



March 30, 2021

This brochure ("Brochure") provides information about the qualifications and business practices of 40|86 Advisors, Inc. and its affiliate, CreekSource LLC.

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. Registration as an investment adviser does not imply a certain level of skill or training.

Additional information about 40|86 Advisors, Inc. and CreekSource LLC also is available on the SEC's website at www.adviserinfo.sec.gov.

If you have any questions about the contents of this Brochure, please contact Rachel Spehler, Chief Compliance Officer, at (317) 817-6422 or Rachel.Spehler@4086.com.

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Item 2 – Material Changes

This section of the Brochure addresses only material changes that have been incorporated since the last annual update of the Brochure, which was dated March 20, 2020.

This Brochure includes updated information in Item 8 and Item 17 regarding environmental, social and governance (“ESG”) related investment analysis. Item 8 also includes updated information on certain risks of loss. In addition, disclosure was added to Item 14 to reflect the compensation paid to certain supervised persons by our affiliates.

Item 3 – Table of Contents

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Item 4 - Advisory Business

40|86 Advisors, Inc., a Delaware corporation ("40|86"), is a wholly-owned subsidiary of CNO Financial Group, Inc. (NYSE: CNO), a publicly traded company. 40|86 was founded in 1981 and provides portfolio management services primarily to affiliated insurance companies ("Insurance Company Clients"). 40|86 also serves as sub-adviser or support services provider to CreekSource LLC ("CreekSource") in connection with its management of entities that are structured as issuers of collateralized loan obligations ("CLOs"). 40|86 also provides investment advisory services to limited non-affiliated separate account clients. 40|86 was registered as an investment adviser in 1982. 40|86 specializes in providing fully integrated fixed income portfolio management services. 40|86's clients' assets are primarily invested in multiple classes of fixed income securities and investments, including residential mortgage-backed securities, commercial mortgage-backed securities, consumer asset-backed securities, bank loans, investment grade corporate bonds, credit tenant loans, high yield corporate bonds, commercial mortgage loans, residential mortgage loans, alternatives, municipal bonds and U.S. Treasury securities and other government securities.

Generally, 40|86 has full discretion to make purchases and sales for a client's account without requiring 40|86 to obtain consent or approval prior to each transaction, to select the type and amount of securities that 40|86 buys or sells for the account, the dealer 40|86 uses to effect such transactions and the mark-ups/mark-downs 40|86 pays for client transactions, in each case, in accordance with each client's investment objectives and guidelines and, with respect to CreekSource's clients, in accordance with the applicable collateral management and indenture of each CLO. Each client may specifically impose certain restrictions or investment parameters for its account. For example, a client may specify minimum quality standards and/or restrict or prohibit transactions in securities of a specific issuer or sector. In addition, Insurance Company Client accounts are managed in accordance with applicable insurance regulations on permissible investments.

CreekSource, a Delaware multi-series limited liability company, was formed in December 2014 to serve as the collateral manager to CLO issuer Clear Creek CLO, Ltd., a Cayman Islands exempted company ("Clear Creek"). In addition to serving as collateral manager to Clear Creek, CreekSource serves as collateral manager to the following issuers of CLOs: Silver Creek CLO, Ltd., a Cayman Islands exempted company ("Silver Creek"); Bean Creek CLO Ltd., a Cayman Islands exempted company ("Bean Creek"); and Deer Creek CLO, Ltd., a Cayman Islands exempted company ("Deer Creek," which, together with Clear Creek, Silver Creek and Bean Creek are referred to collectively herein as "CLO Issuers"). In the future, CreekSource may serve as collateral manager to other issuers of CLOs. CreekSource is wholly-owned by affiliates of CNO. 40|86 serves as sub-adviser or support services provider to CreekSource in connection with the management of the CLO Issuers and, in the future, may serve in such capacity with respect to other CLO issuers.

Each CLO Issuer is exempt from registration as an investment company pursuant to Section 3(c)(7) of the Investment Company Act of 1940, as amended.

You are receiving this Part 2A of Form ADV from 40|86 for itself (as “filing adviser”) and on behalf of CreekSource (as a “relying adviser”). 40|86 and CreekSource are referred to herein collectively as the “Advisers.”

As of December 31, 2020, the Advisers managed approximately \$28.279 billion in client assets on a discretionary basis.

Item 5 - Fees and Compensation

As discussed above, 40|86 provides portfolio management services primarily to Insurance Company Clients, and serves as sub-adviser or support services provider to CreekSource with respect to the CLO Issuers. 40|86 also provides investment advisory services to limited non-affiliated separate account clients. CreekSource serves as collateral manager to the CLO Issuers. In accordance with the instruction to Item 5A of Part 2A of Form ADV, detail on the fees paid by the Advisers’ clients is not included because such clients are qualified purchasers.

In connection with CreekSource’s services as collateral manager for each CLO Issuer, CreekSource receives quarterly collateral management fees from each CLO Issuer to the extent that funds are available for such purpose in accordance with the specified priority of payments. Collateral management fees are due and payable quarterly, in arrears, based on the amount of collateral managed for each CLO Issuer measured as of the beginning of the related quarter. CreekSource may receive, in addition to a collateral management fee, an incentive fee that is payable only after the CLO Issuer’s most subordinated noteholders have received a specified internal rate of return on their notes and to the extent that funds are available for such purpose in accordance with the priority of payments prescribed by the indenture to which such CLO Issuer is a party. Such incentive fee is generally equal to a percentage of the interest and principal proceeds available after certain higher-priority payments have been made in accordance with the priority of payments or “waterfall” that is prescribed by the related CLO Issuer’s governing indenture. If an account is terminated during a quarter, the fee payable for the terminated account will be computed on a *pro rata* basis for the period during which the account was active. Fee arrangements with respect to each CLO Issuer are described in detail in each CLO Issuer’s offering circular and are prescribed by the indenture and collateral management agreement related to such CLO Issuer.

As compensation for 40|86’s services as sub-adviser or support services provider to CreekSource in connection with the management of each CLO Issuer, 40|86 may receive from CreekSource all of the collateral management fees payable by each CLO Issuer to CreekSource. A similar arrangement may or may not be implemented for future CLO issuers, since fee arrangements between CreekSource and 40|86 related to the support provided by 40|86 to CreekSource with respect to each CLO issuer will be agreed upon by CreekSource and 40|86 from time to time.

Generally, Insurance Company Clients and separate account clients pay 40|86 a quarterly management fee based on the current market value of assets under management. Unless otherwise negotiated, the 40|86 advisory fees are billed to Insurance Company Clients and separate account clients and payable quarterly, in advance, based on the valuation of the account at the end of the prior quarter. If an account is terminated during a quarter, the fee payable for

the terminated account will be computed on a *pro rata* basis for the period during which the account was active, and client will receive a refund for any overpayment.

Fees may vary based on services rendered. The Advisers may negotiate reduced fees for certain classes of clients, such as charitable institutions. The Advisers do not currently have any such reduced fee arrangements in place.

The Advisers' fees are exclusive of dealer mark-ups/mark-downs, custodial fees, transaction fees and other related costs and expenses. These charges and fees are typically imposed by the dealer or custodian through which the client account transactions are executed. The Advisers do not share in any portion of these dealer mark-ups/mark-downs, fees and costs. Please refer to "Item 12 - Brokerage Practices" for a description of the factors the Advisers consider in selecting or recommending dealers for client transactions and determining the reasonableness of their compensation.

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

The Advisers may receive a performance or incentive fee for their respective services. Specifically, in connection with CreekSource's services as collateral manager for each of the CLO Issuers, CreekSource may receive an incentive fee that is payable only after the CLO Issuer's most subordinated noteholders have received a specified internal rate of return on their notes and only to the extent that funds are available for such purpose in accordance with the priority of payments prescribed by the indenture to which such CLO Issuer is a party. Such incentive fee is generally equal to a percentage of the interest and principal proceeds available after certain higher-priority payments have been made in accordance with the priority of payments or "waterfall" that is prescribed by the related CLO Issuer's governing indenture.

Performance-based fees may create an incentive for an Adviser to make investments that are riskier or more speculative than would be the case absent a performance fee arrangement. In order to address this potential conflict of interest, each Adviser strives to ensure that investments are suitable for each client and in compliance with applicable investment guidelines and objectives without regard to the potential for performance-based fees.

Although CreekSource does not currently advise clients other than the CLO Issuers, 40 | 86 does, and CreekSource may in the future, advise clients for which it does not charge performance-based fees at the same time that an Adviser advises similar clients that are charged performance-based fees. This is known as "side-by-side management," which may create possible conflicts of interest. These clients may have similar investment guidelines and objectives. Side-by-side management might provide an incentive for an Adviser to favor accounts for which it receives a performance-based fee. For example, an Adviser may have an incentive to allocate limited investment opportunities to clients that are charged performance-based fees over clients that are charged asset-based fees only. To address this possible conflict of interest, the Advisers have instituted policies and procedures that require the Advisers to allocate investment opportunities (if they are suitable) on a fair and equitable basis among clients over time.

Each Adviser expects to manage investments for other clients and accounts, which may include separate accounts, other CLO issuers or other entities that invest in assets that are the same as, or substantially similar to, the collateral obligations in which the CLO Issuers invest,

some of which clients and accounts may also have the same or similar objectives as other clients and accounts. In addition, each Adviser, at the same or approximately the same time, may buy or sell for such clients, as applicable, assets it also buys or sells for another client. In that case, the applicable Adviser will, over time, endeavor to allocate such purchases or sales in a manner that first reflects the investment guidelines of each client and then seeks to apportion such purchases or sales among such clients on an equitable basis in light of the prevailing circumstances, to the extent that the Adviser believes such investments would be appropriate for such clients and accounts to purchase. Factors to be considered may include, without limitation, the cash available to invest, the investment objectives, strategies, restrictions and guidelines of the clients and/or accounts in question, anticipated liquidity needs, anticipated future investment opportunities, the size of the investment opportunity and whether the investment opportunity is of sufficient size to impact returns, contractual obligations to third parties, with respect to the CLO Issuers and future CLO issuers, eligibility or other portfolio composition or trading requirements under the applicable trust indenture, and other equitable factors. Each client or account will bear its share of any costs associated with such purchases and sales on an equitable basis. Each Adviser may also purchase loans and debt securities for other clients that are senior to, or have interests adverse to, those the Adviser chooses to buy or sell for another client. In addition, CreekSource may purchase investments for its own account and/or the accounts of its affiliates.

Item 7 - Types of Clients

40|86 serves as an investment adviser principally to Insurance Company Clients that are affiliated with 40|86 through CNO Financial Group, Inc. 40|86 also provides investment advisory services to limited unaffiliated insurance company separate account clients. CreekSource serves as collateral manager to Clear Creek, Bean Creek, Silver Creek and Deer Creek, each of which is the issuer of a CLO, with 40|86 serving as sub-adviser or support services provider to CreekSource in connection therewith. Each client's portfolio is managed on a discretionary basis according to the client's management agreement, investment objectives and guidelines and, for CLO Issuers, in accordance with the indenture, collateral management agreement and other contracts that are binding upon such CLO Issuer and/or CreekSource. Investment minimums for each CLO are set forth in the applicable indenture.

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

The Advisers provide portfolio management services in accordance with each client's investment strategies and objectives. The Advisers specialize in providing fully integrated fixed income portfolio management services. 40|86's clients' assets are primarily invested in multiple classes of fixed income securities and investments, including residential mortgage-backed securities, commercial mortgage-backed securities, consumer asset-backed securities, bank loans, investment grade corporate bonds, credit tenant loans, high yield corporate bonds, commercial mortgage loans, residential mortgage loans, alternatives, municipal bonds and U.S. Treasury securities and other government securities. The CLO Issuers are primarily invested in broadly syndicated bank loans.

The Advisers utilize a team approach to portfolio management, which is overseen by the President of 40|86. The portfolio management team consists of portfolio managers, portfolio analysts, research analysts and traders. Each portfolio manager has decision-making authority

over investment decisions in the applicable portfolio. Each portfolio manager is supported by a team of portfolio analysts who assist with the daily management and analytics performed on each client's account. Portfolio managers work with research analysts and traders to identify under/overvalued securities, credit issues, and opportunities in the market. Together, the team combines the specialized areas of expertise of its members.

The Advisers build each portfolio from the bottom-up by selecting undervalued securities through proprietary, independent research. This style is based on an investment philosophy that security selection produces favorable risk-adjusted returns. The Advisers place an emphasis on relative value, looking for opportunities where the market price of a security does not appropriately reflect its intrinsic value. The objective is to invest in those securities that the Advisers believe are undervalued and then sell them when they become fully valued in the market. The Advisers also perform a top-down asset allocation and performance attribution analysis.

Credit research is the cornerstone of the Advisers' investment process. The Advisers have dedicated analysts providing independent, fundamental research. The Advisers' credit research analysts are industry specialists covering specific industries and specific issues. While the Advisers receive external research, they do not depend primarily upon those sources to generate investment ideas. The Advisers conduct independent, grass roots research as part of the diligence process, including by directly accessing company management when appropriate. For structured securities, analysts use a number of analytic tools, including state-of-the-art cash flow models, to perform detailed, accurate and standardized securities analysis.

ESG Integration

Consistent with their fiduciary duties, the Advisers may integrate consideration of ESG principles into their fundamental investment analysis and investment decision-making process. The Advisers have developed a multipronged approach to responsible investing, with a focus on creation of long-term value for clients. This approach includes ESG integration, engagement and proxy voting (in appropriate circumstances), adherence to investment exclusion guidelines and transparent reporting.

As part of the credit review process, the Advisers' portfolio managers and analysts have access to ESG research, analysis, scoring and rating results ("ESG scores") from highly specialized third-party vendors. ESG scores from third-party providers offer useful data as a baseline to benchmark an issuer's performance against certain accepted ESG best practices, but, at this time, such ESG scores lack conformity in methodology and weighting between vendors and industries and are not intended to be a substitute for our Advisers' judgment. Third-party-provided ESG scores are, instead, intended to supplement other traditional data collected during credit analysis prior to an investment decision.

Although there is a common focus across all Adviser accounts on ESG risks and the Adviser's role as a steward, the level of integration of ESG factors, exclusions and other responsible investment concepts into our Advisers' investment management decisions may vary by client, asset class type and investment strategy, in each case as context requires, including in respect of adherence to client specific investment guidelines and, with respect to the CLO Issuers,

the applicable collateral management agreement and indenture of each CLO Issuer. The Advisers generally do not intend to invest exclusively in issuers that actively pursue ESG-related goals, except as stated in the investment objective or strategy of a client or CLO Issuer.

In 2020, the Advisers' parent company, CNO Financial Group, Inc. became a signatory of the Principles for Responsible Investment (PRI) as an asset owner. The PRI is an investor initiative in partnership with the United Nations Environment Programme Finance Initiative and the United Nations Global Compact. Commitments made as a signatory to the PRI are voluntary and aspirational, and not legally binding.

Risk of Loss

Investing in securities involves certain risks of loss that clients should be prepared to bear. The Advisers do not represent or guarantee that their services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. The Advisers do not offer any guarantees or promises that clients' financial goals and objectives will be met. Past performance is in no way an indication of future performance. Each of the following material risks apply to retaining the Advisers to provide investment advice to clients:

- *Debt and Other Income Securities.* Debt and other income securities are subject to interest rate, market and credit risk. Interest rate risk relates to changes in a security's value as a result of changes in interest rates generally. Even though such securities are investments that may promise a stable stream of income, the prices of such securities could be adversely affected by changes in interest rates and, therefore, are subject to the risk of market price fluctuations. For example, the values of fixed income securities generally increase when prevailing interest rates fall and decrease when interest rates rise. Market risk relates to the changes in the risk or perceived risk of an issuer, country, region or industry sector. Credit risk relates to the ability of the issuer to make payments of principal and interest. A client could lose money if the issuer or other obligor of a fixed income security is unable to pay interest or repay principal when due. Credit risk applies to most fixed income securities. The values of fixed income securities may also be affected by changes in the credit rating or financial condition of the issuer or related entities.
- *Residential Mortgage-Backed Securities.* These securities may be issued by U.S. government agencies and government-sponsored entities, such as Ginnie Mae, Fannie Mae and Freddie Mac, and by private entities. The payment of interest and principal on mortgage-backed obligations issued by U.S. government agencies may be guaranteed by the full faith and credit of the U.S. government, or may be guaranteed by the issuer. However, these guarantees do not apply to the market prices and yields of these securities, which vary with changes in interest rates.

Mortgage-backed securities issued by private entities are structured similarly to those issued by U.S. government agencies. However, these securities and the underlying mortgages are not guaranteed by any government agencies. These

securities generally are structured with one or more types of credit enhancements including seniority, insurance or letters of credit issued by private companies. Prepayments can alter the effective maturity of these instruments. In addition, delinquencies, losses or defaults by borrowers can adversely affect the prices and volatility of these securities. Such delinquencies and losses can be exacerbated by declining or flattening housing and property values. This, along with other outside pressures, such as bankruptcies and financial difficulties experienced by mortgage loan originators, decreased investor demand for mortgage loans and mortgage-related securities and increased investor demand for yield, can adversely affect the value and liquidity of mortgage-backed securities.

- *Commercial Mortgage-Backed Securities.* These securities may have a lower prepayment uncertainty than other mortgage-related securities because commercial mortgage loans generally prohibit or impose penalties on prepayments of principal. In addition, commercial mortgage-related securities often are structured with some form of credit enhancement to protect against potential losses on the underlying mortgage loans. Many of the risks of investing in commercial mortgage-backed securities reflect the risks of investing in the real estate securing the underlying mortgage loans, including the effects of local and other economic conditions on real estate markets, the ability of tenants to make rental payments and the ability of a property to attract and retain tenants.
- *Asset-Backed Securities.* These securities are backed by other assets such as credit card, automobile or consumer loan receivables, retail installment loans or participations in pools of leases. Credit support for these securities may be based on seniority, excess interest assets and/or provided through credit enhancements by a third party. The values of these securities are sensitive to changes in the credit quality of the underlying collateral, the credit strength of the credit enhancement, changes in interest rates and at times the financial condition of the issuer. Some asset-backed securities also may receive prepayments that can change their effective maturities.
- *Loan Participations.* Loan participations (sometimes called bank loans) are interests in amounts owed by a corporate, governmental or other borrower to a lender or consortium of lenders. Purchasers of participation interests do not have any direct contractual relationship with the borrower and may be subject to delays, expenses and risks that are greater than those that would be involved if the purchaser could enforce its rights directly against the borrower. In addition, the purchaser may be regarded as a creditor of the intermediate participant (that is, the bank selling or granting the loan participation, rather than the borrower itself), so that the purchaser may also be subject to the risk that the intermediate participant could become insolvent. The financial condition of the borrower will determine an investor's ability to receive payments of principal and interest and other amounts in connection with a loan.
- *Restricted or Illiquid Securities.* Restricted securities may only be sold pursuant to an exemption from registration under the Securities Act of 1933, as amended, or

in a registered public offering. Where registration is required, the holder of a registered security may be obligated to pay all or part of the registration expense and a considerable period may elapse between the time it decides to seek registration and the time it may be permitted to sell a security under an effective registration statement. Difficulty in selling such securities may result in a loss to the client or cause it to incur additional administrative costs.

- *High Yield Bonds.* Investments rated below investment grade and comparable unrated investments (sometimes referred to as “junk bonds”) have speculative characteristics because of the credit risk associated with their issuers. Changes in economic conditions or other circumstances typically have a greater effect on the ability of issuers of lower rated investments to make principal and interest payments than they do on issuers of higher rated investments. An economic downturn generally leads to a higher non-payment rate, and a lower rated investment may lose significant value before a default occurs. Lower rated investments typically are subject to greater price volatility and illiquidity than higher rated investments.
- *Municipal Bonds.* The amount of public information available about municipal bonds is generally less than for corporate bonds, meaning that the investment performance of municipal bonds may be more dependent on the analytical abilities of the Advisers than corporate bond investments. The secondary market for municipal bonds also tends to be less well-developed and less liquid than many other securities markets, which may limit a client portfolio’s ability to sell its municipal bonds at attractive prices. The differences between the price at which an obligation can be purchased and the price at which it can be sold may widen during periods of market distress. Less liquid bonds can become more difficult to value and be subject to erratic price movements. The increased presence of nontraditional participants (such as proprietary trading desks of investment banks and hedge funds) or the absence of traditional participants (such as individuals, insurance companies, banks and life insurance companies) in the municipal markets may lead to greater volatility in the markets because non-traditional participants may trade more frequently or in greater volume.
- *Cybersecurity.* The Advisers, their service providers, and other market participants increasingly depend on complex information technology and communications systems, which are subject to a number of different threats and risks that could adversely affect a client or CLO Issuer. These risks include, among others, theft, misuse, and improper release of confidential or highly sensitive information relating to a client or its account, as well as compromises or failures of systems, networks, devices and applications relating to the operations of the Advisers and their service providers. Power outages, equipment malfunctions and processing errors that threaten these systems, as well as market events that occur at a pace that overloads these systems, may also disrupt business operations or impact critical data. Cybersecurity and other operational and technology issues may result in financial losses to a client or its account, impede business transactions, violate privacy and other laws, subject a client or its account to certain regulatory penalties and reputational damage, and increase compliance costs and expenses.

Although the Advisers have developed processes and risk management systems designed to reduce these risks, the Advisers do not directly control the cybersecurity defenses, operational and technology plans and systems of their service providers, financial intermediaries and companies in which their clients have assets or with which they do business.

In addition, other disruptive events, including (but not limited to) natural disasters and public health crises (such as the novel coronavirus (COVID-19) pandemic), may adversely affect the Advisers' ability to conduct business, in particular if the Advisers' employees or the employees of their service providers are unable or unwilling to perform their responsibilities as a result of any such event. Even if the Advisers' employees and the employees of their service providers are able to work remotely, those remote work arrangements could result in the Advisers' business operations being less efficient than under normal circumstances, could lead to delays, and could increase the risk of cyber events.

- *Economic and Market Events.* The value of loans or securities may increase or decrease in response to economic, political and financial events (whether real, expected or perceived) in the U.S. and global markets. The frequency and magnitude of such changes in value cannot be predicted. Certain assets may experience increased volatility, illiquidity, or other potentially adverse effects in reaction to changing market conditions. Actions taken by the U.S. Federal Reserve or foreign central banks to stimulate or stabilize economic growth, such as decreases or increases in short-term interest rates, could cause high volatility in markets. Fixed-income markets may experience periods of relatively high volatility in an environment where U.S. treasury yields are rising. The ability of a borrower to refinance debt may depend on the ability to sell new debt and equity in the market, to borrow from banks or do otherwise, which may not be achievable on favorable terms or at all.
- *Impacts of Coronavirus Pandemic.* An outbreak of respiratory disease caused by a novel coronavirus was first detected in China in late 2019 and subsequently spread globally. Many local, state, and national governments, as well as businesses, reacted by instituting quarantines, border closures, restrictions on travel and other measures designed to arrest the spread of the virus. The outbreak and public and private sector responses thereto have led to large portions of the populations of many nations working from home for indefinite periods of time, temporary or permanent layoffs, disruptions in supply chains, lack of availability of certain goods and adversely impacted many industries. These circumstances are evolving, and further developments could result in additional disruptions and uncertainty. The impact of the coronavirus outbreak may last for an extended period of time and result in a substantial economic downturn. The impact of the coronavirus outbreak, and other epidemics and pandemics that may arise in the future, could result in a general decline in the global economy, and negatively affect the performance of individual countries, industries, or sectors in significant and unforeseen ways. Deteriorating economic fundamentals may in turn increase the risk of default or insolvency of particular companies, negatively impact market

value, increase market volatility, cause credit spreads to widen, and reduce liquidity. All of these risks may have a material adverse effect on the performance and financial condition of the securities in which the Advisers invest, and on the overall performance of the Advisers. The Advisers' key service providers may incur extraordinary expenses, reduction in revenues, delays, or interruption of critical business functions relating to the coronavirus outbreak. These circumstances could have a material adverse impact on the Advisers' ability to manage client assets and may adversely impact the value of these investments.

- *LIBOR Transition.* Many debt securities and other financial instruments utilize the London Interbank Offered Rate ("LIBOR") as the reference rate for interest rate calculations. LIBOR is a measure of the average interest rate at which major global banks can borrow from one another. It is quoted in multiple currencies and tenors using data reported by a panel of private-sector banks. Following allegations of rate manipulation in 2012 and concerns regarding its thin liquidity, the use of LIBOR came under increasing pressure, and in July 2017, the U.K. Financial Conduct Authority, which regulates LIBOR, announced plans to transition away from LIBOR by the end of 2021. This may cause LIBOR to cease to be published. LIBOR panel banks have agreed to submit quotations to LIBOR through the end of 2021. Before then, it is expected that market participants will transition to the use of replacement reference rate. However, there is currently no definitive information regarding the future utilization of LIBOR or of any particular replacement rate. Regulators have suggested alternative reference rates, but global consensus is lacking and the process for amending existing contracts or instruments to transition away from LIBOR remains unclear.

While it is expected that market participants will amend financial instruments referencing LIBOR to include fallback provisions and other measures that contemplate the discontinuation of LIBOR or other similar market disruption events, neither the effect of the transition process nor the viability of such measures is known. While market participants have begun transitioning away from LIBOR, there are obstacles to converting certain longer term securities and transactions to a new benchmark or benchmarks. The effectiveness of alternative reference rates used in new or existing financial instruments and products has also not yet been determined. As market participants transition away from LIBOR, LIBOR's usefulness may deteriorate, which could occur prior to the end of 2021. The transition process may lead to increased volatility and illiquidity in markets that currently rely on LIBOR to determine interest rates. LIBOR's deterioration may adversely affect the liquidity and/or market value of securities that use LIBOR as a benchmark interest rate, including financial instruments in which the Advisers invest. Further, the utilization of an alternative reference rate, or the transition process to an alternative reference rate, may adversely affect performance.

- *ESG.* ESG strategies may be integrated into the Advisers' fundamental investment analysis and throughout the entire investment decision-making process where consistent with an Adviser's fiduciary responsibilities. These strategies may avoid including certain sectors, industries or issuers in a client's portfolio, potentially negatively affecting the client's investment performance if the excluded sector,

industry or issuer outperforms. ESG is subjective by nature, and the Advisers may rely on analysis and 'scores' provided by third parties in determining whether an issuer meets the Advisers' standards for inclusion. The Advisers are dependent upon information and data that may be incomplete, inaccurate or unavailable, which could cause an Adviser to assess incorrectly an issuer's alignment with ESG principles. An issuer's ESG alignment or an Adviser's assessment of an issuer's ESG alignment may change over time. Material ESG factors vary widely from industry to industry and company to company. A client's perception may differ from the Advisers' or a third party's on how to judge an issuer's alignment to ESG principles.

In addition, CLO issuers and/or investments in CLOs are subject to the following structural risks:

- *CLO Structure: Limited Liquidity and Recourse.* An investor's investment in a CLO issuer is subject to the structure and terms of each CLO issuer's governing contracts. Investors should have no expectation of a secondary market in notes issued by a CLO issuer, or that markets will provide investors with liquidity. The notes issued by a CLO issuer are limited recourse obligations; investors must rely on available collections from the collateral pledged by a CLO issuer, as issuer, pursuant to its related indenture and will have no other source of payment.
- *Subordination.* Payments on the senior-most class(es) of a CLO issuer's securities are subordinate to the payment of certain fees and expenses payable by the CLO issuers to other parties pursuant to the indenture. Payments of principal and interest on any junior class of securities are subordinated under the priority of payments to payments on any senior class of securities. To the extent any losses are suffered by any securities, those losses will be borne by each class of securities in order of subordination. Accordingly, the most subordinated classes of securities may not be paid in full and may be subject to 100% loss. In addition, the most subordinated class(es) of interests in CLO issuer's securities represent highly leveraged investments and will be most affected by any changes of market value of the collateral, including, but not limited to, defaults, prepayments and other risks associated with the collateral.
- *Remedies.* If an event of default occurs under a CLO indenture, the controlling class (generally the most senior class of notes then outstanding) will generally be entitled to determine the remedies to be exercised under the indenture. The interests of the controlling class of a CLO issuer may be adverse to those of the subordinated classes, and in pursuing this interest the controlling class will have no obligation to consider any possible effect on other interests. In addition, the junior-most class of securities is not generally entitled to exercise remedies under the indenture, nor is the trustee generally obligated to act on behalf of the holders of these securities.
- *Sale of Collateral upon Default on the Securities.* If an event of default occurs under a CLO indenture, there can be no assurance that the proceeds of any sale of collateral

will be sufficient to pay in full transaction expenses and principal and interest on the securities.

- *Prepayment.* Loans are generally prepayable in whole or in part at any time at the option of the borrower at par plus accrued unpaid interest. Prepayments on loans may be caused by a variety of factors which are often difficult to predict. Consequently, there exists a risk that loans purchased at a price greater than par may experience a capital loss as a result of such a prepayment. In addition, proceeds received upon such a prepayment are subject to reinvestment risk. After the reinvestment period for a CLO Issuer, prepayments of loans or other prepayable obligations held by the client accelerate the repayment of the notes. Hence, noteholders may face additional risk related to possible difficulties in reinvesting the repayment cash in other sources of return.

For a more complete discussion of the analysis and investment strategies used in formulating investment advice or managing assets and the investment risks for each CLO Issuer, investors should review the applicable offering circular.

Item 9 - Disciplinary Information

Neither Adviser nor any of their respective management persons have been involved in any legal or disciplinary events required to be disclosed in this Item #9.

Item 10 - Other Financial Industry Activities and Affiliations

40|86 is a direct wholly-owned subsidiary of CNO Financial Group Inc., a financial services holding company that owns several insurance companies. CreekSource is wholly-owned by affiliates of CNO. Specifically, the Class A General Interests of CreekSource, which represent the economic interests in CreekSource, are owned by Bankers Life and Casualty Company and Washington National Insurance Company, both of which are insurance companies. In addition, a separate class of interests in CreekSource is wholly-owned by 40|86, which provides 40|86 with certain control rights over the composition of CreekSource's Board of Directors. CreekSource has no independent personnel. All supervised persons of CreekSource are employees and supervised persons of 40|86. 40|86 serves as investment adviser to CNO, Bankers Life and Casualty Company and Washington National Insurance Company and certain other insurance company affiliates. CreekSource and 40|86 also provide investment advisory services to non-affiliated clients pursuant to investment advisory contracts.

Because the Advisers may be simultaneously acting for both affiliated and non-affiliated clients, the Advisers may be recommending to non-affiliated clients that they buy or sell securities in which an affiliated client has invested or will invest or may sell. It is the Advisers' policy that, to the extent practicable, all clients with similar investment objectives and guidelines are treated fairly and equitably over time in the allocation of investment opportunities and in the allocation of securities trades. As described in Item 6, the factors considered for such allocations will differ depending on the facts and circumstances involved in each allocation.

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

The Advisers' employees may own various marketable securities and hold investments in a variety of enterprises. As a result, they may at times own securities that are also owned by, or recommended to, Adviser clients. The Advisers have policies in place to avoid conflicts of interest when personnel engage in personal securities transactions. The Advisers maintain a Code of Ethics and have adopted certain procedures that are designed to detect and prevent such conflicts of interest. The Advisers' Code of Ethics prohibits any employee from acting upon, misusing or disclosing any material non-public information. In addition to several trading restrictions, the Advisers' employees are required to report, on a quarterly basis, their personal securities transactions and on an annual basis, their personal securities holdings, and these reports are monitored by the Advisers' legal and compliance department. In addition, each access person must submit an Annual Certification regarding the Code of Ethics and the Adviser's other compliance policies. The Advisers' Code of Ethics is available to the Advisers' clients and prospective clients upon request. Should you desire to receive this document, please contact the Advisers' Chief Compliance Officer, Rachel Spehler, at 317-817-6422 or by e-mail at rachel.spehler@4086.com.

CreekSource serves as collateral manager for CLO Issuers and 40|86 and/or CreekSource have in the past and may in the future, recommend investments in such CLOs to its clients. If a client were to make such an investment, CreekSource would receive a fee from the CLO Issuer for acting as collateral manager and 40|86 and/or CreekSource would receive an advisory fee from the client based on the client's assets under management, including the amount of client assets invested in such CLO. Clients investing in such a CLO would be given a disclosure document setting forth the Advisers' fees and other arrangements with respect to managing the CLO assets.

In addition, CreekSource may purchase investments for its own account. CreekSource, or a fund or CLO Issuer in which CreekSource and its control persons owns a greater than 25% interest, may from time to time sell certain collateral obligations, loans or other assets to the respective CLO Issuers for which CreekSource serves as collateral manager. For example, CreekSource buys securities for its own account as part of the warehousing process for the CLO Issuers. In addition, CreekSource originates at least 5% of the leveraged loans held by each of Clear Creek, Bean Creek and Deer Creek in order to comply with European risk retention rules. To the extent the amount of leveraged loans held by any such CLO falls below the 5% threshold, additional collateral (leveraged loans) will be originated by CreekSource and sold to the respective CLO Issuer. The origination process consists of CreekSource selling a leveraged loan it has held for no less than ten business days to the related CLO Issuer at a purchase price that will generally be equal to the offer price identified for it by Markit Partners or another independent valuation agent as of the requisite trade date, plus an origination fee, as disclosed in each CLO Issuer's offering circular. The Advisers have adopted certain procedures to address such transactions.

In addition, CreekSource and/or 40|86 may buy for a CLO Issuer or separate account client an asset that it sells for another CLO Issuer or separate account client due to differing investment objectives, liquidity needs or other factors. In such cases, CreekSource and/or 40|86 may arrange for a CLO Issuer that is a CreekSource client and/or CreekSource or 40|86 separate

account clients to be seller and buyer to each other. Alternatively, CreekSource and/or 40|86 may buy or sell for one client or account a debt obligation that CreekSource and/or 40|86 does not trade with another CLO Issuer or separate account client, even though the debt obligation is eligible to be bought or sold by the other CLO Issuer or separate account client, if CreekSource and/or 40|86 believes the circumstances so warrant. Whenever any such trades between clients are contemplated, CreekSource will endeavor to determine whether the trade is appropriate for and fair to each client and will endeavor not to favor any particular CLO Issuer or separate account client over another. CreekSource has adopted certain procedures to address such transactions.

Item 12 - Brokerage Practices

The Advisers have the responsibility for selecting broker-dealers, executing trades for each client's portfolio and for negotiating the terms thereof. It is the Advisers' policy to seek to obtain the best quality of execution available, giving attention to net price (including mark-ups/mark-downs where applicable), execution capability (including the adequacy of a firm's capital position), and certain other services and factors related to the execution. The relative priority given to these factors will depend on all of the circumstances regarding a specific trade and client. The Advisers monitor and evaluate the performance and execution capabilities of the brokerage firms who transact orders.

The Advisers do not permit clients to direct brokerage activities, nor do the Advisers routinely recommend, request or require that a client direct the Advisers to execute transactions through a specified broker-dealer.

40|86 will only engage in soft dollar arrangements that meet the conditions of the safe harbor in Section 28(e) of the Securities Exchange Act of 1934, as amended. However, 40|86 does not currently utilize commissions generated by client portfolio transactions ("soft dollars") to pay for research or other products or services from broker-dealers.

Aggregation of Orders: Trade orders on behalf of clients may be aggregated. An Adviser will not aggregate orders unless aggregation is consistent with that Adviser's duty to seek best execution for its clients and the terms of the related investment advisory contract with each client for whom trades are aggregated. Each client that participates in an aggregated order will participate at the average price for all of an Adviser's transactions in that security on a given business day, with transaction costs shared *pro rata* based upon each client's participation in the transaction. The Advisers do not allocate trades or aggregate orders in such a way that affiliated or performance-fee based portfolios will receive preferential treatment over discretionary, non-affiliated client portfolios.

Item 13 - Review of Accounts

40|86 has a Compliance Committee that meets monthly (or more often as needed) to review and discuss compliance matters and any compliance issues that may have arisen since the previous meeting. The Compliance Committee includes: the Chief Compliance Officer ("CCO"), an additional compliance professional, the SVP, Chief Information Officer and the SVP, Portfolio Management. Any material compliance violations are brought to the attention of the President.

CreekSource has a Compliance Committee that meets monthly to review and discuss any compliance issues that may have arisen in the previous month of trading. The Compliance Committee includes: the CCO, an additional compliance professional and a Manager of CreekSource.

In addition, the portfolio managers monitor performance and portfolio risk for each client on an ongoing basis. Factors that are monitored by a portfolio manager include, but are not limited to:

- significant market corrections,
- substantial changes in the value of a client's portfolio,
- year-end tax planning, and/or
- security-specific events.

Periodically, and more frequently as requested, 40|86 provides each client with a written report containing information on such client's investments. Monthly, with CreekSource's assistance, each CLO Issuer provides a written report to investors in the CLO containing information on the CLO Issuer's investments as set forth in the applicable indenture.

The Advisers' compliance program is designed to ensure that the Advisers' investment management activities operate in accordance with the Advisers' policies and the provisions of federal and state laws and regulations, which are applicable to an investment adviser registered under the Investment Advisers Act of 1940, as amended. The Advisers have designated the CCO with primary responsibility for administration of the compliance program.

Item 14 - Client Referrals and Other Compensation

The Advisers do not compensate any persons for client referrals nor do the Advisers receive any additional compensation beyond that described in this Brochure.

Certain supervised persons of 40|86 may receive certain discretionary stock awards from an affiliate to whom 40|86 also provides advisory services. In addition, a limited number of supervised persons of 40|86 are employed by and receive salaries and bonuses from affiliates to whom 40|86 also provides advisory services.

Item 15 - Custody

The Advisers do not maintain custody or possession of client assets.

Item 16 - Investment Discretion

Generally, each Adviser is granted full discretion to make purchases and sales for a client's account in accordance with each client's investment objectives and guidelines and, with respect to the CLO Issuers, in accordance with the applicable collateral management agreement and indenture of each CLO Issuer. Clients may specify certain limitations or restrictions, such as certain minimum quality standards or other investment constraints applicable to securities

purchases. In addition, Insurance Company Client accounts are managed in accordance with applicable insurance regulations on permissible investments.

Item 17 - Voting Client Securities

The Advisers have adopted policies and procedures to ensure that they vote client proxies in the clients' best interest. An Adviser only votes proxies related to securities held by portfolio management clients that provided that Adviser with specific, written authority to do so. The client generally provides such written authority via the investment advisory agreement or, with respect to the CLO Issuers, the applicable collateral management agreement or indenture. The Advisers base the final voting decisions on a pre-established set of policies and guidelines. This process is designed to ensure that proxies voted are in the best economic interest of the Advisers' clients and insulates, as much as possible, voting decisions from conflicts of interest. The Advisers vote proxies on an aggregated basis where applicable.

The Advisers may also take into account certain proxy voting research and recommendations related to ESG characteristics. The Advisers consider such research and recommendations among many factors they deem relevant to making proxy voting decisions to enhance the long-term value of the securities being voted.

Clients may request a copy of the Advisers' proxy voting policies and procedures or a report of how an Adviser voted proxies for their respective accounts. The Advisers will provide a report showing how proxies were voted for all accounts held at the clients' broker/custodian. Should you desire to receive these documents, please contact the Advisers' Chief Compliance Officer, Rachel Spehler at 317-817-6422 or by e-mail at rachel.spehler@4086.com.

Item 18 - Financial Information

Each Adviser is required in this item to provide you with any information about the Adviser's financial condition that is reasonably likely to impair such Adviser's ability to meet its contractual commitments to clients. There is no such information, as the Advisers have ample capital and resources to meet all of their obligations.

Item 19 - Requirements for State-Registered Advisers

This Item is not applicable to the Advisers.