fund, both default frequency and default severity of loans will be highly dependent on the quality of the loan servicer. If servicing is transferred to another servicer, there can be no assurance that there will not be disruptions associated with the transfer of servicing or that, if there are disruptions, they will not adversely affect the Fund.

*Distressed Secured Loans.* In the case of loans secured by real estate or other collateral, it is possible that the Fund will find it necessary or desirable to foreclose on collateral securing one or more loans purchased by the Fund. The foreclosure process will vary jurisdiction by jurisdiction and can be lengthy and expensive. Borrowers often resist foreclosure actions by asserting numerous claims, counterclaims and defenses against the holder of a loan, including, without limitation, lender liability claims and defenses, even when such assertions may have no basis in fact, in an effort to prolong the foreclosure action. During the foreclosure proceedings, a borrower may have the ability to file for bankruptcy or its equivalent, potentially staying the foreclosure action and further delaying the foreclosure process. Foreclosure litigation tends to create a negative public image of the collateral property and may result in disrupting ongoing leasing and

management of the property. In addition, in the case of loans secured by real estate or other collateral, the value of the collateral may be worth less than the amount advanced against such collateral.

*Direct Loans.* On occasion, the Funds make loans to borrowers that have difficulty obtaining financing from other sources. While Adviser believes that this may provide an attractive opportunity for the Funds to generate profits, such borrowers may have difficulty repaying their loans to the Funds upon maturity. A borrower's ability to repay its loan can be adversely affected by numerous factors, including, without limitation, a failure to meet its business plan, a downturn in its industry or negative economic conditions. Deterioration in a borrower's financial condition and prospects can be accompanied by a decrease in the value of any collateral and a reduced likelihood of the Funds capitalizing on any guarantees it may have obtained from the borrower's management or other parties. Although the Funds sometimes seek to be the senior, secured lender to a borrower, some, if not the majority, of the Funds' direct loans may be subordinated to a senior lender, and the Funds' security interest in any collateral would, accordingly, likely be subordinated to another lender's security interest.

*Bankruptcy Claims.* The Funds at times purchase creditor claims subsequent to the commencement of a bankruptcy case. Bankruptcy claims are usually illiquid and generally do not pay interest, and there can be no guarantee that the debtor will ever be able to satisfy the obligation on the bankruptcy claim. The markets in bankruptcy claims are not generally regulated under U.S. Federal securities laws. Because bankruptcy claims are frequently unsecured, holders of such claims may have a lower priority in terms of payment than certain other creditors in a bankruptcy proceeding. Under judicial decisions, the purchase of a bankruptcy claim may be disallowed by the bankruptcy court if the court determines that the purchaser had taken unfair advantage of an unsophisticated seller, which might result in the rescission of the transaction (presumably at the original purchase price) or forfeiture by the purchaser.

*Options Trading.* The Funds at times purchase and sell call and put options on securities and other investments. Both the purchase and the sale ("writing") of call and put options entail risks. Although an option buyer's risk is limited to the amount of the purchase price of the option, an investment in an option may be subject to greater fluctuation than an investment in the underlying instruments. In theory, an uncovered call writer's loss is potentially unlimited. The risk for a writer of a put option is that the price of the underlying instrument may fall below the exercise price.

*Stock Index Options Trading.* The Funds purchase and sell call and put options on stock indices. A stock index measures the movement of a certain group of stocks by assigning relative values to the common stocks included in the index. Because the value of an index option depends upon movements in the level of the index rather than the price of a particular stock, whether a gain or loss will be realized from the purchase or sale of options on an index depends upon movements in the level of stock prices in that index generally, rather than movements in the price of a particular stock. Successful use of options on stock indices will depend upon the ability of Adviser to correctly predict movements in the direction of the stock market generally. This ability requires skills and techniques different from those used in predicting changes in the price of individual stocks.

*Risk of Epidemics and Pandemics.* The value of any of the Funds' investment portfolios may decline due to disruptions caused by the spread of large-scale epidemics and pandemics. The ongoing global and national health crises caused by the global outbreak of the novel coronavirus resulting in the disease known as "COVID-19," and the governmental and social responses



intended to minimize its impact, have caused significant disruption of the global and national economies and instability in the financial markets. Further spread, or resurgent outbreaks, of COVID-19 could cause additional, extended or more restrictive quarantines and stay-at-home orders, business and school shutdowns, mass cancellations of events and travel, substantial reductions in consumer demand and the volume of business activity and financial transactions, labor shortages, supply chain and distribution channel interruptions, and disruptions in the provision of healthcare services, any of which would contribute to the continuation of, and potentially exacerbate, economic and financial market instability.

The duration of the COVID-19 pandemic and the disruptions related thereto will be affected by the ability of U.S. and non-U.S. governments and state and local authorities to manage the reopening of their economies in a sustainable manner and to effectively implement widespread testing and contact tracing of their populations and other measures, and by whether effective vaccines to protect against COVID-19, including variants, will be timely produced and distributed on a mass scale. The legislative and executive branches of the U.S. Government have sought to address the ongoing economic disruptions caused by the COVID-19 pandemic by establishing various programs intended to aid the recovery of the U.S. economy. There is no guarantee that any government programs that are established in response to the COVID-19 pandemic will accomplish their intended goals. Differing approaches to managing the spread of COVID-19 and addressing the resulting economic disruption, and a lack of coordination among the respective governments of affected countries or states, could result in certain countries or states and issuers located therein recovering less quickly than other countries or states and issuers located therein, or the actions of one or more countries or states having an adverse impact on the recovery of neighboring or other countries or states.

In addition to contributing to general economic disruptions and financial market instability, the COVID-19 pandemic may adversely affect the issuers of securities held by the Funds more directly, including by negatively impacting (i) their respective operating statuses and their employees, (ii) their supply chains and distribution channels, (iii) the ability of their customers to conduct business with them, and (iv) the industries in which such issuers operate generally, all of which could have a significant impact on the financial conditions of such issuers. Issuers may experience reduced cash flows and the loss of key employees due to decreased demand for products or services. With respect to debt securities held by the Funds, economic disruptions may increase the risk of delinquencies and defaults with respect to such debt securities or assets underlying certain debt securities held by the Funds (e.g., asset-backed securities or mortgage-backed securities).

The extent to which the COVID-19 pandemic will continue to cause economic disruptions and financial market volatility and instability and adversely impact the Funds will depend on future developments, which are highly uncertain and cannot be predicted, including the scope and duration of outbreaks of COVID-19 and new and continued actions taken by governmental authorities to reduce the spread of COVID-19 and contain the related financial and economic impact of the pandemic. The same or similar risks may apply to any future pandemics and epidemics.

*Geopolitical Risks.* An unstable geopolitical climate, macroeconomic financial distress, economic uncertainty in certain regions and continued threats of terrorism could have a material effect on general economic conditions, market conditions and market liquidity. In addition, another serious pandemic or natural disaster could severely disrupt global, national and/or regional economies. A negative impact on economic fundamentals and consumer confidence may increase the risk of default of particular investments made by the Funds, negatively impact market values, increase market volatility and cause credit spreads to widen and reduce liquidity, all of which could

have an adverse effect on the investment performance of the Funds. No assurance can be given as to the effect of such events on the value of or markets for the investments made by the Funds.

*Securities of Non-U.S. Issuers.* The Funds intend to invest and trade in securities of non-U.S. issuers, including securities traded outside the United States. The economies and markets of certain non-U.S. countries may be vulnerable to changes in international trading patterns, trade barriers, price volatility, fluctuations in currency exchange rates, other protectionist or retaliatory measures, and actual or potential defaults on sovereign debt obligations. Investments in non-U.S. countries also could be adversely affected by governmental actions such as the imposition of capital controls, nationalization of companies or industries, expropriation of assets or imposition of punitive taxes. As compared to U.S. entities, non-U.S. entities generally (a) disclose less financial and other information publicly, (b) may be subject to less stringent and less uniform accounting, auditing and financial reporting standards and (c) may be subject to less stringent regulatory oversight. It may be more difficult to obtain and enforce legal judgments against non-U.S. entities than against domestic entities. In addition, certain governments may prohibit or impose substantial restrictions on foreign investment in capital markets or in certain industries. Any such action could severely affect securities prices, impair the Funds' abilities to purchase or sell non-U.S. securities or otherwise adversely affect the Funds. Other risks of investing outside the United States may include, without limitation, difficulties in pricing securities and difficulties in enforcing favorable legal judgments in courts. The economies of certain non-U.S. countries may be based predominantly on only a few industries and may have higher levels of debt or inflation.

*Restrictions on Foreign Investments and Repatriation.* Foreign investment in the securities of issuers in certain nations is restricted or controlled to varying degrees. These restrictions or controls may at times limit or preclude foreign investment in issuers in such nations and increase the costs and expenses of the Fund. Certain countries may restrict investment opportunities in issuers or industries deemed important to national interests. Some countries require governmental approval for the repatriation of investment income, capital or the proceeds of sales of securities by foreign investors. In addition, if there is a deterioration in a country's balance of payments or for other reasons, its government may impose temporary restrictions on, or altogether change its restrictions on, foreign capital remittances abroad. Finally, repatriation of income from and investments in entities that are organized or domiciled in foreign countries may be affected adversely by local withholding and other foreign tax requirements.

*Non-U.S. Exchanges and Markets.* The Funds engage in trading on non-U.S. exchanges and markets. Trading on non-U.S. exchanges may be conducted in such a manner that all participants are not afforded an equal opportunity to execute trades and may also be subject to a variety of political influences and the possibility of direct governmental intervention. If settlement procedures are unable to keep pace with trading volume, it will be difficult to conduct trades. Any difficulty with clearance or settlement procedures on non-U.S. exchanges and markets may expose the Funds to losses.

*Political, Social and Economic Reforms.* Many non-U.S. countries have undergone a substantial political and social transformation and there can be no assurance that the economic, educational and political reform necessary to complete political and economic transformation will continue. The state of development of certain political systems outside of the United States makes them susceptible to changes and potential weakening from economic hardship and social instability. In certain non-U.S. countries, the extent of the success of economic reform is difficult to evaluate. Information on some of these economies is often contradictory or absent. In certain non-U.S. countries, unemployment rates remain high. Continued unemployment could hinder the ability of various governments to keep deficit spending in check.

*ESG Considerations.* The Adviser does not currently consider adverse impacts of investment decisions on sustainability factors as the Funds are not designed to be environmental, social and governance (“ESG”) focused investment products. The Adviser’s primary focus is therefore achieving attractive risk-adjusted investment results for the Funds. The Adviser acknowledges that the pursuit of the Funds’ objectives may, in some circumstances, have an adverse impact on sustainability factors but the Adviser does not take account of such impacts in its management of the Funds. When considering an investment, the Adviser will, if deemed appropriate by the relevant investment professional and taking account of the nature of the proposed investment and the Adviser’s policy on sustainability risks, undertake due diligence on potential investments and consider sustainability issues and metrics as a factor in the analysis with respect to prospective investment returns. The Adviser works with outside research providers, where relevant, to enable analysts to review data in order to aid the analysis of sustainability risks associated with prospective investments in relevant securities. Sustainability risks consist of one category of risk among others taken into account by the Adviser, including market, liquidity and counterparty risks, when making investment decisions. The Adviser assesses, as applicable, the items set forth below in connection with a prospective investment opportunity on the basis that poor outcomes in respect of such matters can be indicative of an issuer’s susceptibility to longer term sustainability risks. The Adviser’s investment team weighs sustainability risks alongside other relevant risk factors, when making investment decisions. The Adviser may take into account when relevant: Compliance with applicable national, state and local laws; Environmental considerations; Occupational safety and consumer safety; Respect for human rights, including processes for and measures for preventing the use of child labor; Anti-bribery and anti-corruption policies and procedures; Governance structure and policies of the issuer. The Adviser continues to evaluate sustainability risks of investments throughout the period of ownership by the Funds. In 2016, the Adviser established an ESG Committee to provide oversight for socially responsible investing. The Committee meets quarterly and establishes and updates the Adviser’s ESG policies and programs, supports the investment teams, raises the Adviser’s awareness of ESG initiatives, conducts training for investment professionals, and monitors industry trends.

*The EU and Brexit.* The United Kingdom (“UK”) exited the European Union (the “EU”) on January 31, 2020 (commonly referred to as “Brexit”). On December 30, 2020, the UK and the EU signed the EU-UK Trade and Cooperation Agreement (the “Trade Agreement”), which sets out preferential arrangements in a number of areas, including trade in goods and services, and is provisionally applicable since January 1, 2021. The conclusion of the Trade Agreement averted a “no deal” Brexit, which might have led to economic disruption and potentially to political instability. Nevertheless, even with the Trade Agreement in place, in the short to medium term some economic disruption can be expected to the UK economy, and to a lesser degree to the EU economy, as each adjusts to the post-Brexit environment.

From a UK political perspective, the Scottish Nationalists, who oppose Brexit, seek a second referendum on Scottish independence. Holding such a referendum requires the consent of the UK Government, which it has said it will not give. Nevertheless, the possibility of Scotland leaving the UK in the medium to long term cannot be ruled out, bringing with it potentially negative economic consequences for the countries currently comprising the UK and possibly affecting other countries with trading links to the UK.

Although the full impact of Brexit still cannot be fully assessed, it could yet have an adverse impact on UK, European and global macroeconomic conditions and could be a factor adversely affecting political, legal, regulatory, tax and economic certainty. The Brexit vote led to an unsettling of European and global markets, as well as a depreciation of the Pound Sterling against other major currencies, including the U.S. Dollar and the Euro. In the longer term, the effects of

Brexit will depend not only on the success of the Trade Agreement, but also on any new trading arrangements the UK is able to make with non-EU countries post-Brexit, such as the United States. The Adviser cannot anticipate any of the above and other effects of Brexit, which could adversely affect the Funds' investments and opportunities.

*Emerging Markets.* Investing in emerging markets involves additional risks and special considerations not typically associated with investing in other more established economies or securities markets. Such risks include (i) increased risk of nationalization or expropriation of assets or confiscatory taxation, (ii) greater social, economic and political uncertainty including war, (iii) higher dependence on exports and the corresponding importance of international trade, (iv) greater volatility, less liquidity and smaller capitalization of securities markets, (v) greater volatility in currency exchange rates, (vi) greater risk of inflation, (vii) greater controls on foreign investment and limitations on repatriation of invested capital and on the ability to exchange local currencies for U.S. dollars, (viii) increased likelihood of governmental involvement in and control over the economies, (ix) governmental decisions to cease support of economic reform programs or to impose centrally planned economies, (x) differences in auditing and financial reporting standards, which may result in the unavailability of material information about issuers, (xi) less extensive regulation of the securities markets, (xii) longer settlement periods for securities transactions and less reliable clearance and custody arrangements, (xiii) less developed corporate laws regarding fiduciary duties of officers and directors and the protection of investors, and (xiv) risks associated with the maintenance of Funds securities and cash with non-U.S. brokers and securities depositories.

*Currency Exposure.* The base currency of the Funds generally is the U.S. Dollar. From time to time, certain of the Funds' investments are invested in securities and other investments that are denominated in other currencies. Accordingly, the value of such assets are affected favorably or unfavorably by fluctuations in currency rates. Adviser may seek to hedge the foreign currency exposure, but such hedging strategies may not necessarily be available or effective and may not always be employed. The Funds, at times, may take fundamental positions in one or more currencies. Accordingly, the Common Shares are at times, directly or indirectly, subject to foreign exchange risks.

Certain of the Funds have share classes denominated in other currencies, principally Euros and Pounds Sterling, respectively, and will be issued and redeemed in those currencies. The assets of the Funds attributable to the Euro-denominated shares and the GBP-denominated shares are exposed to possible adverse fluctuations in the Euro/U.S. Dollar exchange rate and the Pound Sterling/U.S. Dollar exchange rate, respectively. While the Adviser generally attempts to hedge the foreign currency exposure of the Non-U.S. currency shares on a monthly basis based on an estimated Net Asset Value as of the end of the prior month, there is no guarantee that any currency exposure will be completely hedged at any time or that such hedging will be successful.

In addition, prospective investors whose assets and liabilities are denominated predominately in currencies other than the currency in which the interests in the Fund for which they are subscribing are denominated should take into account the potential risk of loss arising from fluctuations in value between such currencies.

*Real Estate Investments.* The Funds, from time to time, invest in a variety of real estate and related transactions, either as a direct Fund investment or through investment in other entities, including affiliates of the Funds. Such real estate investments may entail the extension of, or participation in, mortgage loans. The value of real estate is subject to market conditions, and adverse changes in the local real estate market may lower the value that may be derived from a

liquidation. Other risks incident to the ownership and operation of commercial and residential real estate include (i) dependence on cash flow, (ii) changes in supply of, or demand for, competing properties in an area (as a result of over-building), (iii) changes in the financial conditions of tenants, buyers and sellers of properties, (iv) changes in the availability of debt financing, (v) energy and supply shortages, (vi) laws assigning liability to the owners of real estate properties for environmental hazards existing on such properties, (vii) changes in tax, real estate, environmental and zoning laws and regulations, (viii) various uninsured or uninsurable risks, (ix) natural disasters and (x) challenges inherent in developing and managing real properties.

Adverse changes in real estate markets increase the probability of default on mortgage loans, as the incentive of the borrower to retain equity in the property declines. Loans become non-performing for a wide variety of reasons, including, without limitation, because the mortgaged property is too highly leveraged and therefore unable to generate sufficient income to cover its debt service, because of poor management or physical condition, or because local economic conditions adversely affect the potential of the property to generate income. Non-performing mortgage loans often require workout negotiations and/or restructuring, which can entail, among other things, a write-down of the principal of the loan and/or reduction of the interest rate. In addition, in the event that foreclosure of a mortgage loan is required, the foreclosure process is often lengthy and expensive, sometimes taking several years. Furthermore, the foreclosure process can itself disrupt the use of the property, thereby reducing the economic returns.

*Residential Mortgage-Backed Securities and Other Asset-Backed Securities.* The Funds may invest in residential mortgage-backed securities (“RMBS”) and other asset-backed securities (“ABS”). RMBS are subject to the risk of prepayment on the loans underlying such securities (including voluntary prepayments by the obligors and liquidations due to default and foreclosures). Generally, prepayment rates increase when interest rates fall and decrease when interest rates rise. Prepayment rates are also affected by other factors, including economic, demographic, tax, social and legal factors. To the extent that prepayment rates are different than anticipated, the average yield of investments in RMBS may be adversely affected. The interest rate sensitivity of any particular pool of loans depends upon the allocation of cash flow from the underlying mortgage loans. Certain types of RMBS contain complex interest rate and cash flow provisions and may be highly volatile with respect to market value, yield and total return to maturity. The underlying mortgages that collateralize the RMBS in which the Funds may invest will frequently have caps and floors which limit the maximum amount by which the loan rate to the residential borrower may change up or down (i) per reset or adjustment interval and (ii) over the life of the loan. Some residential mortgage loans restrict periodic adjustments by limiting changes in the borrower’s monthly principal and interest payments rather than limiting interest rate changes. These payment caps may result in negative amortization. In addition, because of the pass-through of prepayments of principal on the underlying securities, RMBS are often subject to more rapid prepayment of principal than their stated maturity would indicate.

The market value of RMBS will generally vary inversely with changes in market interest rates, declining when interest rates rise and rising when interest rates decline. However, RMBS, while having comparable risk of decline during periods of rising rates, usually have less potential for capital appreciation than other investments of comparable maturities due to the likelihood of increased prepayments of mortgages as interest rates decline. In addition, to the extent any RMBS are purchased at a premium, mortgage foreclosures and unscheduled principal prepayments generally will result in some loss of the holders’ principal to the extent of the premium paid. RMBS are subject to whole loan risk, special residential mortgage loan risks and credit risk that the underlying receivables will not be paid by debtors or by credit insurers or guarantors of such instruments.

As described above with respect to RMBS, the values of some other ABS are subject to interest-rate risk and prepayment risk. A change in interest rates can affect the pace of payments on the underlying loans, which in turn, affects total return on the securities. ABS also carry credit or default risk. If many borrowers on the underlying loans default, losses could exceed the credit enhancement level and result in losses to investors in an ABS transaction. The value of RMBS and ABS may be substantially dependent on the servicing of the underlying asset pools and thus be subject to risks associated with the negligence by, or defalcation of, their servicers. In addition, any fees related to outside loan origination and servicing contracts could negatively affect returns. In certain circumstances, the mishandling of related documentation may also affect the rights of security holders in and to the underlying collateral. The insolvency of entities that generate receivables or that utilize the assets may result in added costs and delays in addition to losses associated with a decline in the value of underlying assets. Furthermore, debtors may be entitled to the protection of a number of state and U.S. Federal consumer credit laws with respect to RMBS and ABS, which may give the debtor the right to avoid payment. RMBS and ABS may be highly illiquid, and the market value of RMBS and ABS may fluctuate widely. If the Funds are forced to liquidate their investments in RMBS or ABS to satisfy withdrawals, they may be difficult or impossible to do so on favorable terms and may result in losses.

*Synthetic Assets.* The Funds may purchase or gain exposure to securities synthetically with an asset counterparty through instruments such as credit default swaps, total return swaps, credit linked notes, structured notes, trust certificates and other derivative instruments (each, a “Synthetic Asset”). A Synthetic Asset can take many forms, including a credit derivative transaction that references a debt or equity security or a credit derivative transaction that references a portfolio of corporate reference entities or a portfolio of reference obligations consisting of loans, high yield bonds or other financial instruments (each, a “Reference Obligation”). Exposure to such Reference Obligations through Synthetic Assets presents risks in addition to those resulting from direct purchases of such debt and equity. A Fund will have a contractual relationship only with the synthetic asset counterparty, and not with the issuer(s) (the “Reference Entity”) of the Reference Obligations unless a credit event occurs with respect to any such Reference Obligation, physical settlement applies and the synthetic asset counterparty delivers the Reference Obligation to such Fund. Other than in the event of such delivery, a Fund generally will have no direct right to enforce compliance by the Reference Entity with the terms of any such Reference Obligation and the Fund will not have any rights of set-off against the Reference Entity. In addition, a Fund may not have any voting or other consensual rights of ownership with respect to the Reference Obligation. Further, a Fund will not directly benefit from any collateral supporting the Reference Obligation and will not have the benefit of the remedies that would normally be available to a holder of the Reference Obligation.

In the event of the insolvency of the synthetic asset counterparty, a Fund will be treated as a general creditor of the counterparty and will not have any claim of title with respect to the Reference Obligation. Consequently, a Fund will be subject to the credit risk of the synthetic asset counterparty, as well as that of the Reference Entity. As a result, concentrations of Synthetic Assets entered into with any one synthetic asset counterparty will subject such Synthetic Assets to an additional degree of risk of defaults by the synthetic asset counterparty as well as by the Reference Entities.

*Regulatory Capital Relief Trades.* The Funds may enter into regulatory capital relief trades with banks and other financial institutions. Under these transactions, a third-party investor, like the Fund, agrees to absorb losses stemming from the bank’s credit portfolio in exchange for a fee. The fee is negotiated based on the level of perceived credit protection and/or regulatory capital relief the bank is receiving relative to the level of risk the investor is undertaking as a result of the

transaction. In exchange for transferring some or all of the credit risk of these assets away from the bank's balance sheet, the bank receives capital relief from its regulatory capital requirements without having to, for instance, sell assets. Put differently, these trades allow the bank to reduce how much regulatory capital it must hold against such assets. Under any such trades into which the Fund enters, the Fund will be exposed to the credit risk of the underlying portfolio, and if the credit instruments (e.g., loans) in the portfolio default — which may be more likely if there is a general deterioration in credit markets — the Fund will make payments to the bank to cover the losses. There is also a continuing risk that Basel III, when fully implemented, may discourage such regulatory capital relief trades and might force banks to unwind certain existing transactions.

*Sovereign Debt Investments.* The Funds may invest in sovereign debt instruments, which involve special risks. The governmental authority that controls the repayment of the sovereign debt may well be unwilling or unable to repay the principal and/or interest when due in accordance with the terms of such securities due to factors such as (a) the extent of its foreign reserves, (b) the availability of sufficient foreign exchange on the date a payment is due, (c) the relative size of the debt service burden to the economy as a whole and (d) the government debtor's policy towards the International Monetary Fund and the political constraints to which a government debtor may be subject. In addition, non-U.S. sovereign debt instruments may be subject to credit spread risks resulting from exposures to changes in a sovereign issuer's probability of default, expected recovery rate and actual default. In recent years, some sovereign issuers have encountered difficulties in servicing their external debt obligations, which led to defaults on certain obligations and the restructuring of certain indebtedness. If an issuer of sovereign debt defaults on payments of principal and/or interest, the Fund may have limited legal recourse against the issuer and/or guarantor. In certain cases, remedies must be pursued in the courts of the defaulting party itself, and the Fund's ability to obtain recourse may be limited. Investments in sovereign debt instruments are also subject to typical market risks.

*Risks Involved with Ownership of Shipping Vessels.* The Funds invest in ships, including, without limitation, freight carriers or vessels. The purchase and sale of such vessels are subject to a wide variety of risks largely unrelated to the risks applicable to the Fund's investments in various types of securities. Although the values of vessels have increased historically on a cyclical basis, either an excessive supply of vessels or a decrease of seaborne transportations of dry bulk commodities can cause prices for vessels to decline. In a depressed market, only a few buyers are available and the sale of the vessels may not be feasible. Risks and costs involved with the purchase, building and sale of vessels include: (a) making capital expenditures to maintain the vessels in good operating condition, which increases with the age of the vessel, and (b) changes in governmental regulations, safety or other equipment standards which may require alterations to, or the addition of, new equipment to the vessels. There can be no assurance that market conditions will justify making such expenditures or enable the Fund to sell such vessels at prices in excess of the cost of the vessels plus any capital improvements made by the Fund. The Fund's investments in vessels may be affected by various other risks, for which insurance may be unavailable or not cost effective.

*Start-Up Entities.* The Funds may invest a portion of their assets in companies and other investment vehicles that do not have an operating history and may be managed by professionals who have limited or no prior experience managing those types of entities.

*Access to Nonpublic Information.* From time to time, the Funds, through the principals, employees or agents of Adviser, are represented on the boards of directors or creditors' committees, or serve as observers to the boards of directors, of certain of the companies in which the Funds make investments. In addition, Adviser may have access (through such representation or otherwise) to nonpublic information regarding issuers of securities that are investments or potential

investments of the Funds. While such representation or access to nonpublic information is important to Adviser's investment strategy and the Adviser believes enhances its ability to manage the Funds' investments, it also at times has the effect of impairing the ability of the Funds to purchase or sell the related investments when, and upon the terms, it might otherwise desire, including as a result of applicable securities laws or standstill provisions in nondisclosure agreements entered into by Adviser or the Funds in connection with obtaining such representation or access. Furthermore, material nonpublic information may be obtained for the benefit of one Fund, yet result in the restriction of trading by other Funds.

*Private Equity Investments.* The Funds, including those currently in liquidation, make or hold private equity investments from time to time, including investments in companies undergoing debt restructurings and recapitalized companies, which involve a high degree of business and financial risk. Such companies at times have highly leveraged capital structures, require substantial additional capital to support expansion or to achieve or maintain a competitive position, produce substantial variations in operating results from period to period or operate at a loss. In the event that any such company cannot generate adequate cash flow to meet debt service, the Funds may suffer a partial or total loss of capital invested in the company. Although Adviser seeks protective provisions, including, possibly, board representation, in connection with certain of its private equity investments, to the extent the Funds take minority positions in companies in which it invests, Adviser may not be in a position to exercise control over the management of such companies and, accordingly, may have a limited ability to protect its position in such companies. Private equity investments may have extended holding periods of several years during which no distributions are made to the Funds on its investment, and there can be no assurance that a viable exit mechanism will be available at the end of the anticipated holding period.

*CLO Securities.* CLO Securities are subject to various risks including the following:

(i) *Limited Diversification.* Certain CLOs may invest in concentrated portfolios of assets. The concentration of an underlying portfolio in any one obligor/issuer would subject the holder of the related CLO Securities to a greater degree of risk with respect to defaults by such obligor and the concentration of a portfolio in any one industry or region would subject the holder of the related CLO Securities to a greater degree of risk with respect to economic downturns relating to that industry or region.

(ii) *Leverage Risk.* A Client's investment in CLO Securities may involve significant leverage. Leverage is embedded in all classes of a CLO other than the most senior tranche, with the highest leverage applicable to an investment by a Client in CLO equity securities. While the leverage presents opportunities for increasing a Client's total return, it has the effect of potentially increasing losses as well. Accordingly, any event that adversely affects the value of an investment in a CLO would be magnified to the extent that a CLO Security is leveraged. The cumulative effect of the use of leverage by a CLO in a market that moves adversely to the CLO's investments could result in a substantial loss to the investor in the CLO with the greatest loss applicable to the equity securities issued by the CLO. When a Client invests by entering into a credit derivative transaction, leverage often will be embedded in such transaction as well, which can expose a Client to a greater risk of loss.

(iii) *Risks of Investment Focus.* The value of CLO Securities owned by a Client generally will fluctuate with, among other things, the financial condition of the obligors/issuers of the underlying portfolio of assets of the related CLO ("CLO Collateral"), market conditions, general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. CLO



Securities are issued on a non-recourse basis and holders of CLO Securities must rely solely on distributions on the CLO Collateral or proceeds thereof for payment in respect thereof. If distributions on the CLO Collateral are insufficient to make payments on the CLO Securities, no other assets will be available for payment of the deficiency and following liquidation of the CLO Collateral, the obligations of such issuer to pay such deficiency will be extinguished.

(iv) Lower Credit Quality Securities. CLO Securities in which a Client invests may be deemed by rating agencies to have substantial vulnerability to default in payment of interest and/or principal. Other securities may have the lowest quality ratings or may be unrated. A Client may purchase CLO Securities that have ratings that have been downgraded or placed on “credit watch” for future downgrades. Lower rated and unrated securities in which a Client invests can have large uncertainties or major risk exposures to adverse conditions and can be considered to be speculative. Generally, such securities offer a higher return potential than higher rated securities, but involve greater volatility of price and greater risk of loss of income and principal.

The market values of CLO Securities also tend to be more sensitive to changes in market or economic conditions than other securities. The value of the leveraged loans underlying a CLO may also be affected by changes in the market’s perception of the entity issuing or guaranteeing them, or by changes in government regulations and tax policies.

(v) Liquidity of Markets. In the past fixed income markets have periodically experienced significant falloffs in liquidity. While these are often attributable to changes in interest rates or other macro-economic factors, the cause is not always apparent. During these periods of market illiquidity, a CLO may not be able to sell assets in its portfolio or may only be able to do so at unfavorable prices. Because CLO Securities themselves may be illiquid, they can be difficult to value and the valuations are often based on models or an indicative price from a dealer, rather than on prices at which the security was actually sold in the secondary market. As a result, a CLO Security may experience large movements in price.

(vi) Default and Recovery Rates of CLO Collateral. There are varying sources of statistical default and recovery rate data for loans and high yield securities acting as CLO Collateral and numerous methods for measuring default and recovery rates. The historical performance of the high yield market or the leveraged loan market is not necessarily indicative of its future performance.

(vii) Subordination of CLO Securities. Depending upon the Fund’s investment objectives/restrictions, a portion of its portfolio at times consists of subordinated CLO Securities. Subordinate CLO Securities generally are fully subordinated to the related CLO senior tranches. Thus, investments of a Fund in a particular CLO tranche can rank behind other creditors of the CLO and an investment by a Fund in the equity tranche of a CLO will rank behind all creditors of the CLO. To the extent that any losses are incurred by a CLO in respect of its related CLO Collateral, these losses will be borne first by the holders of the related CLO equity, next by the holders of any related subordinated CLO debt, and finally by the holders of the related CLO senior tranches. In addition, if an event of default occurs under the governing instrument or underlying investment, as long as any CLO senior tranches are outstanding, the holders thereof generally will be entitled to determine the remedies to be exercised under the instrument governing the CLO. Remedies pursued by such holders could be adverse to the interests of the holders of any related subordinated CLO debt or CLO equity securities. A Fund’s investments in subordinated CLO debt or equity securities may be the first to absorb any losses by the CLO on its underlying portfolio. This may result in losses on the Fund’s invested proceeds and could result in the complete loss of invested proceeds.

(viii) **Mandatory Redemption of CLO Senior Tranches.** Under certain circumstances, cash flows from CLO Collateral that otherwise would have been paid to the holders of its mezzanine CLO debt and the related CLO equity will be used to redeem the related CLO senior tranches. This could result in an elimination, deferral, or reduction in the interest payments, principal repayments or other payments made to Funds who hold such CLO Securities, which would adversely impact their returns.

(ix) **CLO Collateral.** CLO Collateral will generally consist of senior secured assets, including commercial loans. Such loans are typically negotiated by one or more commercial banks or other financial institutions and syndicated among a group of commercial banks and financial institutions and other investors. The loans will typically be to borrowers that have below investment grade ratings (or no ratings) and will generally be leveraged companies. A description of risks associated generally with the purchase of such higher yielding investments is noted herein in this Item 8.

(x) **Optional Redemption of CLO Senior Tranches.** An optional redemption by a CLO of its notes could require the collateral or portfolio manager of the related CLO to liquidate positions more rapidly than would otherwise be desirable, which could adversely affect the realized value of the CLO Collateral sold (and which in turn could adversely impact the holders of any related CLO equity securities, including securities held by a Fund).

(xi) **Insolvency Risks.** Various laws enacted for the protection of creditors apply to the issuers of the CLO Collateral.

(xii) **Price Volatility Risk.** The prices of the CLO Collateral are highly volatile. Price movements are influenced by, among other things: changing supply and demand relationships; trade, fiscal, monetary and exchange control programs and policies of governments; U.S. and foreign political events and policies; changes in national and/or international interest rates and rates of inflation; currency devaluations and revaluations, and market sentiments. Adviser cannot control these factors and no assurance can be given that the advice of Adviser will result in profitable investments for a Fund.

(xiii) **“Widening” Risk.** For reasons not necessarily attributable to any of the risks set forth herein, the prices of CLO Securities in which a Fund may invest may decline substantially. In particular, purchasing assets at what may appear to be “undervalued” levels is no guarantee that these assets will not trade at even lower levels at a time of valuation or at the time of sale. It may not be possible to predict, or to hedge against, such “spread widening” risk.

**CLO Management Fees.** The Adviser generally receives an annual management fee of between 25-42 bps for each CLO, paid quarterly in arrears, based on the applicable asset amount on the relevant quarterly cut-off date for such CLO. The CLO management fee usually comprises a “senior management fee” and a “subordinated management fee,” each of which are paid in accordance with a priority of payments. In addition, the Adviser is entitled to receive an incentive management fee that accumulates on each quarterly payment date at a rate equal to 20% of any remaining proceeds after the most subordinated CLO Securities have realized an internal rate of return of at least 12% per annum.

**CLO Expenses.** Each CLO bears its organizational ordinary operating expenses and other fees and expenses incurred in relation to the CLO, other than the operating expenses of the Adviser all as further described in the CLO’s offering documents; provided, however, that (i) annual software licensing fees incurred by the Adviser in the performance of its obligations, (ii) any

expenses (including legal fees) incurred by the Adviser in connection with the evaluation, acquisition, holding, monitoring, marking-to-market, enforcement, amendment, default, evaluation, transfer, workout, restructuring, bankruptcy, enforcing or disposition of any Collateral Obligations, with the evaluation of the eligibility of any Collateral Obligation, with the creation of any Issuer Subsidiary, the transfer of any Collateral Obligation to or from any Issuer Subsidiary including, without limitation, any and all Rating Agency expenses, news and quotation subscription expenses, travel costs and expenses incurred by the Adviser, the liquidation of any Issuer Subsidiary, and with any amendments, consents, waivers or modifications of any of the CLO transaction documents, (iii) any reasonable travel expenses (airfare, meals, lodging and other transportation) undertaken in the performance by the Adviser of its obligations hereunder (including any reasonable expenses incurred by it to employ outside lawyers or consultants reasonably necessary in connection with the restructuring of any Collateral Obligation or Eligible Investment), (iv) any third party fees for bookkeeping, accounting, calculation agency or record keeping services obtained on behalf of the CLO Issuer, (v) any expenses incurred in obtaining advice from counsel with respect to its obligations under the Indenture, (vi) fees and expenses incurred in connection with the performance by the Adviser of any action, to the extent required by the Indenture as then in effect, (vii) any and all third party costs, fees and expenses incurred in connection with the Adviser's communications with the holders of CLO Securities (including charges related to annual meetings), (viii) any and all third party expenses incurred to comply with any law or regulation related to the Collateral Obligations or the activities of the CLO Issuer and (ix) any extraordinary expenses incurred by the Adviser in the performance of its obligations under the CLO transaction documents shall be reimbursed by the CLO Issuer to the extent funds are available therefor in accordance with and subject to the limitations contained in the Priority of Payments. If the Adviser determines in its reasonable discretion that a cost or expense incurred by it and reimbursable above is attributable to the CLO Issuer and one or more other clients of the Adviser, the Adviser shall allocate such cost or expense to the CLO Issuer and such other client or clients in a manner that it believes is fair and equitable.

*Illiquid Positions.* The Funds invest in public companies with small- or mid-size market capitalizations, companies undergoing debt restructuring or recapitalized companies, or in illiquid and other long-term securities such as private placement securities, restricted securities, bank debt, other debt instruments or securities with limited, if any, trading volume. In addition, the Funds, together with one or more other Funds, from time to time may hold a large percentage of the outstanding securities of an issuer. Illiquid securities carry the risk that a buyer may not be found for such securities. In addition, the lack of an established, liquid secondary market for many of the Funds' investments may have an adverse effect on the market value of the Funds' investments and on the ability to dispose of them. No assurance can be given that, if Adviser determines to dispose of a particular investment, it will be able to dispose of such investment at the prevailing market price. In addition, certain investments may have to be held for a substantial period of time before they can be liquidated to the Funds' greatest advantage or, in some cases, at all.

A portion of the Funds' investments may consist of securities that are subject to restrictions on resale by the Funds because they were acquired in a "private placement" transaction or because the Funds is deemed to be an affiliate of the issuer of such securities as a result of significant ownership stakes held by Funds or for other reasons. Generally, the Funds will be able to sell such securities without restriction to other large institutional investors, but may be restrained in its ability to sell them to other investors. If restricted securities are sold to the public, the Funds may be deemed to be an underwriter or possibly a controlling person with respect thereto for the purposes

of the Securities Act and may be subject to liability as such under the Securities Act. In addition, the Funds may hold securities subject to contractual restrictions on transfer.

Even in the case of more liquid securities, futures contracts and options thereon, it also may not always be possible for the Funds to execute a buy or sell order at the desired price or to liquidate a position, either due to market conditions on exchanges or due to the operation of “circuit breakers” (in the case of equity securities) or daily price fluctuation limits (in the case of futures contracts and options thereon). During a single trading day, no trades may be executed at prices beyond the daily limit. In addition, the Funds may not be able to execute trades at favorable prices if little trading in the contracts it wishes to trade is taking place. It is also possible that an exchange or governmental authority may suspend or restrict trading, order the immediate settlement of a particular futures contract or order that trading in a particular futures contract be conducted for liquidation purposes only. Options trading may be restricted in the event that trading in the underlying instrument becomes restricted, and options trading may itself be illiquid at times, irrespective of the condition of the market of the underlying instrument, making it difficult to offset option positions in order to realize gain thereon, limit losses or change positions in the market.

*Hedging Strategies.* Adviser, from time to time, uses hedging strategies in an attempt to reduce certain of the risks associated with the Funds’ portfolio investments. In addition, Adviser may seek to hedge the foreign currency exposure of the Non-U.S. currency shares. However, hedging strategies are not always possible or effective in limiting losses. Successful hedging activity requires skills complementary to those needed in the selection of the Funds’ portfolio holdings. The success of the Funds’ hedging activity will depend, in part, upon Adviser’s ability to correctly assess the degree of correlation between the performance of the instruments used for hedging purposes and the performance of the portfolio investments being hedged. The characteristics of many securities change as markets change or time passes. Consequently, the success of the Funds’ hedging activity will be subject to Adviser’s ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. The purpose of entering into hedging transactions is to seek to reduce risk, but such transactions also limit the opportunity for gain if the values of hedged positions increase and thus may result in poorer overall performance for the Funds than if it had not engaged in such transactions.

*Unhedged Risks.* A significant portion of the Funds’ positions from time to time will be unhedged or only partially hedged. For a variety of reasons, Adviser may not seek to establish a perfect correlation between the hedging instruments used and the portfolio holdings being hedged. Such an imperfect correlation may prevent the Funds from achieving the intended hedge or expose the Funds to risk of loss. Adviser may not hedge against a particular risk because it does not regard the probability of the risk occurring to be sufficiently high as to justify the cost of the hedge, or because it does not foresee the occurrence of the risk. Moreover, it is not always possible for Adviser to hedge against certain risks, *e.g.*, the risk of a fluctuation that is so generally anticipated by market participants that Adviser cannot enter into a hedging transaction at a price sufficient to protect the Funds from the decline in value of the portfolio position anticipated as a result of such a fluctuation.

*Diversification of Investments.* In order to diversify the Funds’ capital, Adviser will invest the Funds’ assets in multiple investment positions. Although this diversification is intended to offset losses while maintaining the possibility of capitalizing on profitable price movements, there can be no assurance that the use of multiple investments will provide any material diversification, that gains achieved on profitable investments will exceed losses generated by unprofitable investments or that the selection of multiple investments will prove more successful than would selection of a smaller number of investments.

*Concentration of Investments.* Except as may otherwise be set forth in the applicable Fund's offering documents, the Adviser is not limited in the amount of the Funds' capital that it may commit to any one investment, sector, industry or issuer. Although the Adviser will follow a general policy of seeking to spread the Funds' capital among a number of investments and industries, the Adviser can depart from such policy from time to time and the Funds may hold one or more positions that are relatively large in relation to the Funds' capital and are concentrated in a single issuer or a group of related issuers or in a single industry. The result of such concentration of investments is that a loss in any such position could materially reduce the Funds' capital.

*Swaps Transactions; Risks Associated with OTC Transactions.* The Funds enter into credit default swaps, total return swaps on individual securities and indices and other swap transactions. Historically, swap contracts have not been executed on exchanges and have instead been executed in the over-the-counter ("OTC") markets, which are not subject to the same type or degree of regulation and supervision as are regulated exchanges. Although a substantial portion of swaps transactions continue to be executed in the OTC markets as of the date of this disclosure, under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") and the rules being finalized and implemented thereunder by the SEC and the CFTC (the "Swaps Rules"), certain interest rate swaps and index credit default swaps presently are, and it is expected that a substantial portion of swaps transactions will become, subject to both mandatory clearing and exchange-trading requirements. Under the Swaps Rules, swaps transactions required to be submitted for clearing will be subject to minimum initial and variation margin requirements set by the relevant clearing house, and the regulators have also imposed initial and variation margin requirements on non-cleared swaps transactions. In addition, the Dodd-Frank Act creates new categories of regulated market participants, such as "swap-dealers," "security-based swap dealers," "major swap participants" and "major security-based swap participants," which are subject to significant new capital, registration, recordkeeping, reporting, disclosure, business conduct and other regulatory requirements. The intent of the Dodd-Frank Act and the related Swaps Rules is to reduce systemic and counterparty risks associated with OTC swaps transactions. While many regulations have been promulgated pursuant to the Act and are already in effect, the rulemaking and implementation process is still ongoing, and the ultimate effect of the rules and regulations on the Funds and York cannot be predicted with certainty. However, even if certain new regulatory requirements are not directly applicable to the Funds, such regulation will increase swaps dealers' costs, which costs are expected to be passed through to other market participants (including the Funds) in the form of higher fees or less favorable dealer marks. Following the finalization and complete implementation of the Swaps Rules, not all swaps transactions will be subject to the mandatory clearing and execution requirements of the Swaps Rules, and some swaps transactions will continue to be executed in the OTC markets without the protections afforded by centralized clearing at regulated clearing houses and by execution on regulated exchanges and facilities. For example, the swaps and other OTC markets generally are "principals' markets" in which performance with respect to a swap contract is the responsibility only of the counterparty to the contract, and not of any exchange or clearinghouse. The Funds would be subject to the risk of the inability or refusal of the counterparties with which the Funds trade to perform with respect to any swap contracts executed on behalf of the Funds in the OTC markets.

The European Market Infrastructure Regulation ("EMIR") introduced certain requirements in respect of derivative contracts, which apply to varying degrees to entities established in the EU, regardless of whether they are transacting with counterparties established in the EU or outside of the EU. As such, where the Funds transact with EU counterparties, they will likely require the transaction to be EMIR-compliant, with the result that the Funds become subject to additional obligations and/or costs that may not otherwise have applied. Specifically, EMIR mandates the clearing of OTC derivatives contracts if they pertain to a class of OTC derivative that has been

declared subject to the mandated clearing obligation. The European Securities and Markets Authority maintains and keeps up to date a public register which sets out, among other things, the classes of OTC derivatives that are subject to the clearing obligation. OTC derivatives required to be submitted for clearing will be subject to minimum initial and variation margin requirements set by the relevant central counterparty (“CCP”).

The revised EU Markets in Financial Instruments Directive and related regulations and subsidiary legislation (“MiFID II”) governs the organized trading of and provision of investment services and activities in relation to financial instruments such as shares, bonds, units in collective investment schemes and derivatives.

Although the Funds are not organized in the EU and is not authorized or regulated by any EU member state financial services regulator, certain aspects of MiFID II have an impact on the Funds. In particular, MiFID II imposes a mandatory trading obligation on classes of derivatives that are both cleared through a CCP and deemed to be sufficiently liquid to trade on a trading venue. EU regulated firms that have trading relationships with the Funds may be required by MiFID II to impose certain requirements on the Funds, or they may seek to do so contractually, with a view to satisfying their own compliance requirements. It is difficult to assess the full impact of MiFID II on the Funds. The costs (whether direct or indirect) of compliance with EMIR and MiFID II may be significant in the context of the Fund’s operations, and that each of them may adversely affect a Fund’s ability to engage in certain transactions.

Following the implementation of mandatory clearing and mandatory trading obligations under EMIR and MiFID II, some OTC derivatives transactions continue to be executed in the OTC markets without the protections that trading on a trading venue and clearing through a CCP generally provide. Counterparties entering into OTC derivative contracts that are not cleared by a CCP are required under EMIR to ensure that appropriate procedures and arrangements are in place to measure, monitor and mitigate operational risk and counterparty credit risk. Such measures include timely confirmation, by electronic means, of the terms of the relevant derivative contract and formalized processes to reconcile portfolios, identify and resolve disputes between counterparties and monitor the value of outstanding contracts. The mandatory clearing obligation, risk mitigation procedures and the mandatory trading obligation have generally increased the costs of OTC derivatives transactions, and these costs are generally passed through to market participants (including the Fund).

*Changes or Uncertainty in Respect of LIBOR.* Regulators and law-enforcement agencies in a number of different jurisdictions have conducted and continue to conduct civil and criminal investigations into potential manipulation or attempted manipulation of the London Inter-bank Offered Rate (“LIBOR”) submissions to the British Bankers' Association. There have also been allegations that member banks may have manipulated other inter-bank lending rates (such rates, together with LIBOR, the “Benchmark Rates”). The Benchmark Rates have been or are currently being reformed, including (i) the replacement of the British Bankers' Association with ICE Benchmark Administration Ltd (“IBA”) as Libor administrator, which was completed on February 1, 2014, (ii) a reduction in the number of tenors for which certain Benchmark Rates are calculated, and (iii) modifications to the administration, submission and calculation procedures, including their regulatory status, in respect of certain Benchmark Rates. In a speech on July 27, 2017, Andrew Bailey, the Chief Executive of the Financial Conduct Authority in the United Kingdom (“FCA”), announced the FCA's intention to cease sustaining Libor from the end of 2021. Accordingly, Libor may be discontinued as a Benchmark Rate by the end of 2021.

On November 30, 2020, announcements by the IBA, the FCA, the Federal Reserve Board, Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation laid out a transition plan which, if adopted, would result in the publication of one-week and two-month USD LIBOR ceasing after December 31, 2021 and the remaining USD LIBOR tenors ceasing to be published after June 30, 2023. Concurrent with such proposal, the Board of Governors of the Federal Reserve System ("FRB"), the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation released a statement that (i) encouraged banks to cease entering into new contracts that use U.S. dollar Libor as a reference rate as soon as practicable and in any event by December 31, 2021, (ii) indicated that new contracts entered into before December 31, 2021 should either utilize a reference rate other than U.S. dollar Libor or have robust fallback language that includes a clearly defined alternative reference rate after U.S. dollar Libor's discontinuation and (iii) explained that extending the publication of certain U.S. dollar Libor tenors until June 30, 2023 would allow most legacy U.S. dollar Libor contracts to mature before Libor experiences disruptions. It is possible that IBA and the panel banks could continue to produce Libor after June 30, 2023, or the FCA could deem Libor to be no longer representative of its underlying market prior to that date, but no assurance can be given that Libor will survive in its current form, or at all. On March 5, 2021, announcements by the IBA and the FCA confirmed that the publication of USD LIBOR on a representative basis will cease for one-week and two-month USD LIBOR settings immediately after December 31, 2021, and the remaining USD LIBOR settings immediately after June 30, 2023.

It is not possible to predict the effect of any changes in the methods by which LIBOR rates are determined or the effect of any other future reforms or proposals affecting LIBOR. Such reforms and proposals may adversely affect the trading market for securities that bear interest at rates based on LIBOR. Any future changes in the method by which LIBOR is determined or the transition to a successor benchmark may result in, among other effects: (i) LIBOR performing differently than it has historically (as a result of change in methodology or otherwise); (ii) a sudden or prolonged increase or decrease in LIBOR or any successor benchmark rates; (iii) a delay in the publication of LIBOR or any such benchmark rates; (iv) a change in rules or methodologies in LIBOR or any successor benchmarks that discourage market participants from continuing to administer or participate in LIBOR or any successor benchmark; and (v) LIBOR or any successor benchmark rate being discontinued or otherwise no longer determined and published. If LIBOR is eliminated as a "benchmark" rate, it is uncertain whether broad replacement conventions in the leveraged loan, high-yield bond and collateralized loan obligation markets will develop and, if conventions develop, what those conventions will be and whether they will create adverse consequences for the Funds or the issuers of instruments in which the Funds invest and financial markets generally. In April 2018, the New York Federal Reserve Bank began publishing its alternative rate, the Secured Overnight Financing Rate ("SOFR"). The Bank of England followed suit in April 2018 by publishing its proposed alternative rate, the Sterling Overnight Index Average ("SONIA"). Each of SOFR and SONIA significantly differ from LIBOR, both in the actual rate and how it is calculated, and therefore it is unclear whether and when markets will adopt either of these rates as a widely accepted replacement for LIBOR. If no widely accepted conventions develop, it is uncertain what effect broadly divergent interest rate calculation methodologies in the markets will have on the price and liquidity of certain instruments held by the Funds and the ability of the Funds to effectively mitigate interest rate risks. Furthermore, abandonment of or modifications to LIBOR could have adverse impacts on newly issued financial instruments and existing financial instruments that reference LIBOR. While some instruments may contemplate a scenario where LIBOR is no longer available by providing for an alternative rate setting methodology, not all instruments may have such provisions and there is significant uncertainty regarding the effectiveness of any such alternative methodologies. Abandonment of LIBOR may

result, to the extent other fallback provisions in the terms and conditions of relevant agreements are not applicable, in the application of a fixed rate based on the rate that applied in the previous period when LIBOR was available. Abandonment of or modifications to LIBOR could lead to significant short-term and long-term uncertainty (contractual or otherwise) and market instability, and may affect the liquidity of certain instruments held by the Funds. It remains uncertain how such changes would be implemented and the effects such changes would have on the Funds or the issuers of instruments in which the Funds invest and financial markets generally. It is possible that any such changes — or the effects of such changes — could adversely affect the performance of instruments held by the Funds, both in the short-term and over a longer period. The Adviser is closely monitoring developments related to LIBOR and is in the process of checking that appropriate alternative index language is incorporated into the applicable documents relating to the Funds' investments where feasible.

*Credit Default Swaps.* The Funds invest in credit default swaps from time to time. A credit default swap is a contract between two parties which transfers the risk of loss if a company fails to pay principal or interest on time or files for bankruptcy. In essence, an owner of corporate debt instruments can purchase a limited form of default protection by entering into a credit default swap with a bank, broker-dealer or financial intermediary. Upon an event of default, the swap is most commonly terminated by the purchaser of credit protection delivering the referenced instrument to the swap counterparty and receiving a payment of par value. Credit default swaps can be used to hedge a portion of the default risk on a single corporate bond or a portfolio of bonds. Credit default swaps also can be used to implement Adviser's view that a particular credit, or group of credits, will experience credit improvement. For example, the Funds may "sell" credit default protection in which it receives a premium to take on the risk associated with the expected credit improvement. In such an instance, the obligation of the Funds to make payments upon the occurrence of a credit event creates leveraged exposure to the credit risk of the referenced entity. The Funds also may "purchase" credit default protection even in the case in which it does not own the referenced instrument if, in the judgment of Adviser, there is a high likelihood of credit deterioration. The Funds also may enter into credit default swap transactions, even if the credit outlook is positive, if it believes that participants in the marketplace have incorrectly valued the components which determine the value of a swap.

*Futures and Forward Contract Risks.* Although the Funds are primarily engaged in investing and trading in securities, the Funds hold positions in futures contracts from time to time. A principal risk in holding positions in futures contracts is the traditional volatility and rapid fluctuation in market prices. The profitability of such positions will depend primarily on fluctuations in market prices. Price movements for futures are influenced by, among other things, governmental, trade, fiscal, monetary and exchange control programs and policies, weather and climate conditions, changing supply and demand relationships, national and international political and economic events, changes in interest rates, and the changing philosophies and emotions of market participants. In addition, governments from time to time intervene, directly and by regulation, in certain futures markets, often with the intent to influence prices directly. The effects of governmental intervention may be particularly significant at certain times in the financial instrument and currency markets, and such intervention (as well as other factors) may cause these markets to move rapidly.

The low margin deposits normally required in futures trading permit an extremely high degree of leverage. Accordingly, a relatively small price movement in a futures contract may result in immediate and substantial loss or gain to the investor. For example, if at the time of purchase 10% of the price of a futures contract is deposited as margin, a 10% decrease in the price of the futures contract would, if the contract were then closed out, result in a total loss of the margin



deposit before any deduction for brokerage commissions. Thus, like other leveraged financial instruments, any futures trade may result in losses in excess of the amount invested. Any increase in the amount of leverage applied by the Funds will increase the risk of loss by the amount of additional leverage applied.

The Funds also hold positions in forward contracts from time to time. Forward contracts are, like futures contracts, highly leveraged instruments. They are not traded on exchanges but rather are OTC transactions executed directly through forward contract dealers. There is no limitation on the daily price moves of forward contracts, and a dealer is not required to continue to make markets in such contracts. There have been periods during which forward contract dealers have refused to quote prices for forward contracts or have quoted prices with an unusually widespread between the bid and asked price. The Funds will be subject to the risk of credit failure or the inability of or refusal of a forward contract dealer to perform with respect to its forward contracts.

*Repurchase and Reverse Repurchase Agreements.* The Funds also enter into repurchase and reverse repurchase agreements from time to time. If the Funds enter into repurchase agreements, they would “sell” securities issued by the U.S. or a non-U.S. government, or agencies thereof, or corporate issuers to a broker-dealer or other financial institution, and would repurchase such securities for the price paid by the financial institution, plus interest at a negotiated rate. In a reverse repurchase transaction, the Funds would “buy” securities issued by the U.S. or a non-U.S. government, or agencies thereof, or corporate issuers from a financial institution, subject to the obligation of the financial institution to repurchase such securities at the price paid by the Funds, plus interest at a negotiated rate. The use of repurchase and reverse repurchase agreements by the Funds would involve certain risks, including the risk that the seller under a reverse repurchase agreement may default on its obligation to repurchase the underlying securities. Disposing of the security in such case may involve costs to the Funds.

*Custodian and Counterparty Risks.* The Funds will be subject to the risk of the inability of banks, brokers and dealers and other custodians of assets of the Fund to safeguard assets and carry out their respective other duties and the inability of counterparties to perform with respect to transactions, whether due to bankruptcy, insolvency, failure to comply with rules designed to ensure the safekeeping of customer assets or other causes. There is a risk that any of such financial institutions could become bankrupt or insolvent. The bankruptcy or insolvency of any such financial institutions may result in the Funds losing all or a portion of their assets held with such financial institutions or the termination of any outstanding transactions. In addition, financial institutions may use sub-custodians and disclaim responsibility for any losses which may result therefrom.

While certain financial institutions are subject to regulatory requirements mandating the segregation of customer assets, if any of such financial institutions fails to do so, or is unable to satisfy a substantial deficit in such customer accounts, its other customers may be subject to risk of loss of their funds in the event of such financial institution’s bankruptcy. In addition, the Funds use counterparties and other financial institutions located in various jurisdictions outside the United States. Such non-U.S. counterparties and other financial institutions are subject to various laws and regulations in various jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to the Funds’ assets are subject to substantial limitations and uncertainties. Investors should assume that the insolvency of any non-U.S. counterparty or other financial institution would result in a loss to the Funds, which could be material.

In an effort to mitigate such risks, Adviser will attempt to limit transactions and entrust assets to financial institutions that it believes are established, well-capitalized and creditworthy. However, even the capitalization of a long-established financial institution may deteriorate rapidly when it has substantial risk exposure to one or more asset classes that become distressed, its counterparties and customers lose confidence in its ability to perform its transactions and safeguard assets, or it encounters other severe difficulties. Furthermore, the commercial soundness of many financial institutions may be closely interrelated as a result of credit, trading, clearing or other relationships between these financial institutions. Accordingly, concerns about, or a default or threatened default by, one financial institution could lead to significant market-wide liquidity and credit problems, losses or defaults by other financial institutions. This is sometimes referred to as “systemic risk” and may adversely affect financial institutions with which the Funds interact and could therefore adversely affect the Funds. There can be no guarantee that the Funds could unwind transactions and withdraw assets from a once-creditworthy financial institution if such financial institution’s capital begins to deteriorate rapidly or in the event of significant market-wide liquidity and credit problems.

*Co-Investment Risks.* Adviser has various business dealings and relationships with institutional and high-net-worth investors, and Adviser, in its sole and absolute discretion, may permit such investors to co-invest with the Funds in certain of the Funds’ investments. In addition, affiliates of Adviser also co-invest with the Funds in certain of the Funds’ investments. Such co-investments may have the effect of limiting the size of the Funds’ investment in such opportunities. In addition, although such co-investment opportunities arise as a result of the Funds’ activities, Adviser may choose to offer such co-investment opportunities to outside parties rather than making larger investments on behalf of the Funds in such opportunities or offering such opportunities to the limited partners.

In addition, the Funds co-invest in private transactions with other York Funds from time to time, through collectively owned investment holding vehicles and otherwise. Assets of each co-investing Fund may become exposed to the risk of claims involving one or more other co-investing Funds, *e.g.*, a third party to a transaction may require the co-investing Funds to agree to joint and several liability, or certain types of trades may be pooled together in a common investment holding vehicle without segregation of liabilities arising from different trades even though not all participating Funds participate in all trades entered into by the investment holding vehicle. Adviser intends to mitigate such risks as it deems appropriate from time to time, such as through cross-indemnification arrangements among the Funds, but there can be no guarantee that such risks will be mitigated in full.

In addition, co-investments by the Funds with third parties through partnerships, joint ventures or other entities involve risks not present in investments where a third party is not involved, including the possibility that a third-party co-venturer or partner may at any time have economic or business interests or goals that are inconsistent with those of the Funds or may be in a position to take action contrary to the investment objectives of the Funds, resulting in a negative impact on the underlying investment. In particular, with respect to investments that call capital from investors over time, any failure by any third-party co-venturer to meet its capital commitment obligations in respect of any such investment could limit the ability of the particular partnership, joint venture or other entity to continue operating or expanding or otherwise adversely affect such investment and the value of the Funds’ investment therein. The Funds may in certain circumstances also be liable for actions of its third-party co-venturer or partner. In addition, the Funds’ ability to exercise control or significant influence in connection with these cooperative arrangements may be limited and will depend on the nature of the relevant documentation.

*Competition for Investments.* The Funds may be unable to find a sufficient number of attractive opportunities to meet its investment objectives or invest its capital fully. There can be no assurance that Adviser will be able to identify or successfully pursue attractive investment opportunities in all market environments. Among other factors, competition for suitable investments from other pooled investment funds and vehicles may reduce the availability of investment opportunities.

*Expedited Transactions.* Adviser's investment analysis and decisions are often undertaken on an expedited basis in order for the Funds to take advantage of investment opportunities. In such cases, the information available to Adviser at the time of an investment decision may be limited and Adviser may not have access to the detailed information necessary for a full evaluation of the investment opportunity. In addition, the Adviser may not have the time or resources to complete its preferred level of due diligence on the potential investment. Moreover, Adviser may rely upon outside advisors in connection with its evaluation of proposed investments. There can be no assurance that such advisors will accurately evaluate such investments.

*Portfolio Turnover.* The investment strategy of the Funds involves frequent investment transactions. As a result, turnover and brokerage commission expenses of the Funds may significantly exceed those of other investment funds and vehicles of comparable size.

*Litigation.* Litigation can and does occur in the ordinary course of the management of an investment fund or vehicle such as the Funds. The Funds may be engaged in litigation both as a plaintiff and as a defendant. This risk is somewhat greater where Adviser exercises control or significant influence over a company's direction, e.g., as a result of board participation or being active on a creditors' committee. Such litigation can arise as a result of issuer defaults, issuer bankruptcies or other reasons. In certain cases, such issuers may bring claims or counterclaims against the Funds, Adviser and/or their respective principals and affiliates alleging violations of securities laws and other typical issuer claims and counterclaims seeking significant damages. In addition, reorganizations can be contentious and adversarial. It is by no means unusual for participants to use the threat of, as well as actual, litigation as a negotiation tactic. York and others are indemnified by the Funds in connection with such litigation, subject to certain conditions. The expense of defending against third-party claims made against the Funds or persons indemnified by the Funds and paying any amounts pursuant to settlements or judgments generally would be borne by the Funds and reduce net assets to the extent that the Funds has not been able to protect itself through indemnification or other rights against the relevant portfolio company, is not entitled to such protections, or is entitled to such protections but the portfolio company is not solvent.

*Lender Liability and Equitable Subordination.* The Funds, or an investment holding vehicle in which the Funds invest, are lenders from time to time. Judicial decisions have, at times, upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories, collectively termed "lender liability." Generally, lender liability is founded on the premise that a lender has either violated a duty, whether implied or contractual, of good faith and fair dealing owed to the borrower or assumed a degree of control over the borrower resulting in the creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. In addition, under common law principles, a court may elect to subordinate the claim of a lender to the claims of one or more creditors (a remedy called "equitable subordination") if a lender (i) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower, (ii) engages in other inequitable conduct to the detriment of such other creditors or (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors. A significant number of investments involve participation in loans where the Funds, or an investment holding vehicle through which the Funds invest, is not the lead creditor. Accordingly, it is possible

that lender liability or equitable subordination claims affecting investments made by the Funds or such investment holding vehicle could arise without the direct involvement of the Funds or such investment holding vehicle.

*Fraudulent Conveyances and Preferences.* Various U.S. Federal and state laws enacted for the protection of creditors apply to the investments made by the Funds by virtue of the Funds' roles as a creditor with respect to such investments made by the Funds. For example, if a U.S. Federal or state court adjudicating a lawsuit brought by an unpaid creditor or representative of creditors of a borrower were to find that the borrower did not receive fair consideration or reasonably equivalent value for incurring indebtedness evidenced by an investment made by the Funds and the grant of any security interest or other lien securing such investment made by the Funds, and, after giving effect to the incurring of such indebtedness, the borrower was insolvent or its financial condition was approaching insolvency, then such court could invalidate, in whole or in part, such indebtedness and such security interest or other lien as fraudulent conveyances, subordinate such indebtedness to existing or future creditors of the borrower or recover amounts previously paid by the borrower in satisfaction of such indebtedness or proceeds of such security interest or other lien previously applied in satisfaction of such indebtedness. In addition, in the event of the bankruptcy of an issuer under the U.S. Bankruptcy Code, payments made to the Funds in relation to their investments in such issuer could be subject to avoidance as a "preference" and recaptured if made within a certain period of time before insolvency, depending on a number of factors. Similar doctrines may apply under the laws of other jurisdictions, and the measure of insolvency for purposes of the foregoing will vary depending on the law of the jurisdiction which is being applied. If payments made by the borrower are voidable, whether as fraudulent conveyances or preferences, such payments generally can be recaptured either from the initial recipient (such as the Funds) or from subsequent transferees of such payments.

*Strategy Risk.* The Funds will be subject to strategy risk. Strategy risk is associated with the failure or deterioration of an entire strategy (such that most or all investments in the strategy suffer losses). Strategy-specific losses can result from excessive concentration by multiple traders in the same investment or broad events that adversely affect particular strategies (e.g., illiquidity within a given market). Many of the strategies to be employed by the Funds are speculative and involve substantial risk of loss.

*Tandem Markets.* The Funds' strategies of investing in multiple investments is designed in an attempt to achieve diversification across global capital markets and, thus, seeks to limit the Funds' exposure to any single market. However, multiple markets could move in tandem against the positions held by the Funds from time to time, and the Funds could suffer losses.

## **Structural and Operational Risks**

*In-Kind Distributions Upon Redemption.* Adviser has the right to satisfy redemption requests in cash, or in kind, or in part in cash and in part in kind. In-kind distributions may include, without limitation, interests in a special purpose vehicle holding assets of a Fund or holding entitlement to the proceeds of assets held by a Fund or in a liquidating vehicle structure. In the event that the Adviser distributes securities or other investments in kind to an investor upon a redemption, the investments so distributed may not be readily marketable or saleable, and such investments may need to be held for an indefinite period of time thereafter.

*Compulsory Redemption.* The Adviser, in its sole and absolute discretion, may require any investor to redeem all or a portion of its Common Shares at any time and for any reason (including, without limitation, for tax, legal or regulatory reasons).

*Significant Redemptions by Investors.* At times, a single investor (or investors under common control) might hold interests in a Fund that comprise a large percentage of the total interests of a Fund. If such investors were to redeem all or a significant portion of their interests, the Adviser may find it difficult to adjust its asset allocation and trading strategies to the suddenly reduced amount of assets under management. A similar risk exists in relation to significant redemptions by investors across other Funds that utilize any of the strategies utilized by any Fund. Any forced sale of certain of the Funds' investments to meet redemption requests could adversely affect the value of and diversification of the Funds' portfolio. Furthermore, if large redemptions from the Funds occurs, the Funds may be forced to sell illiquid holdings at less than optimal times and prices, or, alternatively, the Funds may sell liquid holdings and, consequently, the remaining investors would be exposed to a higher concentration of illiquid holdings. In addition, a forced sale by another Fund of a security where a Fund also holds the same type of security may adversely affect the value of such Fund's investment in such security.

*Side Letters and Other Investor-Related Arrangements and Disclosures.* From time to time, the Adviser and/or the Funds, enter into letter agreements or other similar arrangements (collectively, "Side Letters") with one or more investors that alter or supplement the terms of the governing documents of the Fund. In general, Side Letters may be entered into with certain large institutional investors, governmental pension plans and sovereign wealth funds and with certain other Limited Partners subject to specific legal, regulatory or tax requirements. Such Side Letters may provide, for example, increased liquidity, heightened transparency, key person notification rights, heightened reporting and reduced Management Fees and Incentive Allocations. As a result of such Side Letters, certain investors in a Fund receive rights, terms and other benefits that other investors in such Fund will not receive. The Adviser is not required to notify the other investors in the applicable Fund of any such Side Letters or any of the rights or terms or provisions thereof, nor will the Adviser be required to offer such additional or different rights or terms to all other investors. The other investors generally will have no recourse against the Funds or Adviser in the event that certain investors receive additional or different rights, terms or other benefits as a result of such Side Letters. In addition, future investors may receive more favorable terms or other benefits through investment in one or more classes of interests designated, created and offered after the date of this filing.

The Adviser may agree, in its sole and absolute discretion, to disclose portfolio holdings to certain "regulated investors" and to certain third parties, such as companies that evaluate portfolio risk for investors, from time to time. Such information may be provided subject to certain conditions that the Adviser, in its sole and absolute discretion, determines to be appropriate (including, without limitation, disclosing such portfolio holdings on a time lag or increasing the notice period required for redemptions). The Adviser will provide such information to such companies as it chooses in its sole discretion and may refuse to provide such information to any such company at any time. The Adviser generally requires recipients of such information to enter into nondisclosure agreements as a condition to receiving such information. However, there can be no assurance that the recipients will fulfill their confidentiality obligations.

In the course of conducting due diligence, investors and prospective investors in the Funds may request information regarding their investments (or prospective investments) in the Funds and regarding Adviser. In responding to such requests, Adviser may provide information that is generally not made available to other investors in the Funds.

*Similar Funds.* Adviser organizes and/or manages other Funds (including separately managed accounts and "funds of one") that share substantially similar investment strategies and objectives from time to time. Such Funds may offer the investors benefits that investors will not

receive in other Funds, such as increased liquidity, heightened transparency (including with respect to portfolio composition information), the right to impose investment restrictions or guidelines, heightened reporting and reduced management fees and incentive allocations or fees. Adviser is not required to notify investors of the terms applicable to such other Funds, and such increased liquidity and/or heightened transparency may have an adverse effect on the Funds. Furthermore, due to the overlap of strategies and investments across many of the Funds (including separately managed accounts and “funds of one”), the Funds may be adversely affected in the event of rapid or large liquidations of investment positions by other Funds or may find it more difficult to liquidate positions held by the Funds due to a lack of liquidity resulting from large position sizes in the same investments held by other Funds.

*Valuation of Securities.* The Adviser is responsible for valuing the securities and other investments comprising the assets of the Funds in accordance with the governing documents of the Funds. Adviser generally values the Funds’ portfolios using U.S. generally accepted accounting principles (“U.S. GAAP”). Typically the valuations would be “marked to market” by reference to the last generally available price quotation. However, where a security is subject to any resale restriction, lack of available price quotations, illiquid market conditions or other factors preventing immediate liquidity of Funds’ entire position, the Adviser has the sole and absolute discretion to value such security using its best good faith estimate as to fair value. This causes the potential for a conflict of interest due to the fact that a higher fair value assigned to such security will result in greater management fees and possibly in higher incentive allocations, as well as higher administrative fees payable to the administrator. Valuations assigned to securities and other investments are not necessarily equivalent to the value that can be realized by the Funds on the sale of those securities and other investments. In addition, there is a risk that the valuations of a security made pursuant to U.S. GAAP may differ from the price at which the security may actually be sold.

*Investment Proceeds Realized Following Write-Downs.* From time to time, the Adviser may write down an investment held by the Funds in part or in full. Such write-down will be reflected in the Funds’ net asset value. In the event that an investor redeems some or all of its interests following a write-down and the investment proceeds subsequently received by the Funds in respect of such investment exceed the amount of such write-down, no adjustment will be made to the redemption proceeds previously determined to be payable to such investor.

*Increases in Assets under Management.* The Adviser has not presently agreed to limit the amount of additional assets it may manage and new investment strategies it may launch. The Adviser plans to continue to seek new investment capital, although, from time to time, Adviser may close one or more Funds (or one or more classes of interests therein) to new investments based on market conditions and perceived opportunities. The greater the amount of assets under management by the Adviser using the same or similar strategies as the Adviser uses in managing one or more Funds, the more difficult it may be for the Adviser to invest profitably for such Funds because of the difficulty of trading larger positions without adversely affecting prices and managing risk associated with larger positions. In addition, there can be no assurance that appropriate investment opportunities will be available to accommodate future increases in assets under management, which may require the Adviser to modify its investment decisions for the Funds because it cannot deploy all the assets in the manner it desires.

*Location and Infrastructure Risk.* The Adviser and most of the key personnel are physically located in one building in midtown Manhattan. Loss of the building and/or the key personnel, whether as a result of fire, earthquake, act of terrorism or some other catastrophic event, could adversely affect the Adviser’s operations and the investment returns of the Funds. A serious impairment to the infrastructure of the building, such as an extended loss of power, or a prolonged

restriction of physical access to the building by governmental authorities also could adversely affect the Adviser's operations and the investment returns of the Funds. The Adviser has contracted for offsite data back-up and recovery and has a disaster recovery plan for offsite operation, but the risk of disruption of operations remains. Similar risks may apply to the brokers and dealers and other custodians of assets.

*Cybersecurity Risk.* The computer systems, networks and devices used by or on behalf of the Funds, York and their respective service providers to carry out routine business operations employ a variety of protections designed to prevent damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches. Despite the various protections utilized, systems, networks or devices potentially can be breached. The Funds and their limited partners and investors could be negatively impacted as a result of a cybersecurity breach. Cybersecurity breaches can include: unauthorized access to systems, networks or devices; infection from computer viruses or other malicious software code; and attacks that shut down, disable, slow or otherwise disrupt operations, business processes, or website access or functionality. Other incidents, such as user errors, power outages and catastrophic events such as fires, floods, hurricanes and earthquakes, may also result in cybersecurity breaches. Cybersecurity breaches may cause disruptions and impact business operations, potentially resulting in financial losses to the Funds; interference with York's ability to calculate the net asset value of the Funds; impediments to trading; the inability of York and other service providers to transact business; violations of applicable privacy and other laws (including the release of private investor information); regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs; as well as the inadvertent release of confidential information. Similar adverse consequences could result from cybersecurity breaches affecting issuers of securities in which the Funds invest; counterparties with which the Funds or the Master Fund engage in transactions; governmental and other regulatory authorities; exchange and other financial market operators; and other persons with which the Funds, York or one of their respective service providers does business. In addition, substantial costs may be incurred by these entities in order to prevent any cybersecurity breaches in the future.

## **Regulatory Risks**

*Investments by Benefit Plans.* The Adviser generally intends that the assets of the Funds will not constitute "plan assets" (as defined in Section 3(42) of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and any regulations promulgated thereunder), for purposes of ERISA and/or the U.S. Internal Revenue Code of 1986, as amended (the "Code"). No assurance can be given that any Fund's assets will never constitute "plan assets." The Adviser has established a limited number of Funds whose assets constitute "plan assets". If a Fund's assets were to constitute "plan assets" for purposes of ERISA and/or Section 4975 of the Code, the administration and operation of such Fund would be subject to ERISA and/or Section 4975 of the Code, the Adviser and other persons providing investment advice to such Fund, if any, could become fiduciaries of plan investors subject to ERISA and/or Section 4975 of the Code that invest in such Fund, transactions by such Fund could constitute prohibited transactions under ERISA and/or Section 4975 of the Code, and there could be adverse consequences for such Fund and for certain plan investors invested in such Fund. Plans and their financial and legal advisors should consider this risk before making any subscription for interests. While no assurances can be given, the Adviser intends to manage participation in the applicable Funds by plan investors in a manner designed to prevent assets of such Funds from constituting "plan assets."

*Limited Regulatory Oversight.* It is not anticipated that any of the Funds will register as an investment company under the Investment Company Act. Accordingly, the protective provisions

of such Act and the regulations promulgated thereunder (which, among other things, require investment companies to have a majority of disinterested directors, prohibit an investment company from engaging in certain transactions with affiliates of its adviser and impose limits on the use of leverage) are not applicable to the Funds. In addition, the Adviser currently is not registered as a commodity pool operator under the Commodity Exchange Act, as amended, pursuant to an exemption from the registration requirements of such Act under the regulations promulgated thereunder, which imposes limits on the aggregate commodity interest positions that may be established by the Funds from time to time. In the absence of such registration, investors will not be afforded any of the protective provisions of such Act and the regulations promulgated thereunder (which, among other things, impose certain reporting requirements on registered commodity pool operators). It is not expected that any class of interests will be registered under Section 12 of the Securities Exchange Act of 1934, as amended, and, accordingly, the Funds will not be required to file such periodic and other reports with the SEC as are filed by U.S. public reporting companies.

*Future Regulatory Developments.* Legal, tax and regulatory developments that would adversely affect the Funds could occur during the term of such Funds. The regulatory environment for hedge funds and other private investment funds is evolving, and changes in the regulation of private investment funds and their investment and trading activities may adversely affect the ability of the Funds to pursue their investment strategy, their ability to obtain leverage and financing and determine the value of its investments. In recent years, there has been an increase in governmental, as well as self-regulatory, scrutiny of the alternative investment industry in general. For example, in the United States, the Dodd-Frank Act, which makes significant changes to the regulation of banks, hedge funds and other financial services firms, is still in the process of being clarified and implemented by Federal agency rulemaking and interpretation. In addition, in the European Union, the Alternative Investment Fund Managers Directive (“AIFMD”) regulates alternative investment fund managers (“AIFMs”) based in the EU, and also affects non-EU AIFMs, such as the Adviser, that market alternative investment funds (“AIFs”), such as certain of the Funds, in the EU. In the case of the Funds, which are AIFs domiciled outside the EU, the marketing of interests in the AIF to investors in the EU would only be permitted, if certain pre-conditions are met, under local private placement rules which, in some EU member states, are restricted or not available. Where such marketing is permitted, York would be subject to regulatory reporting and other transparency requirements prescribed by the AIFMD and other applicable regulatory requirements.

#### Item 9. Disciplinary Information

On March 27, 2014, the Firm received a Pliego de Cargos from the Comision Nacional de Mercados Valores (“CNMV”) in Spain, notifying us that the CNMV was considering civil administrative charges against York Capital Management European (UK) Advisors, LLP (“York UK”), relating to a trade made by York UK in the firm’s York European Focus (“YEF”) fund. The trade was in shares of Bankia, S.A. (“Bankia”) and took place in May 2013. At that time, Bankia announced the mandatory conversion of certain subordinated debt held by the YEF funds. Following the announcement, York UK sold a portion of the Bankia shares short, which it intended to cover with a portion of the shares to be delivered in connection with the conversion.

Prior to executing the short sale, York UK consulted with the firm’s Compliance Department, which reviewed guidance from the European Securities Market Authority (“ESMA”) that such a short sale was permitted if the conversion shares were expected to be delivered in time for settlement of the short position. The firm’s Compliance Department also consulted with outside counsel which confirmed the Compliance Department’s interpretation of ESMA’s guidance.



The Spanish system for delivery of the shares in these situations is complex and entails several steps, not all of which had occurred by the date on which York UK had to settle the short sale. The CNMV concluded that, notwithstanding York's conceded good faith, the resulting failure to deliver was an improper failure to cover a short position in a timely manner and assessed a fine of €100,000.

Based upon York UK's consultation with its Compliance Department, and the Compliance Department's consultation (i) of relevant legal and regulatory authority, (ii) with counsel, and (iii) with the underwriter and prime broker, all prior to executing the short sale, York UK continues to believe that it acted correctly, in good faith and in compliance with law, and that the failure of timely delivery of immediately saleable shares was on account of circumstances completely outside of its control.

York UK contested the matter vigorously before the CNMV, and also on an administrative appeal to the Spanish Ministry of Economy, which on January 26, 2015 upheld the CNMV's determination. To avoid the distraction and expense of further litigation, York UK determined not to challenge the determination in the Spanish courts. York UK has paid the fine, not the YEF funds. The matter is no longer active.

We understand that a number of other investors were investigated by the CNMV arising out of the same trade.

Item 10. Other Financial Industry Activities and Affiliations

Adviser serves as adviser to private investment partnerships and offshore funds (the "Funds") and certain other accounts, including accounts related to the founders and third-party institutional accounts. Adviser is a related person to the managers and Funds listed below:

**Manager, General Partner and Similar Entities:**

Dinan Management, L.L.C.

Exuma Management, LLC  
YCMIL LTD.

YCM Master Holdings I, L.P.

YCM Master Holdings II, L.P.

York Capital Management Europe (UK) Advisors, LLP

York Capital Management UK Advisors Limited

York Capital Management (US) Advisors, L.P.

York CLO Investor GP, LLC

York CLO Managed Holdings, LLC

York CLO Retention Holdings (Cayman), LLC

York Credit Opportunities Domestic Holdings, LLC

York Customized Solutions, LLC

York Distressed Asset Holdings, LLC

York Distressed Asset Holdings IV, LLC

York Domestic Finance I, LLC  
 York European Distressed Credit Holdings, LLC  
 York European Distressed Credit Holdings II, LLC  
 York European Focus Domestic Holdings, LLC  
 York European Opportunities Domestic Holdings, LLC  
 York Global Credit Income Domestic Holdings, LLC  
 York Global Finance Manager, LLC  
 York Managed Holdings, LLC  
 York Managed Holdings II, LLC  
 York Millennial Opportunities Holdings, LLC  
 York Offshore Holdings, L.L.C.  
 York Offshore Holdings II, L.L.C.  
 York Registered Holdings, L.P.  
 York Select Domestic Holdings, LLC  
 York Select Investors Domestic Holdings, LLC  
 York Special Opportunities Domestic Holdings, LLC  
 York Special Opportunities Fund II GP LLC  
 York Special Opportunities Fund III GP, LLC  
 York Tactical Energy Holdings, LLC  
 York Total Return Domestic Holdings, LLC  
 York UCITS Holdings, LLC  
 Zade Capital Holdings, LLC

#### **Domestic Funds**

Exuma Capital, L.P.  
 York Capital Management, L.P.  
 York Credit Opportunities Fund, L.P.  
 York Distressed Asset Fund III (Delaware), L.P.  
 York Distressed Asset Fund IV (Delaware), L.P.  
  
 York Special Opportunities Fund II, L.P.  
 York Special Opportunities Fund III, L.P.  
 York Select Investors, L.P.  
 York Millennial Investment Opportunity I, L.P.  
 York European Opportunities Fund, L.P.  
 YTR Investors, L.P.  
 York European Distressed Credit Fund (Delaware), L.P.  
 York Global Credit Income Fund, L.P.  
 York European Distressed Credit Fund (Delaware) II, L.P.  
 York Select, L.P.  
 York Tactical Energy Fund, L.P.  
 York Total Return L.P.

#### **Funds of One**

Kuttura Master Fund, L.P.  
 York ATR Fund, L.P.

York European Focus Fund, L.P.  
York Special Opportunities Fund, L.P.  
Zade Capital Partners (Delaware), L.P.

### **Offshore Funds**

York AN Fund, L.P.  
York AN Intermediate Fund, L.P.  
York CLO-1 Limited

York Credit Opportunities Unit Trust  
York Credit Opportunities Master Fund, L.P.  
York Credit Opportunities Investments Master Fund, L.P.  
York Credit Opportunities Institutional Master Fund, L.P.  
York Customized Solutions, L.P.  
York Distressed Asset Fund III (Cayman), L.P.  
York Distressed Asset Fund III, L.P.  
York Distressed Asset Fund IV, L.P.  
York Distressed Asset Fund IV (Cayman) Limited  
York Event-Driven UCITS Fund  
York European Distressed Credit Fund L.P.  
York European Distressed Credit Fund (Cayman) L.P.  
York European Distressed Credit Fund II L.P.  
York European Distressed Credit Fund II (Cayman) L.P.  
York European Opportunities Unit Trust  
York European Focus Unit Trust  
York European Opportunities Master Fund, L.P.  
York European Opportunities Investments Master Fund, L.P.  
York European Opportunities Institutional Fund Limited  
York European Opportunities Institutional Master Fund, L.P.  
York European Focus Master Fund, L.P.  
York European Opportunities Fund Limited  
York European Strategic Metric Master, L.P.  
York European Strategic Metric Feeder Limited  
York European Strategic Investors Fund Limited  
York European Strategic Investors Holdings Fund L.P.  
York Global Credit Income Master Fund L.P.  
York Global Credit Income Intermediate Master Fund L.P.  
York Global Credit Income Fund Limited  
York Investment Limited  
York Investment Master Fund, L.P.  
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York Multi-Strategy Master Fund, L.P.  
York Multi-Strategy Institutional Fund, Limited  
York Select Unit Trust  
York Select Investors Unit Trust  
York Special Opportunities Feeder Fund (Cayman), L.P.  
York Select Master Fund, L.P.  
York Select Investors Master Fund, L.P.  
York Select Strategy Master Fund, L.P.  
York Tactical Energy Fund (Cayman) Limited

York Total Return Unit Trust  
York Total Return Master Fund, L.P.  
York Special Opportunities Fund II L.P.  
York Strategic Co-Invest III, L.P.  
York Special Opportunities Fund III-A, L.P.  
York Special Opportunities Fund III-B, L.P.  
Jorvik Multi-Strategy Offshore Fund Limited  
Jorvik Multi-Strategy Master Fund, L.P.  
Zade Capital Partners (Cayman), L.P.  
Zade Capital Partners, L.P.

Credit Suisse Manager Holdings Limited owns a passive, minority non-controlling interest in excess of 25%, but less than 50%, in the general partner.

On occasion, the Adviser or certain of its affiliates seed new Funds with the capital in existing Funds as deemed appropriate by the Adviser's management. Likewise, Adviser can choose to invest a Fund's capital into a non-affiliated Fund in which the Fund is required to pay a fee. For example, one of the Funds can make an investment in a hedge fund managed by an unaffiliated manager and pay a fee to that manager as would any investor. These investments are made when the Adviser believes it is in a Fund's best interest to do so.

The Adviser believes that, in certain circumstances, it will be in the best interests of the Funds to be able to co-invest with other Funds in order to be able to participate in a wider range of transactions.

From time to time, senior management at the Adviser are offered investment opportunities personally, principally in private placements and other private equity transactions. In addition, the Firm's senior management, have 501(c)(3) charitable foundations which they are allowed to manage subject to certain rules of oversight and review. The Adviser's personnel reviews such opportunities and determines whether they are appropriate investments for any of the Funds based upon such criteria as the size of the transaction, the business of the company in which the investment is being made, the expected length of the investment and other similar issues. These investments do not typically result in additional research or other costs to the Adviser.

Item 11. Code of Ethics, Interest in Client transactions and Personal Trading

**Codes of Ethics**

The Adviser has adopted a Code of Ethics (the "Code") pursuant to 17 C.F.R. § 275.204A-1

Persons subject to the Adviser's Code of Ethics are subject to, among other things, various restrictions relating to the acquisition by them of securities. These restrictions include pre-authorization and disclosure requirements, restrictions on short term trading, and general prohibitions on transactions in securities in certain circumstances, including: when in possession of inside information; transactions in securities of issuers on the Adviser's restricted list or during specified blackout periods; transactions in securities at a time when the employee intends, or knows of another employee's intention, to purchase or sell that security or an equivalent security on behalf of the Fund or other advisory client; transactions in securities in which Adviser is placing a transaction on behalf of a Fund or other client within a certain number of business days of such order being placed by Adviser for the Funds or other client account; and acquisition of securities

in initial public offerings. There are also restrictions on the acquisition by persons subject to the Adviser's Code of Ethics in private placements, which acquisitions require the prior approval of Adviser's Chief Compliance Officer and the satisfaction of certain conditions.

The Code of Ethics also addresses the fiduciary duties expected of the persons subject to the Code, including confidentiality obligations, gift and corporate opportunity policies, and restrictions on outside business activities.

The Code of Ethics is posted on York Intralinks and is also available upon request.

### **Allocation of Limited Investment Opportunities**

The Adviser on occasion purchases and sells public and private investments and co-invests the assets of the Funds with other Funds and accounts managed by the Adviser or its affiliates in compliance with the requirements and conditions of rules, regulations, orders, or interpretations of the SEC, or no-action letters of the SEC Staff relating to such investments. The Adviser and the related Firm entities generally agree, prior to the placement of any order or batch or block trade, on which Funds will receive portions of the order or trade, and in what amounts. The allocation will vary depending upon the different objectives, methodologies, investment strategies and restrictions applicable to each Fund, as well as the cash available for investment at each Fund. The allocation will also vary depending upon decisions made by the specific individual who served as the portfolio manager principally responsible for any particular Funds. For example, a portfolio manager responsible for an investment idea may request a larger allocation of a securities purchase than the size of the particular Funds for which he is principally responsible might warrant if allocations were made solely based on the relative size of the Funds. Or, a portfolio manager might indicate a lack of interest in a securities purchase initiated by another portfolio manager and may reduce or exclude any allocation of it for the particular Funds for which he is principally responsible. If there are any disagreements concerning any such allocations, and a portfolio manager wants more or less of an allocation than would result from pro rating the allocation based on Funds size, and the disagreement cannot be resolved, then the Firm leadership will resolve the disagreement and prescribe the allocation. From time to time, Adviser will commence a new Fund and will use proprietary money to establish that Fund. At that time, a disproportionate amount of trades can go to the new Fund. On occasion, new Funds are created which overlap with the investment objectives of existing Funds. This would result in some Funds not getting as much of an investment allocation as they would otherwise. In addition, on occasion an investment opportunity will go to one Fund over another at the discretion of a portfolio manager who oversees both Funds in question. The Adviser has an allocation policy which can be reviewed upon request. On occasion, the Adviser will engage in non-standard allocations which do not follow these procedures.

The Firm may purchase or sell for its Funds securities of an issuer in which the Firm, its affiliates, principals, employees and/or related persons also have a financial position or interest. The Firm may also purchase or sell for certain of its Funds securities that are issued by other Funds, such as debt securities issued by CLOs for which the Firm acts as collateral manager. In such cases, the Firm does not charge a commission on such holdings. With respect to purchases of CLO equity securities issued by other Funds, to the extent permitted under Fund guidelines, duplicative commissions may be waived. These situations generally would create a conflict of interest, as the Firm would be viewed as entering into a particular investment transaction on behalf of its Funds due to a financial interest in the underlying security by the Firm, its affiliates, principals, employees and/or related persons. As noted above, the Firm has adopted policies and procedures designed to prevent and mitigate such potential conflicts of interest (e.g., review of Fund transactions by the

Firm's Compliance Department, prior employee trade approval from its Compliance Department with respect to personal securities transactions, etc.).

The Firm strongly discourages "cross" trades. However, on rare occasions, one York Fund will sell a security which another Fund wants to own. On these occasions, after extensive Firm and Compliance Department review and documentation, a sale of the security or asset from one fund to another will be permitted. In addition, the Adviser will allow, within designated procedures, the Funds to rebalance positions between U.S. and non-U.S. funds. This rebalancing occurs as a cross trade, occasionally without the use of a broker-dealer.

On occasion, one of the Funds will become restricted in a particular security and this restriction could potentially prevent other of the Funds from trading that security.

The Firm engages in securities transactions and investment strategies for one Fund that differ from the transactions and strategies executed on behalf of another Fund and/or the Firm's affiliates, principals, employees and/or related persons. Therefore, the Firm can invest in certain securities or loan instruments of a particular issuer for one Fund, but invest in a different part of the same issuer's capital structure (or in different classes of debt) for another Fund. To this end, the Firm has and will potentially continue to purchase on behalf of the Funds different classes of debt of the same issuer and debt and equity of the same issuer for different Funds. These and other investments can be deemed to create conflicts of interest, particularly because the Firm would take certain actions for some Funds that based on the circumstances could be deemed have an adverse effect on other Funds (specifically, in connection with restructuring and reorganization situations). In such cases, the Firm will seek to act in a manner it reasonably believes to be as fair and equitable as possible to all Funds under the circumstances. However, in such cases, the Firm's actions and decisions are not always to the benefit of all Funds as if only one security had been owned. For example, if the Firm becomes a member of creditors' committee due to its bank loan holdings in a particular issuer, it can be restricted from trading on behalf of other Funds who hold securities of the same issuer. Funds (and investors in Funds) should be aware that conflicts will not necessarily be resolved in favor of their interests, and the Firm will attempt to resolve such matters fairly, but even fair resolution could potentially be resolved in favor of other Funds that fees or performance fees or in which the Firm or its affiliates have a significant proprietary interest.

On occasion, Adviser offers a co-investment opportunity to an investor in a Fund or to another party known to the Firm. These co-investment opportunities provide an investor with an opportunity to co-invest alongside a York Fund. The co-investment can result in less of the investment being available for the funds to obtain. In addition, the co-investments can result in expenses being shared among the adviser, the co-investor and the Fund. This sharing of expenses can be complicated during circumstances where deals do not come to fruition and it is not yet determined which co-investors were actually going to participate.

Adviser and its affiliates allocate U.S. "new issues" to the Funds which are currently entitled to receive such new issues pursuant to FINRA rules. Non-U.S. new issues are allocated in accordance with the Firm's allocation procedures and are generally allocated to the Funds which identify the opportunity and also will be offered to the Multi-Strategy Funds. If additional shares are received beyond what the initial Funds desired, the shares will often be offered to other Funds within the York Group. The new issues are allocated at the discretion of the Adviser's portfolio managers.

On occasion, circumstances arise before settlement of a transaction that result in Adviser adjusting the original order to make securities settle into a different account than was called for

under the original order. This is generally done to avoid a violation of client investment restrictions or guidelines, to avoid a negative tax consequence for a client, a miscommunication, or for some other similar reason.

Disclosure of Portfolio Information. Adviser sometimes provides portfolio holdings information to entities that have been retained by fund investors to evaluate portfolio risk or to a Fund. Adviser provides this information in its sole discretion and reserves the right to cease providing the information at any time. Adviser will make reasonable efforts to preserve the confidentiality of the information, often by entering into confidentiality agreements, but Adviser cannot ensure that the entities to which we provide the information will fulfill their confidentiality obligations.

In the course of conducting due diligence, investors periodically request information pertaining to their investments and pertaining to us and our affiliates. Adviser responds to these requests and occasionally provides information that is generally not made available to other investors. This information on occasion will entail portfolio transparency.

### **Buying or Selling Securities Adviser Recommends to Clients or Purchases for Client Accounts.**

Adviser, its affiliates, and their respective personnel, can invest in the Funds, and in securities or other assets in which the Funds or other clients invest, subject to applicable law and the Codes of Ethics of the Registered Fund and of the Adviser. Under certain circumstances, the Compliance Department will work with the Firm's partners, outside legal counsel, and other advisors, in order to structure investment alternatives which will allow the Firm's partners to diversify their investments. These opportunities include investment funds, exclusively for them, handled by outside managers or other pre-approved investment opportunities. It also includes the purchase of the stocks or bonds of blue chip companies to be held long-term as an investment. The details of this arrangement will be documented in writing. Their ongoing oversight and review will be monitored by the compliance department.

The Firm's affiliates, principals, employees and/or related persons invest in units of real property. Sometimes, the units of real property are owned by clients as part of their real estate investments. The Firm's employees can be permitted to invest along-side in real estate co-investment opportunities afforded to clients provided that all such clients have first received what the Firm believes to be a "full" allocation. The Firm seeks to address these conflicts in part through disclosure in the Brochure.

From time to time, the Firm and/or its principals donate to charitable organizations that are supported by clients and/or are supported by an individual employed by one of the Firm's clients. In general, those donations are made in response to requests from clients or their personnel. In the case of donations being made by the Firm, such contributions are generally approved by senior management.

### **Item 12. Brokerage Practices**

The Adviser or its related group entities make all of the decisions to buy and sell securities for their respective clients. The Funds, not the Adviser, pay the brokerage commissions. The primary consideration in placing portfolio securities transactions with broker-dealers for execution is to obtain, and maintain the availability of, execution at the best net price available and in the most effective manner possible.

Where permitted by applicable law, the Adviser and its related entities occasionally combine orders for different Funds or accounts for execution together as a batch or block trade. If the execution occurs at multiple prices, often the average price will be allocated to each Fund or account that participated in the order. This is done to obtain favorable execution, including access to lower commissions and better pricing on the orders. If the order is not filled in full, the Adviser and its related Group entities will allocate the partially-filled order among the participating Funds or accounts in a manner consistent with applicable law and in a manner designed not to systematically favor or disfavor any accounts (unless required by law). Funds or accounts that do not participate in the batch or block trade that are separately executed generally will not receive the same price or be charged the same brokerage commissions as those combined in the large batch or block trade, and their execution price and brokerage fees often will not be as favorable as those obtained in the large block or batch trade.

On some occasions, Adviser and its related entities separate orders and send them to different executing brokers. This results in two separate batch or block trades at approximately the same time for the same securities, which are executed at different prices or at different brokerage commission rates from one another. This can result in less favorable pricing or commission rates than if they had been content in using block or batch trades for execution.

On occasion the Adviser can “step out” or “step in” or send part or all of a commission to a broker who is not the executing broker. On these transactions, the Fund would not be paying the lowest commission rate.

The Adviser no longer uses soft dollar arrangements across the firm. Adviser obtains the actual stand-alone research costs and pays those amounts where appropriate with hard dollars from our funds.

Adviser personnel occasionally receive or give certain gifts and gratuities from or to broker-dealers or other persons with whom Adviser, its affiliates or the Funds do business (including Funds portfolio brokers). This includes such items as tickets to sporting events, or the theater, meals and other entertainment, transportation, attendance at seminars or other educational, training or informational events, logo items and other items of small value, gifts associated with life events such as birthdays, weddings, anniversaries, and other gifts of more substantial value. Receipt of such gifts and gratuities might be viewed as causing a conflict of interest for the Adviser in selecting brokers and dealers and other service providers.

### **Trade Error Policy**

Client account transactions are effected on occasion in a manner that differs from what was intended for the account. Adviser reviews any trade errors that it discovers, on a case-by-case basis, and decides what corrective steps to take if any, after reviewing the error with one of the Firm’s principals. **The Funds often bear the gain or loss from an error. Investors should refer to their respective Fund’s offering documents for more information regarding the handling of trade errors.**

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

The Funds’ trades are reviewed daily by the portfolio manager responsible for that particular Fund. In addition, each Fund is reviewed regularly by the Firm’s Risk Management Committee, Compliance Department, and Chief Investment Officer. The Compliance Department also reviews



and performs various tests on the Funds regularly, providing oversight and review of the trading activity and investment activity within each strategy.

Investors receive monthly capital account statements for their investments in each Fund. Additionally, investors receive monthly and quarterly written updates of the activity in their Fund and the relevant markets as well as annual financial statements on behalf of the Fund.

Item 14. Client Referrals and Other Compensation

The Adviser or the Funds or their affiliates will compensate broker-dealers when applicable for placement of investors in the Funds. The Adviser or the Funds or their affiliates, from time to time, invest in a hedge fund which compensates broker-dealers for placement of investors in the Funds. The Funds on occasion compensate third parties for referrals of clients to those Funds. The Funds are on the investment platforms of several large banks, including Credit Suisse. Adviser has placement agreements with these banks whereby the banks are compensated for investors they refer to the Funds. The Adviser and/or other Firm entities, or the Funds, pay placement fees, certain expenses, and servicing fees to certain other broker-dealers or solicitors, acting as placement agents that place investors for the Funds, as described in the offering documents of the relevant Funds, that are based on a percentage of the assets initially invested, or remaining invested over time, from the investor, or based upon fees received by Adviser, in respect of shareholders placed by that placement agent.

On occasion, the Adviser executes transactions with prime brokers that sponsor events, meetings or other communications between potential investors and the Adviser. These capital introduction services are provided incidental to other brokerage services. Sometimes, Adviser pays to attend conferences, seminars and other events that are attended by prospective investors but are not specifically designed as capital introduction events. Furthermore, broker-dealers or their affiliates introduce Adviser to prospective investors and will continue to have business relationships with and execute brokerage transactions on behalf of the funds. Certain counterparties have established platforms to allow their clients to invest in funds through feeder funds. The Adviser can pay the platform sponsors out of the fees we receive from Funds with respect to the assets invested through each respective platform.

Item 15. Custody

The Adviser may be deemed to have constructive custody of certain client assets pursuant to Rule 206(4)-2 of the Investment Advisers Act (the “Custody Rule”), as a result of fee payments or the service of its affiliates as general partners to private investment partnerships or otherwise. Actual custody of funds and other client assets, however, is at a qualified custodian, not at the Adviser. Notwithstanding the foregoing and on occasion, some assets or certificates will not be accepted by the qualified custodians and such assets or certificates will be custodied by the Adviser in accordance with applicable SEC guidance. Currently, the qualified custodians utilized by the Adviser for the Funds’ cash and securities comprising the assets of the Funds include Goldman Sachs & Co., JP Morgan Chase Clearing Co., State Street Bank and Trust Company, UBS, LLC., Credit Suisse Securities USA, Bank of New York and Morgan Stanley, Inc., as otherwise disclosed in the disclosure documents for a particular Fund, or as otherwise directed in the case of the managed accounts.

On occasion, some assets or certificates will not be accepted by the qualified custodians and such assets or certificates will be custodied by the Adviser in accordance with applicable SEC guidance.

To ensure compliance with the Custody Rule, the Adviser reasonably believes that all investors in the Funds will be provided with audited financial statements for the respective Funds, prepared by an independent public accountant that is registered with, and subject to regular inspection by the Public Company Accounting Oversight Board, in accordance with International Financial Reporting Standards, within 120 days of the end of the respective Funds' fiscal years. In addition, investors receive capital account statements on a monthly basis, directly from the Adviser's administrator, State Street Corp. or an affiliate thereof. Investors should carefully review such audited financial statements and capital account statements.

The Firm runs a CLO business which has its assets custodied at U.S. Bank.

The Adviser's use of qualified custodians is reviewed periodically and may change without notice.

Item 16. Investment Discretion

The Adviser generally exercises investment discretion over all of the Funds and accounts that it manages or advises. Investors in the Funds do not have the ability to impose limitations on the Adviser's discretionary authority. This authority is established through the Fund's offering documents, including the subscription documents completed and signed by each investor prior to investing in a Fund. Prospective investors in the Funds are provided with offering documents prior to their investment and are encouraged to carefully review the offering documents, and to be sure that the proposed investment is consistent with their investment goals and tolerance for risk.

For individual managed accounts, the Adviser's investment authority is fully set forth in each account's investment management agreement, which must be fully executed prior to the Adviser providing advisory services to such accounts.

Item 17. Proxy Voting

The Adviser has adopted proxy voting policies and procedures, to guide the Adviser's exercise of this responsibility on behalf of the Funds and other clients. Information on the proxy voting record of the Adviser is available upon request. The Firm uses the vendor Institutional Shareholder Services ("ISS") to help track and document proxy votes. Each portfolio manager reviews the specific issue and votes in accordance with what he or she believes to be the best interests of the Funds. Usually, this vote is with management.

Funds advised by the York Group entities and separate accounts are supervised by certain members of the management team at Adviser. In each case, the voting is subject to the advisory agreements of the respective Funds and managed accounts and other offering documents. With respect to shareholder governance, covenants, social issues and other votes, it is the policy of Adviser to discuss each of these votes and issues internally in order to determine its position on a case by case basis. Adviser can, upon occasion, delegate, pursuant to its approved voting procedures, the right to vote on particular issues to the individual monitoring that investment.

The Adviser has in place procedures to identify conflicts it could develop in voting proxies. In the event of a conflict, Adviser has the option to abstain from voting if the vote is not likely to be

affected; retain a disinterested third party adviser to advise on the vote; vote the shares in proportion to other “yes” and “no” votes received by the issuer; or take such other actions, as will be appropriate in the particular context.

Investors can obtain a copy of Adviser’s proxy voting policies and proxy voting records by contacting the Adviser’s Chief Compliance Officer.

Item 18. Financial Information

The Adviser is not required to include a balance sheet for its most recent fiscal year, is not aware of any financial conditions reasonably likely to impair its ability to meet contractual commitments to its Funds or investors, and has never been the subject of a bankruptcy petition. As such, the Adviser has nothing to disclose pursuant to this Item.

Item 19. Management Persons

The following is a list of Adviser’s management personnel:

James G. Dinan received a B.S. in Economics, *summa cum laude*, from the Wharton School of the University of Pennsylvania in 1981 and an M.B.A. from the Harvard Business School in 1985. He is the Firm’s founder, Chairman and CEO. Since 1991, Mr. Dinan has been involved with the management of investment Funds.

William Vratatos is a Chief Investment Officer. Mr. Vratatos joined York in January 2002 and is a Partner of the Firm. From 1997 to 2002, he worked at Georgica Advisors LLC as a Portfolio Manager specializing in media and communications equities and distressed securities. From 1995 to 1997, he rejoined Morgan Stanley & Co., Inc. as an investment banker, where he worked for two years prior to attending business school. Mr. Vratatos is a member of the Board of the Museum of the City of New York. Mr. Vratatos received a B.A. in English from Dartmouth College and an M.B.A. from Harvard Business School.

Zalman Jacobs joined York in March 2008 and is a Senior Managing Director, Head of Private Equity and a Partner of the Firm. Prior to joining York Capital, he worked at Leucadia National Corporation, where he co-led an investment group for the past eleven years. Previously, Mr. Jacobs worked as a Vice President at The Carlyle Group. Prior to that, he was a Vice President at the Giza Group in Tel Aviv, Israel, and a corporate attorney at Davis, Polk & Wardwell. He received a B.A. in History, *magna cum laude* and *Phi Beta Kappa*, from Columbia College and a J.D. from Harvard Law School.

Akbar Rafiq joined York in June 2011 and is a Partner of York Capital Management Europe (UK) Advisors LLP. Mr. Rafiq is a Co-Portfolio Manager of the York European Distressed Credit and York Distressed Asset funds. Prior to joining York, Mr. Rafiq worked as a Vice President and Senior Distressed Debt Analyst at Deutsche Bank AG, London. Previously, Mr. Rafiq held various positions in the investment banking division at Bear, Stearns and Co. Inc. In addition, Mr. Rafiq worked as an Associate for a private equity firm, Alta Communications. Mr. Rafiq received a B.A. in Economics from the University of Rochester and an M.B.A. from the London Business School.

John Fosina joined York in April 2010. He is a Managing Director, Co-Chief Operating Officer and Chief Financial Officer of the Adviser. Previously he spent 24 years at Merrill Lynch in a variety of senior finance and administrative roles. Among other positions, he was the Merrill

Lynch Corporate Controller and Principal Accounting Officer. He is on the Firm's Executive and Operating Committees, among others. He received his B.S. in accounting from Wake Forrest University and is a Certified Public Accountant.

Richard P. Swanson joined York in January 2012 and is a Managing Director and the Chief Legal Officer of the Firm. Mr. Swanson is a member of the Firm's Executive and Operating Committees, among others. Prior to joining York, Mr. Swanson spent several years as a Partner with the law firm Arnold & Porter LLP in its Securities Litigation and Enforcement department. Previously, he was a Partner at Thelen Reid & Priest. Richard has represented York since the Firm's inception. Mr. Swanson is also a Trustee of the New York County Lawyer's Association, as well as the past chair of its Committee on the Supreme Court. He is also a past co-chair of ALI-ABA's Accountants' Liability, Sarbanes-Oxley and Corporate Governance programs and a past chair of the New York State Bar Association's Committees on Securities and Federal Legislation. Mr. Swanson is a Trustee of BRC, a homeless services organization, and a past chair of the Wesleyan Alumni Fund. Mr. Swanson received his B.A. from Wesleyan University and his J.D. from Harvard Law School.

Brian Traficante is a Managing Director, Co-Chief Operating Officer, General Counsel and Chief Compliance Officer of the Firm. Brian joined York in 2010. Mr. Traficante is a member of the Firm's Executive and Operating Committees, among others. From 2006-2010, he was an Assistant General Counsel and Vice President at Pine Bridge Investments LLC. From 2002-2006, Brian was an associate at Arnold & Porter LLP. He received a B.A. from the University of Florida and a J.D. from the George Washington University Law School.