

Part 2A of Form ADV: Firm Brochure

**P&S Credit Management, L.P.
d/b/a
Gracie Asset Management**

March 30, 2021

This brochure provides information about the qualifications and business practices of P&S Credit Management, L.P. d/b/a Gracie Asset Management (“P&S” or the “Adviser”). If you have any questions about the contents of this brochure, please contact us at (212) 527-8280 or email: compliance@graciecap.com.

The Adviser is registered with the United States Securities and Exchange Commission (the “SEC”) pursuant to the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Registration with the SEC does not imply a certain level of skill or training. The information in this brochure has not been approved or verified by the SEC or by any state securities authority.

Additional information about the Adviser is also available on the SEC’s website at www.adviserinfo.sec.gov.

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Item 2. Material Changes

The Adviser is required to identify and discuss any material changes made to its brochure since its last annual update.

There have been no material changes since the last annual update of the Adviser's brochure, dated March 30, 2020.

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Item 4. Advisory Business

A. General Description of Advisory Firm

P&S is an investment adviser with its principal place of business in New York, New York. P&S also conducts business under the name Gracie Asset Management and often holds itself out as such. This document will refer to the Adviser under its legal name of P&S. P&S commenced operations as an investment adviser in June 2004 and has been registered with the SEC since March 2012. P&S is exempt from registration as a commodity pool operator and commodity trading advisor with the U.S. Commodity Futures Trading Commission (the “CFTC”). Please see Item 10 below for a further description of P&S’s financial industry activities and affiliations.

P&S provides discretionary investment advisory services to private investment funds which are generally organized as domestic limited partnerships or as Cayman Islands limited partnerships or exempted companies (collectively the “Hedge Funds”) and a separately managed account (the “Account”), (together with the Hedge Funds, hereinafter referred to as “Clients”). The Hedge Funds are privately offered pooled investment vehicles intended for sophisticated high net worth and institutional investors. P&S’s separately managed account is a separate client account managed on behalf of a private institutional client that P&S reports as a private fund that it advises on its Form ADV, Part 1, Section 7.B.(1) of Schedule D pursuant to an investment advisory agreement entered into between the Account and P&S.

In 2010, P&S was acquired by and became part of the asset management group of Moelis Asset Management LP (formerly known as Moelis & Company Holdings LP). In April 2014, the advisory business of Moelis & Company Holdings LP was spun off in an initial public offering of the newly formed public company, Moelis & Company, a global investment bank which provides financial advisory services to a broad client base via Moelis & Company LLC, a broker-dealer registered with the SEC and indirect subsidiary of Moelis & Company. P&S and P&S Credit Partners, LLC (the “General Partner”), the general partner of certain of the Hedge Funds, remains a wholly owned subsidiary of Moelis Asset Management LP. Moelis Asset Management LP and its controlled affiliates are under common control with the public company, Moelis & Company; however, Moelis & Company and Moelis Asset Management LP are separate legal entities and Moelis & Company does not have any ownership interest in Moelis Asset Management LP. Kenneth Moelis remains the ultimate controlling shareholder of both Moelis Asset Management LP and Moelis & Company (collectively, “Moelis”).

P&S has advisory affiliates registered with the SEC, including Moelis Capital Partners LLC, Freeport Financial Partners, LLC, and Steele Creek Investment Management LLC. Moelis Asset Management LP also has certain joint ventures and other investments, including Archean Capital Partners, Crossbeam Venture Partners, LLC, Collegium Global Partners and College Avenue Loans, LLC.

Please see Item 10 below for a further description of P&S’s financial industry activities and affiliations.

Certain books and records of P&S and some Client materials may refer to the Adviser as Gracie Asset Management, the Adviser's d/b/a name.

B. Description of Advisory Services

P&S provides investment advisory services to its Clients on a discretionary basis and is responsible for all day-to-day investment and trading decisions. P&S offers its investment advisory services to its Clients through a number of different investment objectives and strategies which are executed principally in the global credit and preferred securities markets, as applicable. Please see Item 8 below for a description of the investment strategies employed by the Adviser and certain material risks inherent in such strategies.

The Hedge Funds are organized as part of master-feeder structures and consist of Gracie Credit Opportunities Fund, L.P. (the "Credit Onshore Fund"), Gracie International Credit Opportunities Fund, Ltd. (the "Credit Offshore Fund") and Gracie Credit Opportunities Master Fund, L.P. (the "Credit Master Fund" and collectively, the "Credit Funds"), GrayFin Fund, L.P. (the "GrayFin Onshore Fund"), GrayFin Fund, Ltd. (the "GrayFin Offshore Fund"), and GrayFin Master Fund, L.P. (the "GrayFin Master Fund" and collectively, the "GrayFin Funds").

As used in this Brochure: the Credit Onshore Fund, Credit Offshore Fund, GrayFin Onshore Fund and GrayFin Offshore Fund collectively refer to the "Feeder Funds". Investors make investments in the Feeder Funds, and substantially all of the assets of the Feeder Funds are invested in their respective Master Fund. Credit Fund and GrayFin Fund portfolio holdings are assets of their respective Master Fund.

The Hedge Fund offering documents describe the terms and conditions of the fund, including fees and risk factors, and should be read carefully prior to investment. No offer to sell Hedge Funds is made by the descriptions in this Brochure, and Hedge Funds are available only to investors that are properly qualified.

C. Availability of Tailored Services for Individual Clients

Beneficial owners of separately managed accounts may impose restrictions on investing in certain securities. Those restrictions are outlined in the investment management agreement (a negotiated agreement between the Client and P&S) or other account related documentation. The Credit Funds and GrayFin Funds are managed on a collective basis pursuant to the investment objectives and strategies set forth in the confidential offering memorandum for each Hedge Fund.

D. Wrap Fee Programs

This item is not applicable as the Adviser does not offer any wrap fee programs.

E. Client Assets Under Management

As of December 31, 2020, P&S had approximately \$699,032,211 of regulatory assets under management on a discretionary basis.

Item 5. Fees and Compensation

A. Advisory Fees and Performance-Based Compensation

P&S, or the General Partner as the case may be, receives an investment management fee with respect to the Feeder Funds and the Account on a quarterly basis (the “Management Fee”) and performance-based compensation on an annual basis, from the assets of Client accounts. The fees and compensation applicable to each Feeder Fund are set forth in detail in each Feeder Fund’s confidential offering memorandum, and the fees and compensation applicable to the Account are set forth in detail in the Account’s investment management agreement.

The Hedge Funds

The Credit Funds

For both the Credit Onshore Fund and Credit Offshore Fund (the “Credit Feeder Funds”), P&S receives a fixed Management Fee payable quarterly in advance in an amount equal to 0.375% (1.5% on an annualized basis) of each investor’s capital account or share value at the beginning of each calendar quarter (computed prior to the accrual of any performance allocation during a year). In addition, the General Partner receives an annual performance allocation from each of the capital accounts of the Credit Feeder Funds (indirectly at the master fund level in respect the capital accounts of the Credit Offshore Fund). The Performance Allocation for each Credit Feeder Fund is equal to 15% of the aggregate net realized and unrealized changes in the value of each underlying investor’s capital account or shares at the end of a fiscal year net of all other income and expenses (including the Management Fee) of any kind for such period (collectively “Net Profits”), and subject to a “high watermark” provision.

The GrayFin Funds

For both the GrayFin Onshore Fund and GrayFin Offshore Fund (the “GrayFin Feeder Funds”), P&S receives a fixed Management Fee payable quarterly in advance in an amount equal to 0.375% (1.5% on an annualized basis) of each investor’s capital account or share value at the beginning of each calendar quarter (computed prior to the accrual of any performance allocation during a year). In addition, the General Partner receives an annual performance allocation from each of the capital accounts of the GrayFin Feeder Funds, which is equal to 15% of the aggregate net realized and unrealized changes in the value of each underlying investor’s capital account or shares at the end of a fiscal year net of all other income and expenses (including the Management Fee) of any kind for such period (collectively “Net Profits”), and subject to a “high watermark” provision.

The fees and expenses for each Feeder Fund are described in more detail in each Feeder Fund’s confidential offering memorandum. If lower fees are negotiated with a specific investor or shareholder in a Feeder Fund, such fee would be set forth in an agreement between the Feeder Fund and such investor or shareholder (please see “The Feeder Funds” below).

The Separate Account

The Account pays both management fees and performance-based fees that are negotiated with the Client and outlined in the corresponding investment management agreement with the Client. The Account pays the Adviser a quarterly fixed Management Fee at a rate equal to 1.00% per annum of the net asset value of the Account. The Management Fee is accrued monthly based on the net asset value of the Account as of the last day of a calendar month and payable quarterly in arrears within 30 days of the last day of each calendar quarter, as adjusted for any contributions or redemptions, but before any accrual for any Incentive Fee (as defined below) that is not yet payable.

The Account pays a fee (the “Incentive Fee”) equal to 15.0% of the aggregate net realized and unrealized changes in the value of the Account at the end of a fiscal year combined with all other income and expenses (including the Management Fee) of any kind for such period (collectively “Net Profits”), and subject to the “high water mark” provision discussed below. If withdrawals are made from the Account prior to the end of a fiscal year, an Incentive Fee on the withdrawn amount will be calculated and will be payable in arrears at the end of such fiscal year.

The “high water mark” for the Account is defined as the net asset value of the Account as of the end of the last fiscal year for which the Adviser received an Incentive Fee, as adjusted for capital activity. If the Account has a net loss with respect to any fiscal year, the Adviser will not receive an Incentive Fee until the net asset value of the Account exceeds the high water mark.

The Feeder Funds

The Feeder Funds’ General Partner or the Board of Directors, as applicable and in their sole discretion, may waive or reduce the Management Fee, with the consent of P&S, or Performance Allocation with respect to the capital accounts or shares of certain investors, including, without limitation, capital accounts or shares, as applicable, held by affiliates of P&S or the General Partner.

The Adviser or certain of the Feeder Funds have entered and may in the future enter into side letter or similar agreements with certain investors in the Feeder Funds providing for terms of investment that grant such investors different or more favorable rights including, among other things, those relating to management fees, performance allocations, certain redemption rights, and provisions extending certain information rights or additional reporting to such investors.

Subject to applicable law and contractual arrangements, the Feeder Funds do not intend to disclose the terms of side letter agreements or other arrangements and do not intend to disclose the identities of the investors that have entered in such agreements with the Feeder Funds of the Adviser.

B. Other Fees and Expenses

The Adviser’s Hedge Funds are privately offered pooled investment vehicles. In these cases, each Feeder Fund will bear all of the costs and expenses related to its investments and operations, including without limitation, organizational expenses, brokerage and other transaction costs

(please refer to Item 12 below for a discussion of the Adviser's brokerage practices), costs of leverage (as further described in Item 8 below), clearing and settlement charges, custody fees, any issue or transfer taxes chargeable in connection with any securities transactions, any entity level taxes and fees payable to governments or agencies, including registration, filing and license fees, the costs of reporting and providing information to investors, liability insurance obtained on behalf of the Feeder Fund and Feeder Fund directors or officers, interest on debit balances or borrowings, borrowing charges on securities sold short, costs of any litigation or investigation involving activities of the Feeder Fund, risk management services, research and data services fees or other similar fees and expenses, fees and expenses associated with directors' or advisory committee services, fees and expenses of professionals providing services to the Feeder Funds, including legal, audit, accounting, tax, administrative, anti-money laundering compliance and reporting, and any extraordinary expenses (such as litigation or indemnification costs and expenses). A portion of a Feeder Fund's operating expenses may be shared with other investment partnerships or accounts managed by P&S or its affiliates on an equitable basis. With respect to Clients that constitute a master-feeder structure, feeder funds bear a pro rata share of the expenses associated with the related master fund.

With respect to any Client that is a pooled investment vehicle, provisions relating to fees and compensation are described in the applicable pooled investment vehicle's confidential offering memorandum. The fees and compensation applicable to any managed account client are described in an investment advisory agreement entered into between the managed account client and the Adviser.

P&S bears all overhead expenses incurred in the operation of its business, such as salaries and the costs of office space, utilities, telephone, computer equipment, and computer services and any costs of subscriptions to proprietary databases and other research costs with the exception of those items listed under Item 12 below.

C. Prepayment of Fees.

Please see response to Item 5.A above.

D. Other Conflicts of Interest.

As previously noted above in Item 4. A., P&S is indirectly affiliated with other investment advisers and broker-dealers in that Moelis Asset Management LP has ownership interests in other registered entities subject to regulatory authority, and is under common control with Moelis & Company LLC, a SEC-registered broker dealer (collectively, "Moelis Asset Management LP affiliates"). Please see Item 10 below for a further description of P&S's financial industry activities and affiliations.

P&S does not conduct any transactions through any of the Moelis affiliated entities. P&S also does not buy or sell securities for its own proprietary account.

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

P&S offers investment advisory services to multiple portfolios for multiple clients with different investment objectives, guidelines and policies, and with different fee structures. Please see Item 5 entitled Fees and Compensation above.

P&S (and/or its affiliates) is entitled to receive both asset-based fees and performance-based compensation by certain of its private pooled investment vehicle clients and other client accounts. Although the commingled investment pools managed by the Adviser will have different fee terms and structures (including higher and lower amounts with respect to performance compensation), generally all investors within a class of interests (or shares as the case may be) in such commingled investment pools pay the same asset-based fees and performance compensation to the Adviser (and/or its affiliates). When P&S and its investment personnel manage more than one client account, a potential exists for one client account to be favored over another client account. P&S and its investment personnel have a greater incentive to favor client accounts that pay the Adviser higher performance-based compensation and/or higher overall fees than other client accounts.

P&S has adopted and implemented policies and procedures intended to address conflicts of interest relating to the management of multiple client accounts, including accounts with different fee structures or arrangements, and the allocation of investment opportunities. These policies include valuation of assets (which impact fees) and allocation of trades. Our policies require that Clients with similar investment objectives and strategies participate in investment opportunities pro rata based on net asset size (the “Standard Allocation Procedure”), taking into account investment mandates and profile (including leverage and volatility targets) (subject to certain exceptions including any restrictions imposed by the Client) and require that, to the extent orders are aggregated for more than one Client, each Client account receives the same average price. These areas are monitored by the Adviser’s Chief Compliance Officer and other relevant personnel of the Adviser. Exceptions will be documented accordingly.

The Performance Allocation arrangements discussed above comply with Section 205(a)(1) of the Advisers Act and Rule 205-3 thereunder.

The Incentive Fee with respect to the Account is discussed in Item 5.A above.

Item 7. Types of Clients

P&S provides investment advisory services to privately offered pooled investment funds (both U.S. and offshore) and a separately managed account as described above in Item 4.A. Investors may include high net worth individuals, private funds, corporate pension and profit-sharing plans, foundations, endowments, financial institutions, and other institutional clients. P&S may in the future provide investment advisory services to additional separately managed accounts for institutional and other investors.

The Feeder Funds’ (and the Account’s) securities are offered to investors on a private placement basis, and pursuant to Section 3(c)(7) of the U.S. Investment Company Act of 1940, as amended

(the “Company Act”). As a result, all investors in the Feeder Funds who are “U.S. Persons” as defined under Regulation S under the U.S. Securities Act of 1933, as amended, (the “Securities Act”) must qualify as an “accredited investor” as defined in Rule 501(a) of Regulation D under Section 4(2) of the Securities Act and a “qualified purchaser” as defined in Section 2(a)(51) of the Company Act.

With respect to any client that is a pooled investment vehicle, any initial and additional subscription minimums are described in the confidential offering memorandum for the pooled investment vehicle, though lesser amounts may be accepted at the discretion of the General Partner or Board of Directors for the Feeder Fund, as applicable. The General Partner or Board of Directors in its sole discretion, as applicable, is permitted to accept or reject any initial or additional subscription of any prospective or current investor, respectively, for any reason.

Although P&S has no stated minimum requirements for separately managed accounts, P&S will generally only advise a separately managed account for larger amounts of capital as P&S may determine from time to time.

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

A. Methods of Analysis and Investment Strategies

The Credit Funds

P&S currently seeks to obtain above-average returns for Credit Fund client accounts and preserve capital through long and short investments primarily in various credit instruments, including, without limitation, bonds, loans and credit default swaps. The Credit Funds may invest in some or all quality segments across the credit markets, including investment grade, high-yield, stressed and distressed credits, as well as unrated, private and emerging market instruments. Investments for the Credit Funds will also be considered in other securities, which may include bank loans, bridge loans, mezzanine securities, convertible securities, vendor financing and trade claims, structured products, index trading, and preferred and common stock. P&S may combine this fundamental credit approach with a “macro” overlay. The “macro” investments may include opportunities outside the credit markets that P&S believes offer an attractive risk/reward profile or are intended to manage broader market risks or neutralize certain portfolio biases. Equity securities are not generally expected to be primary holdings of the Credit Funds except in certain hedging transactions or through certain distressed credits when used to effectuate a financial restructuring as a component of certain capital structure arbitrage strategies, or when we believe that equity or equity related instruments offer a superior risk/reward profile to debt securities.

Fundamental investment decisions for significant positions will generally be made pursuant to an analytical research process, coupled with a review of market technicals, to evaluate each situation. Investment decisions for significant “macro” investments will generally take into account both the risk/reward profile of particular investment opportunities and the analytical and fundamental factors identified with respect to such opportunities.

P&S anticipates that a significant portion of Credit Fund portfolio holdings will be invested in securities of companies located in the United States and in Europe. P&S expects to use leverage to create a larger and broader portfolio of investments for the Credit Funds, and seeks to construct a diversified portfolio of securities; both in terms of types of securities and sectors, but at times may choose to accept higher concentration levels when potential risk-adjusted return profiles warrant such risk.

There can be no assurance that the Credit Funds will achieve its investment objective or that the Adviser's investment strategy will achieve profitable results. Investments in the Credit Funds involve significant risks, including the risk of losing your entire investment, and investors in the Credit Funds must be prepared to bear the risk of total loss of their invested capital.

The descriptions of the investment strategies and risk in this section are qualified in their entirety by the information provided by the Adviser to its advisory clients included in the Credit Fund's offering documents.

The GrayFin Funds

The investment objective of the GrayFin Funds is to seek above average returns and preserve capital through long and short investments primarily in preferred securities. Preferred securities, also known as hybrid or capital securities, typically include preferred stock and various types of junior subordinated debt and trust preferred securities. Preferred securities can take a variety of forms, including perpetual, dated, fixed rate, floating rate, callable and non-callable securities, and convertibles. Issuers of preferred securities are often highly regulated entities within the global financial services sector, and to a lesser extent, the telecom, utilities and industrials sectors. In addition to preferred securities, the GrayFin Funds will also consider investments in other parts of an issuer's capital structure, including senior debt, subordinated debt, common stock and various derivative instruments.

The preferred securities market is large and global in scale and contains numerous highly specialized securities that combine both debt and equity like characteristics and features. Preferred securities also span the investment grade and high yield rating categories.

The GrayFin Funds seek to exploit price discrepancies that may exist across individual preferred, equity and debt securities and seeks to identify and take advantage of attractive opportunities in both long and short positions in such issuers. P&S believes that depth and breadth of the market, the extensive variation across individual securities, complex pricing characteristics and disparate demand drivers, including the distinct investment objectives between retail and institutional investors, contribute to market inefficiencies that cause over and under valuation of such securities. The GrayFin Funds will typically take long positions in securities that are expected to outperform, while taking short positions in securities that are expected to underperform and for hedging purposes. The GrayFin Funds will invest in long and short securities of the same issuer with the goal of realizing relative value or arbitrage price inefficiencies between the securities.

The GrayFin Funds expects to invest a high percentage of its assets in the financial services sector, which means the GrayFin Funds will be more affected by the performance of the companies in the financial services sector than if the GrayFin Fund's portfolio was more diversified.

The GrayFin Funds expect to trade more frequently than it does for the Credit Funds (as defined above). The GrayFin Fund's portfolio turnover rate may be significant as a result. The GrayFin Funds also expect to employ leverage as part of its strategy. P&S expects to use leverage to create a larger and broader portfolio of investments for the GrayFin Funds. Please see Item 8.B. below for further description of certain material risks inherent in the investment strategies employed by the Adviser.

There can be no assurance that the GrayFin Funds will achieve its investment objective or that the Adviser's investment strategy will achieve profitable results. Investments in the GrayFin Funds involve significant risks, including the risk of losing your entire investment, and investors in the GrayFin Funds must be prepared to bear the risk of total loss of their invested capital.

The descriptions of the investment strategies and risk in this section are qualified in their entirety by the information provided by the Adviser to its advisory clients included in the GrayFin Fund's offering documents.

B. Material Risks (Including Significant, or Unusual Risks) Relating to Investment Strategies

Investing in securities involves a substantial risk of loss of capital that clients should be prepared to bear, including the possible loss of all or a substantial part of invested capital or a complete loss of principal. The following list of risk factors does not purport to be a complete list or explanation of the risks impacting or involved in an investment in the Clients advised by P&S. These risk factors include only those risks P&S believes to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis employed by P&S. Unless otherwise noted, the risk factors listed below reference all Clients.

Investments in Preferred Securities. The GrayFin Funds expect to invest in hybrid and preferred securities. There are special risks associated with investing in preferred securities, including generally an absence of voting rights with respect to the issuing company unless certain events occur. In certain circumstances, an issuer of preferred securities may redeem the securities prior to a specified date. As with call provisions, a redemption by the issuer may negatively impact the return of the security held by the GrayFin Funds. In addition, preferred securities are subordinated to bonds and other debt instruments in a company's capital structure and therefore will be subject to greater credit risk than those debt instruments. Income risk is the risk income will decline because of falling market interest rates. This decline can result if the GrayFin Funds subsequently invest the proceeds from new share sales, or from matured or called fixed income securities, in lower-yielding securities. The GrayFin Fund's preferred security investments will primarily be invested in the securities of issuers principally engaged in the financial services sector, which makes these investments more susceptible to adverse economic or regulatory occurrences affecting that sector concentration risk. To the extent the Credit Funds or the Account invest a portion of their capital in hybrid and preferred securities, P&S has developed internal policies designed to

allocate trades on a fair and equitable basis and identify such conflicts of interest in making investment decisions for the Clients. Please see Item 12. B. below regarding the Adviser's investment allocation policies.

Financial Services Sector Risk. The GrayFin Funds expect to invest a high percentage of its assets in the financial services sector, which means the GrayFin Funds will be more affected by the performance of the companies in the financial services sector than if the GrayFin Funds' portfolio was more diversified. Performance of companies in the financial services sector may be adversely impacted by many factors, including, among others, changes in government regulations, economic conditions, and interest rates, credit rating downgrades, and decreased liquidity in credit markets. Financial services companies are subject to extensive governmental regulation which may limit both the amounts and types of loans and other financial commitments they can make, the interest rates and fees that they can charge, the scope of their activities, the prices they can charge and the amount of capital they must maintain. Profitability is largely dependent on the availability and cost of capital funds and can fluctuate significantly when interest rates change or due to increased competition. In addition, deterioration of the credit markets generally may cause an adverse impact in a broad range of markets, including U.S. and international credit and interbank money markets generally, thereby affecting a wide range of financial institutions and markets. Certain events in the financial services sector may cause an unusually high degree of volatility in the financial markets, both domestic and foreign, and cause certain financial services companies to incur large losses. Securities of financial services companies may experience a dramatic decline in value when such companies experience substantial declines in the valuations of their assets, take action to raise capital (such as the issuance of debt or equity securities), or cease operations. Credit losses resulting from financial difficulties of borrowers and financial losses associated with investment activities can negatively impact the sector. Insurance companies may be subject to severe price competition. Adverse economic, business or political developments could adversely affect financial institutions engaged in mortgage finance or other lending or investing activities directly or indirectly connected to the value of real estate.

Portfolio Liquidity and Transfer Restrictions. As a result of our Clients' investment strategies, certain investments (especially those involving financially distressed companies or bank loans) may have to be held for a substantial period of time before they can be liquidated. Hedge Fund and Account investments, as applicable, may include private securities which may be subject to substantial restrictions on transferability and for which there may be no readily available market. Certain illiquid and restricted investments held by the Hedge Funds and the Account, as applicable, may be segregated as Designated Investments and subject to further restriction, and may represent capital not available for withdrawal or redemption. Such investments may be difficult to value.

Investments in High Yield and Distressed Securities. High yield and distressed securities are generally not exchange traded and, as a result, these instruments trade in a smaller secondary market than exchange-traded bonds. P&S may invest Client assets in credit instruments of issuers that do not have publicly traded equity securities, making it more difficult to hedge the risks associated with such investments. High-yield securities that are below investment grade or unrated face ongoing uncertainties and exposure to adverse business, financial or economic conditions which could lead to the issuer's inability to meet timely interest and principal payments. The market values of certain of these lower-rated and unrated debt securities tend to reflect individual corporate developments and economic conditions to a greater extent than do higher-rated

securities. Companies that issue such securities are often highly leveraged and may not have more traditional methods of financing. It is possible that an economic recession could disrupt the market for such securities and may have an adverse impact on the value of such securities. In addition, it is possible that any such economic downturn could adversely affect the ability of the issuers to repay principal and pay interest thereon and increase the incidence of default. Such investments involve a substantial degree of risk and could result in substantial losses to Clients.

The terms and conditions associated with credit instruments, particularly high yield and distressed securities, are often complex and require a sophisticated level of evaluation of financial, operational and legal matters. There is no assurance that P&S will correctly evaluate the value of a company's assets, the terms of its debt instruments or the prospects for a successful reorganization or similar action. Investments in these securities require active monitoring; however, the investment strategies of the Credit Funds and GrayFin Funds, as applicable, do not extend to taking an active position with respect to any such issuer in which either Hedge Fund holds an interest. Accordingly, the Credit Funds and GrayFin Funds, as applicable, do not intend on placing representatives on any "creditors' committee" or ad hoc group with respect to any issuer of such credit instruments held by either Hedge Fund.

Fixed Income Securities. Fixed income securities (including bonds, notes and debentures issued by corporations; debt securities issued or guaranteed by the U.S. Government or one of its agencies or instrumentalities; and commercial paper) pay fixed, variable or floating rates of interest. The value of fixed income securities will change in response to fluctuations in interest rates. In addition, the value of certain fixed-income securities can fluctuate in response to perceptions of credit worthiness, political stability or soundness of economic policies. Fixed income securities are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (i.e., credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (i.e., market risk).

Subordinated Securities. A holder of securities that are subordinated or "junior" to more senior securities of an issuer is entitled to payment after holders of more senior securities of the issuer. Subordinated securities are more likely to suffer a credit loss than non-subordinated securities of the same issuer, any loss incurred by the subordinated securities is likely to be proportionately greater, and any recovery of interest or principal may take more time. As a result, even a perceived decline in creditworthiness of the issuer is likely to have a greater impact on such securities.

General Market and Risks of Credit Obligations. Credit portfolios are subject to credit risk and interest rate risk. "Credit risk" refers to the likelihood that an issuer will default in the payment of principal and/or interest on an instrument. Financial strength and solvency of an issuer are the primary factors influencing credit risk. In addition, inadequacy of collateral or credit enhancement for a debt instrument may affect its credit risk. Credit risk may change over the life of an instrument, and debt obligations which are rated by rating agencies are often reviewed and may be subject to downgrade. "Interest rate risk" refers to the risks associated with market changes in interest rates. Interest rate changes may affect the value of a debt instrument indirectly (especially in the case of fixed rate securities) and directly (especially in the case of instruments whose rates are adjustable). In general, rising interest rates will negatively impact the price of a fixed rate debt

instrument and falling interest rates will have a positive effect on price. Adjustable rate instruments also react to interest rate changes in a similar manner although generally to a lesser degree (depending, however, on the characteristics of the reset terms, including the index chosen, frequency of reset and reset caps or floors, among other factors). Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules.

Investments in Bankrupt or Restructured Companies. Some issuers of securities may be involved in bankruptcy or other reorganization proceedings which involve a substantial degree of risk. Many of the events within a bankruptcy case are adversarial and often beyond the control of the creditors. Accordingly, a bankruptcy court may approve actions that are contrary to the interests of P&S's Clients.

Generally, the duration of a bankruptcy case can only be roughly estimated. The process can involve substantial legal, professional and administrative costs; it is subject to unpredictable and lengthy delays; and during the process the company's competitive position may erode, key management may depart and the company may not be able to invest adequately. In some cases, the company may not be able to reorganize and may be required to liquidate assets. Although P&S intends to invest Client assets primarily in debt, the debt of companies in financial reorganization will in most cases not pay current interest, may not accrue interest during reorganization and may be adversely affected by an erosion of the issuer's fundamental values. These investments can result in a total loss of principal.

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

P&S may purchase creditor claims subsequent to the beginning of a bankruptcy case. Under judicial decisions, it is possible that the bankruptcy court may disallow those purchases if the court determines that the buyer has taken unfair advantage of an unsophisticated seller, which may result in the termination of the transaction (presumably at the original purchase price) or forfeiture by the purchaser.

Foreign Securities. P&S intends to make investments for its Clients in securities of non-U.S. issuers, including some issuers located in emerging markets. These investments involve substantial risks not typically associated with investing in U.S. securities. Foreign securities investments may be affected by changes in currency rates or exchange control regulations, changes in governmental administration or economic or monetary policy (in the United States and abroad) or changed circumstances in dealings between nations. Changes in foreign currency exchange rates relative to the U.S. dollar will affect the U.S. dollar value of assets denominated in that currency and thereby impact a Client's total return on such assets. There can be no assurance that hedging transactions will be effective.

Investments in foreign securities, particularly emerging markets, may also have risks relating to political and economic developments abroad, including the possibility of expropriations or confiscatory taxation, limitations on the use or transfer of assets owned by Clients and any effects of foreign social, economic or political instability. Foreign companies are not subject to the same regulatory requirements of U.S. companies and, therefore, may be less publicly available information about such companies. Foreign companies are not subject to uniform accounting, auditing and financial reporting standards and requirements comparable to those applicable to U.S. companies. Finally, in the event of a default of any foreign debt obligations, it may be more difficult for Clients to obtain or enforce a judgment against the issuers of those securities.

Securities of foreign issuers may be less liquid than comparable securities of U.S. issuers and, as such, their price changes may be more volatile. Foreign exchanges and broker-dealers are generally subject to less government and exchange scrutiny and regulation than their American counterparts. Brokerage commissions, dealer concessions and other transaction costs may be higher on foreign markets than in the U.S. Additionally, differences in clearance and settlement procedures on foreign markets may cause delays in settlements of trades executed in such markets.

Repatriation of investment income, capital and the proceeds of sales by foreign investors may require governmental registration and/or approval. Delays in or a refusal to grant any required governmental registration or approval for such repatriation or withholding taxes imposed by the government of an emerging country may adversely impact Clients.

Taxation of dividends, interest and capital gains received by non-residents varies among countries and, in some cases, is comparatively high. In addition, some countries have tax laws and procedures that may permit retroactive taxation so that Clients could in the future become subject to local tax liability that were not reasonably anticipated in conducting investment activities or valuing assets.

The legal systems in emerging markets are often not as sophisticated as those in the U.S. and other developed countries and may be difficult to predict with any degree of assurance. The issuers of sovereign debt securities, particularly in emerging markets, have in the past experienced substantial difficulties in servicing their external debt obligations, which have led to defaults on certain obligations and the restructuring of certain indebtedness.

Contingent Liabilities. Investment activities may result in contingent liabilities from time to time. Clients may be deemed to enter into agreements pursuant to which they agree to assume responsibility for default risk presented by a third party. Clients may, on the other hand, enter into agreements through which third parties offer default protection to them.

Use of Leverage. The Adviser expects to employ direct leverage through margin borrowing and other debt to increase the amount of capital available for investments and also financial leverage through investing in options, swaps, forwards and other derivative instruments. For the Hedge Funds, there are no restrictions on the amount of leverage that may be used and the amount of leverage may be significant from time to time. The use of leverage decreases returns and can increase losses where a Client fails to earn as much on investments made with borrowed funds as it pays to borrow them. The cumulative effect of the use of leverage in a market that moves

adversely to a Client(s)' investments could result in substantial losses, including the risk of a total loss of capital, which would be greater than if the Client investment had not been leveraged. Interest and borrowing rates generally are expenses borne by Clients and will therefore affect Client operating results; there is no guarantee that P&S can obtain sufficient leverage on behalf of its Clients to obtain desired results.

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

To the extent that a prime broker, counterparty or other credit provider elects immediately to amend margin and pricing terms, terminate an ISDA or declare a default under a credit agreement, such action may limit the amount of available leverage, or affect the cost of leverage. The counterparty may close out positions under the relevant agreement at prices determined by the counterparty and setoff other amounts owed by the counterparty which will likely result in substantial losses to the Client holding such positions. A termination of an ISDA or a declaration of default under a credit agreement by a counterparty may also permit other counterparties to exercise similar rights against the Client under the cross-acceleration provisions of other financing agreements. It is expected that a broad-based increase in margin among hedge funds generally is likely to have an adverse impact on the market values of the investments held by the Hedge Funds because a reduction in available leverage for hedge funds will decrease demand and increase supply of the relevant investments.

Short Sales. A portion of the investment program for Clients may include short selling. Short sales are sales of securities a Client borrows but does not actually own, usually made with the anticipation that the prices of the securities will decrease and Clients will be able to make a profit by purchasing the securities at a later date at the lower prices. Clients will incur a loss on a short sale if the price of the security increases prior to the time it purchases the security to replace the borrowed security. A short sale presents greater risk than purchasing a security outright since there is no ceiling on the possible cost of replacing the borrowed security, whereas the risk of loss on a "long" position is limited to the purchase price of the security. Closing out a short position may cause the security to rise further in value creating a greater loss.

Short sale transactions continue to be subject to regulatory scrutiny, including the imposition of regulatory restrictions on short selling certain securities in one or more markets in which P&S trades, like the Short Selling Regulation adopted in the European Union. P&S's ability to execute a short selling strategy may be materially adversely impacted by temporary and/or new permanent rules, interpretations, prohibitions, and restrictions adopted in response to these adverse market events. The SEC, its foreign counterparts, other governmental authorities and/or self-regulatory organizations might impose new or different limitations and/or prohibitions on short selling from time to time, and with little or no advance notice.

Such regulations or prohibitions may impose restrictions that adversely affect the ability to borrow certain securities in connection with short sale transactions. In addition, traditional lenders of

securities might be less likely to lend securities under certain market conditions. As a result, P&S may not be able to effectively pursue a short selling strategy on behalf of its Clients due to a limited supply of securities available for borrowing. Moreover, the ability to continue to borrow a security is not guaranteed. Certain action or inaction by third parties, such as executing broker-dealers or clearing broker-dealers, may materially impact the ability to effect short sale transactions.

Portfolio Turnover. A Client may hold certain investments for a short period prior to rolling them into new investments or selling them. As described above in Item 8.A., the GrayFin Funds expect to trade more frequently than it does for the Credit Funds (and the Account). Therefore, the GrayFin Fund's investment strategy will likely result in a short holding period for certain of the GrayFin Fund's investments before those investments are rolled over into new investments or sold. The GrayFin Fund's portfolio turnover rate may be significant as a result. Frequent trading by any Client may result in the recognition of any investment gains on a more frequent basis than other investment strategies. As a result, many of such Client's gains likely will not qualify for the holding period needed for long-term capital gains tax treatment. Frequent trading may also result in higher total commission charges and other transaction costs and expenses for Clients.

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

Concentration of Investments. P&S will generally seek to maintain a diversified portfolio for the Credit Funds, but is not limited in the amount of capital which it may commit to any one investment, type of security, sector or geographic location. Accordingly, although P&S expects to spread capital among a number of investments for the Credit Funds, it may depart from such policy from time to time and the Credit Funds may hold a few, relatively large positions. GrayFin Fund investors have no assurance regarding the degree of diversification of its investments. Accordingly, P&S is not limited by the amount of GrayFin Fund capital which it may commit to any one investment, type of security, sector or geographic location. As a result, the GrayFin Fund's investments may be concentrated in a few, relatively large positions. The result of such concentration of investments in either Hedge Fund is that a loss in any such position could have a material adverse impact on such Client's capital.

Investments in Options. Investing in options can provide a greater potential for profit or loss than an equivalent investment in the underlying asset. The value of an option may decline because of a change in the value of the underlying asset relative to the strike price, the passage of time, changes in the market's perception as to the future price behavior of the underlying asset, or any combination thereof. In the case of the purchase of an option, the risk of loss of an investor's entire investment (i.e., the premium paid plus transaction charges) reflects the nature of an option as a "wasting asset" that may become worthless when the option expires. Where an option is

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

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

P&S expects to invest Client assets in credit default swaps (see below) and may also invest in interest rate, currency and other swaps. In a typical interest rate swap, one party agrees to make regular payments equal to a floating interest rate times a “notional principal amount,” in return for payments equal to a fixed rate times the same amount, for a specified period of time. In a currency swap, the parties generally enter into an agreement to pay interest streams in one currency based on a specified rate in exchange for receiving interest streams denominated in another currency. Currency swaps may involve initial, periodic and final exchanges of the currency that correspond to the agreed upon notional amount. Changes in interest rates and in foreign exchange rates may negatively affect interest rate and currency swaps, respectively.

Credit Default Swaps. 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 institution which owns corporate debt instruments can purchase a limited form of default protection by entering into a credit default swap with another bank, broker-dealer or financial intermediary. Upon an event of default, the swap may be terminated in one of two ways: (i) by the purchaser of credit protection delivering the referenced instrument to the swap counterparty and receiving a payment of par value, or (ii) by the parties pairing off payments, with the purchaser of the protection receiving a payment equal to the par value of the reference security less the price at which the reference security trades subsequent to default. The first method is the more common form of credit default swap termination.

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 can be used to implement P&S’s view that a particular credit, or group of credits, will experience credit improvement. In the case of expected credit

improvement, P&S may sell credit default protection and receive a premium to take on the risk. In such an instance, the obligation to make payments upon the occurrence of a credit event creates leveraged exposure to the credit risk of the referenced entity. P&S may also “purchase” credit default protection even in the case in which we do not own the referenced instrument and we believe there is a high likelihood of credit deterioration.

The credit default swap market in high yield securities is relatively new and rapidly evolving compared to the credit default swap market for more seasoned and liquid investment grade securities. Swap transactions dependent upon credit events are priced incorporating many variables, including, for example, the pricing and volatility of the common stock, potential loss upon default and the shape of the U.S. Treasury Yield curve, among other factors. As such, there are many factors upon which market participants may have divergent views. P&S may also enter into credit default swap transactions even if the credit outlook is positive, if we believe that participants in the marketplace have incorrectly valued the components which determine the value of a swap.

Convertible Securities. Convertible securities are bonds, debentures, notes, preferred stocks or other securities that are convertible into a fixed number of shares of equity, usually of the same issuer, within a particular period of time. These securities have embedded call options and the issuer may exercise these call options prior to maturity of the instrument, or at a price lower than the purchase price. Additionally, an issuer may increase its equity dividend without a corresponding rise in associated convertible instruments' current yield, potentially reducing or eliminating the value of the convertible as opposed to equity ownership. Convertible securities are exposed to changes in the ownership or management of the issuer which may change the conversion terms and options of the instruments, in addition to general market, currency, and default risks. Many issuers of convertible securities are in uncertain financial condition and the convertible securities may not be investment-grade and will involve correspondingly increased risk of default.

Forward Trading. Forward trading involves contracting for the purchase or sale of a specific quantity of, among other things, a financial instrument at the current price thereof, with delivery and settlement at a specified future date. The principal risks relating to the use of forwards are: (a) when used for hedging purposes, the possible imperfect correlation between the prices of the forwards and the market value of the securities or currencies in a portfolio intended to be hedged by the forwards; (b) possible lack of a liquid secondary market for closing out a forwards position; (c) losses on forwards resulting from interest rate or currency movements not anticipated by P&S; and (d) the risk of counterparty defaults.

Counterparty Risk. Some of the markets in which we effect transactions are “over-the-counter” or “interdealer” markets. The participants in such markets are typically not subject to the credit evaluation and regulatory oversight to which members of “exchange-based” markets are subject. This exposes Clients to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing Clients to suffer a loss. Such “counterparty risk” is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where a portfolio has concentrated transactions with a single or small

group of counterparties. Counterparties in foreign markets face increased risks, including the risk of being taken over by the government or becoming bankrupt with limited if any rights for creditors. The absence of a regulated market to facilitate settlement may increase the potential for losses by Clients. Separately managed accounts are responsible for negotiating their own agreements with counterparties. Their ability to transact with certain counterparties may be delayed or prohibited by this responsibility.

Bank Loans. As a result of the additional debt incurred by the borrower in the course of a bank loan, the borrower's creditworthiness is often judged by the ratings agencies to be below investment grade. The bank loans we acquire are likely to be below investment-grade and may not be rated.

Mezzanine Investments. Mezzanine investments are usually privately negotiated subordinated debt and equity securities issued in connection with leveraged transactions, such as management buyouts, acquisitions, refinancing, recapitalizations, later stage growth financings, and are generally rated below investment-grade or not-rated. Mezzanine investments may also include investments with equity participation features such as warrants, convertible securities, senior equity investments and common stock. Mezzanine investments are subject to the same risks associated with high-yield securities. Additional risks include the relative illiquidity of the investment, due to the relatively small number of holders of any particular mezzanine investment.

Hedging. P&S expects to utilize certain financial instruments and investment techniques for risk management or hedging purposes in Client accounts. There is no assurance that such risk management and hedging strategies will be successful as such success will depend on, among other factors, our ability to predict the future correlation, if any, between the performance of the instruments utilized for hedging purposes and the performance of the investments being hedged. Since the characteristics of many securities change as markets change or time passes, the success of our hedging strategies may also be subject to our ability to correctly readjust and execute hedges in an efficient and timely manner. There is also a risk that such correlation will change over time rendering the hedge ineffective. Client portfolios are not expected to be hedged at all times and at various times we may elect to be more fully hedged and at other time hedged only to a limited extent, if at all. Accordingly, Client assets may not be adequately protected from market volatility and other conditions.

Cybersecurity Risk. As part of its business, P&S processes, stores and transmits large amounts of electronic information, including information relating to the transactions of the Clients and personally identifiable information of investors, and must therefore rely in part on digital and network technologies ("cyber networks") to maintain substantial computerized data about activities for Client accounts and otherwise conduct its business.

Similarly, service providers of P&S and its Clients, especially the administrator of a Client, may process, store and transmit such information. P&S has procedures and systems in place to protect such information and prevent data loss and security breaches. However, such measures cannot provide absolute security. A cybersecurity breach of P&S's information systems may cause information relating to the transactions of Clients and personally identifiable information of the investors to be lost or improperly accessed, used or disclosed.

Cybersecurity breaches can include unauthorized access to systems, networks or devices; infections from computer viruses or other malicious software code; and attacks that shut down, disable, slow, overwhelm or otherwise disrupt operations, business processes or website access or functionality. Cybersecurity breaches may cause disruptions and negatively impact business operations, potentially resulting in financial losses to a Client; interference with the Adviser's ability to calculate the value of an investment in a Client; impediments to trading; the ability of the Adviser and its service providers to transact business; violations of applicable privacy and other laws and regulations; regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs; as well as the inadvertent release of confidential information.

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

Similar adverse consequences could result from cybersecurity breaches affecting issuers of securities in which a Client invests; counterparties with which a Client engages in transactions; governmental and other regulatory authorities; exchange and other financial market operators, banks, brokers, dealers, insurance companies and other financial institutions; and other third parties. In addition, substantial costs may be incurred by these entities in order to prevent any cybersecurity breaches in the future.

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

COVID-19 Pandemic. During the first quarter of 2020, there has been a global outbreak of a novel and highly contagious form of coronavirus ("COVID-19") throughout the world including the United States. The World Health Organization has declared the outbreak to be a pandemic, and the U.S. Health and Human Services Secretary has declared it a public health emergency in the United States. The U.S. and global financial markets have experienced significant volatility and their economies and businesses have been significantly impacted by COVID-19. These events are ongoing and unpredictable.

The impact of the outbreak of COVID-19 has been and will likely continue to be extensive in many aspects of society. In addition to the significant health impacts, the outbreak has adversely impacted global commercial activity, and led (and will likely continue to lead) to significant uncertainty and disruptions in the global financial markets and the economies of nations. Many countries have, from time to time depending on certain health metrics, instituted quarantines, prohibitions on travel and the closure of offices, businesses, schools, retail stores and other public venues. Businesses are also implementing similar precautionary measures. Such measures, as well

as the general uncertainty surrounding the dangers and impact of COVID-19, are creating significant disruption in supply chains and economic activity. Consumer, corporate and financial confidence is being materially adversely affected by this outbreak. Such erosion of confidence may lead to or extend to a localized or global economic downturn. Such health crisis could exacerbate political, social, and economic risks and result in significant breakdowns, delays, and other disruptions to the economy, with potential corresponding results on the performance of the Clients and their investments. The global impact of this pandemic continues to evolve, and it is impossible to predict the scope of its impact on the global economy or the global financial markets.

The COVID-19 crisis has already led to certain governmental interventions that were implemented on an “emergency” basis, suddenly and, in certain circumstances, substantially eliminating some market participants’ ability to continue to implement certain strategies or manage the risk of their outstanding positions. Additional governmental intervention is likely to occur and the impact on the Clients and their investments cannot be predicted. Additionally, no assurances can be made regarding the policies that may be adopted by the Federal Reserve, the federal government (including regulatory agencies), any state government, or any foreign government as a result of the outbreak and/or market volatility. In addition, the impact of infectious diseases in developing or emerging countries may be greater due to limited health care resources. Political, economic and social stresses caused by COVID-19 also may exacerbate other pre-existing political, economic and social risks in certain countries.

This outbreak of COVID-19, or any future, similar epidemic or pandemic, could have a significant adverse impact on the Clients and their investments, could adversely affect a Client’s ability to fulfill its investment objectives, and could result in significant losses to the Client. The extent of the impact of any outbreak on the performance of the Clients and their investments depends on many factors, including the duration and scope of such outbreak, the development and distribution of treatments and vaccines, the extent of its disruption to important global, regional and local supply chains, economic markets, and overall supply and demand, investor liquidity, consumer confidence and levels of economic activity, all of which are highly uncertain and cannot be predicted.

Additional information on material market risks is disclosed in the applicable confidential offering memorandum for the Hedge Funds.

Item 9. Disciplinary Information

There are no legal or disciplinary events to report that would be material to a Client or prospective Client’s evaluation of P&S’s advisory business.

Item 10. Other Financial Industry Activities and Affiliations

As previously noted above in Item 4. A., P&S and the General Partner are under common control with Moelis & Company Group LP (“Moelis Advisory”), a global investment bank whose parent, Moelis & Company (MC), is publicly listed on the New York Stock Exchange and Moelis & Company LLC, a SEC-registered broker-dealer and indirect subsidiary of Moelis & Company.

Although under common control, Moelis Advisory and P&S generally operate as independent unrelated parties. However, Moelis Advisory and the Adviser's indirect parent, Moelis Asset Management LP, provide certain services to each other pursuant to a Master Services Agreement. In connection with the Master Services Agreement, Moelis Advisory and P&S have established certain policies and procedures designed to prevent certain non-public information relating to their respective businesses from being disclosed to each other, and to permit each of them to conduct their ordinary course business activities with as few restrictions as practicable and without regard to the other's business activities.

P&S Credit Partners, LLC is considered a "relying adviser" on P&S's SEC registration under Section 203(a) and Section 208(d) of the Advisers Act as P&S reports on its Form ADV, Part 1, Sections 1-4 of Schedule R.

P&S Credit Partners, LLC serves as the General Partner of the Credit Onshore Fund, Credit Master Fund, GrayFin Onshore Fund and GrayFin Master Fund. Alex Koundourakis, an employee of P&S, also serves as a non-compensated director of the Credit Offshore Fund and GrayFin Offshore Fund.

P&S, the General Partner and the respective employees and agents thereof will devote such time and effort to the Clients and their affairs as they deem necessary and appropriate. P&S, the General Partner and the employees and agents thereof may engage in other activities, including providing investment management and advisory services to other entities.

P&S and any of its affiliates may give advice or take action with respect to any other accounts for which they may act (including those that have investment objectives and/or investment strategies similar to the Hedge Funds) which may be the same as or different from the advice given or the timing or nature of any action taken with respect to investments of the Hedge Funds. Allocation of investment opportunities among various accounts will be made in their judgment based upon the investment objectives and investment portfolios of the Hedge Funds and such other accounts. When the purchase and sale of securities is considered to be in the best interest of the Hedge Funds and other accounts (including the Account), the securities to be purchased or sold may be aggregated in order to obtain superior execution and/or lower brokerage expenses. Execution prices for identical securities purchased or sold on behalf of multiple accounts in any one business day may be averaged. In such events, allocation of prices, as well as expenses incurred in the transaction, shall be made in a manner P&S considers to be equally as favorable to one client as to any other party.

P&S has procedures in place which seek to mitigate actual and potential conflicts of interest between P&S, its employees, and the Moelis Asset Management LP affiliates. For example, it is our policy not to conduct any brokerage business through any affiliated broker-dealers. Information barriers have been put in place to prevent the dissemination of material non-public information between P&S and its affiliates as discussed above.

Certain employees of the Adviser with responsibility for accounting and operations matters have provided certain accounting and operations services for compensation to other entities owned by Moelis Asset Management LP in the past and may provide such services to additional Moelis Asset Management LP advisory affiliates or joint ventures in the future. If such services are provided, such employees will be subject to certain additional restrictions on information flow and on

personal trading as a result of providing such services, but it is possible that these activities might result in the Hedge Funds being restricted from buying or selling certain investments.

P&S and the General Partner each rely on CFTC Regulation 4.13(a)(3) exemption from registration with the CFTC as a commodity pool operator with respect to each of the Credit Funds and GrayFin Funds. P&S relies on CFTC Regulation 4.14(A)(8) exemption from registration with the CFTC as a commodity trading advisor. Direct commodity investment is not a primary activity for the Adviser.

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

A. Code of Ethics

P&S has adopted a Code of Ethics in accordance with Rule 204A-1 under the Advisers Act. The Code of Ethics applies to P&S's access persons (which term includes all employees of the firm) and sets forth a standard of business conduct that takes into account P&S's status as a fiduciary and requires all access persons to place the interests of Clients and investors above their own interests. The Code of Ethics requires access persons to comply with applicable federal securities laws. Further, access persons are required to promptly bring violations of the Code of Ethics to the attention of P&S's Chief Compliance Officer (or a member of P&S's Compliance Committee).

The Code of Ethics includes provisions relating to: (i) the proper use and safeguarding of confidential Client information; (ii) a prohibition against securities transactions when in possession of material nonpublic information (the "Insider Trading Policy"); (iii) identifying conflicts of interests, including outside business activities and gifts and business entertainment; and (iv) personal securities transactions policies that require P&S's access persons to, among other things, disclose their personal securities holdings and transactions to P&S in accordance with Rule 204A-1 and pre-clear certain types of personal securities transactions.

Access persons (i.e., all employees) at P&S are provided with a copy of the Code of Ethics and are required to acknowledge receipt and certify to their compliance with the terms of the Code of Ethics on at least an annual basis, or as amended. All employees receive periodic training on the Code of Ethics, insider trading and other compliance matters. The Code of Ethics applies to all activities undertaken by a P&S employee in the course of his or her employment, including activities that may be provided to Moelis Asset Management LP advisory affiliates and joint ventures as discussed in Item 10 above. Additional compliance policies will apply to the provision of such services by such P&S employees.

Clients or prospective Clients may obtain a complete copy of P&S's Code of Ethics by contacting Brad D. Wagner, P&S's Chief Compliance Officer, by email at wagner@graciecap.com, or by telephone at (212) 527-8280.

B. Client Transactions in Securities where Adviser has a Material Financial Interest

P&S anticipates that, in certain circumstances, consistent with Clients' investment objectives, it will purchase or sell securities for Clients in which P&S or its affiliates, directly or indirectly, have a position of interest. P&S's employees are required to follow the P&S Code of Ethics which includes provisions addressing potential conflicts of interest. Subject to satisfying this policy and applicable laws, officers, directors and employees of P&S and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased or sold for Clients.

It is P&S's policy that the firm will not affect any principal or agency cross securities transactions for Client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys a security from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another Client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer. It is the Adviser's policy not to conduct transactions through any Moelis affiliated broker-dealer.

In certain circumstances, consistent with a Client's applicable investment and operating guidelines, P&S may effect "cross trades" or "cross-transactions", through unaffiliated broker-dealers or by "journal entry", between Client accounts, typically for purposes of rebalancing portfolio positions across such Client accounts in which neither P&S nor a related person will charge any fees to effect such cross trade. A cross trade may be effected if P&S determines the transaction to be in the best interests of the Client accounts. Generally, an asset will be transferred at a price equal to the fair market value of the asset on the transfer date, as determined in accordance with P&S's valuation policies. Cross trades for Client accounts subject to ERISA requirements will be effected, if at all, pursuant to an available exemption under ERISA. P&S will effect purchases and sales of securities between Client accounts, if at all, only if it determines such transactions are appropriate and in the best interests of such Client accounts based on each Client account's investment objectives and guidelines, subject to applicable law and regulation. When effecting cross-transactions between Client accounts, P&S may have potentially conflicting division of loyalties and responsibilities with respect to each participating Client Account. Although P&S would only engage in a cross trade in the event it believes such trade is in the best interests of each Client account, it is possible that if the securities were purchased or sold with a third party, a better price could be obtained.

C. Investing in Securities Recommended to Clients

The Code of Ethics is designed to ensure that the Adviser's employees conduct their personal securities transactions in such a manner as to avoid putting their own personal interests ahead of the Clients and to avoid conflicts of interest. The Code of Ethics requires pre-clearance of the majority of personal securities transactions by employees prior to execution of such transactions. Permitting employees to invest in the same (or related) securities as the Clients creates a conflict

of interest, including that employees might benefit from market activity by a Client. Personal account trading by employees is regularly monitored under the Code of Ethics.

Item 12. Brokerage Practices

A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions.

P&S is responsible for selecting broker-dealers to execute trades and the negotiation of any commissions paid on such transactions. P&S's primary consideration in placing transactions with particular broker-dealers is to obtain best execution. P&S also takes into account a variety of other factors, which may include, but shall not be limited to:

- Price quotes;
- Size of the transaction;
- Nature of the market for the security;
- Timing of the transaction; difficulty of execution;
- Broker-dealer's expertise in the specific security or sector in which P&S seeks to trade;
- Research products or services provided;
- Extent to which the broker-dealer makes a market in the security involved or has access to such markets;
- Availability of accurate information regarding the market for the security;
- Broker-dealer's skill in positioning the securities involved; the broker-dealer's promptness of execution;
- Broker-dealer's financial stability;
- Adequacy of the broker-dealer's trading infrastructure, technology and capital;
- Broker-dealer's reputation for diligence, fairness and integrity;
- Quality of service rendered by the broker-dealer in other transactions for P&S;
- Confidentiality considerations;
- Availability of stocks to borrow for short trades; and,
- Broker-dealer's ability to accommodate any special execution or order handling requirements that may surround the particular transaction.

P&S need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost or spread.

1. Research and Other Soft Dollar Benefits.

P&S may also consider the quality, comprehensiveness and frequency of available research and other products and services considered to be of value. P&S is authorized to pay higher prices for the purchase of securities from or accept lower prices for the sale of securities to brokerage firms that provide it with such research and other products and services or to pay higher commissions to such firms if P&S determines such prices or commissions are reasonable in relation to the overall services provided. Accordingly, Clients advised by P&S may be deemed to be paying for research and other products and services with "soft"

or Client commission dollars. “Soft dollar” arrangements generally arise when the Adviser receives research or brokerage products and services other than execution from a broker-dealer and/or a third party in exchange for placing Client securities transactions with that broker-dealer. “Soft dollars” is referred to that portion of a Client commission that exceeds the lowest possible commission rate available from the broker-dealer that is used to purchase eligible research or brokerage services by the Adviser. The use of Client commissions (or markups or markdowns) to obtain research and brokerage products and services may create certain conflicts of interest. Research products and other brokerage products and services paid for with commission dollars generated by trades for one Client may also be utilized by P&S in connection with its investment services for other Clients. When P&S uses Client brokerage commissions to obtain certain research or other products or services, P&S receives a benefit because it does not have to produce or pay for the research, products or services. This creates an incentive for P&S to select or recommend a broker-dealer based on its interest in receiving the research products or other brokerage products and services rather than the interest of its Clients in receiving most favorable execution.

Section 28(e) of the U.S. Securities Exchange Act of 1934, as amended (“Section 28(e)”), provides a “safe harbor” to investment managers who use commission dollars of their advised accounts to obtain certain investment research and brokerage products and services that provide lawful and appropriate assistance to the manager in performing investment decision-making responsibilities. P&S may use “soft” or commission dollars to pay for certain research or other products and services offered by a broker-dealer executing trades for Clients that fall within the safe harbor created by Section 28(e), as interpreted by the SEC and its staff.

Although P&S is authorized to use “soft” or commission dollars to pay for Section 28(e) eligible investment research and brokerage products and services, it does not currently have any formal “soft” dollar or client commission arrangements and did not acquire or receive any research or other products or services other than execution from a broker-dealer and/or a third party in connection with Client securities transactions during 2020; however, it is possible P&S may use “soft” or commission dollars for such purposes in the future.

2. **Brokerage for Client Referrals**

P&S does not and has not received any direct client referrals from any broker-dealers in exchange for brokerage business during 2020.

3. **Directed Brokerage.**

P&S does not routinely recommend, request, or require the execution of transactions through a specified broker-dealer. Additionally, P&S does not have any directed brokerage arrangements and does not currently permit directed brokerage arrangements.

B. Order Aggregation

P&S may give advice or take action with respect to any Client which may be the same as or different from the advice given or the timing or nature of any action taken with respect to investments of another Client. Allocation of investment opportunities among various Clients will be made in the judgment of P&S based upon the investment objectives of the Clients. When the purchase or sale of securities is considered to be in the best interest of more than one Client at the same time, the securities to be purchased or sold may be aggregated in order to seek best execution and/or lower brokerage expenses. Execution prices for identical securities purchased or sold on behalf of multiple Clients in any one business day may be averaged. In such events, allocations shall be made in a manner considered to be equally as favorable to all Clients participating in the order.

P&S may have incentives to allocate certain positions to one or more particular Client account but not to other Clients due to how the different portfolio compositions of each Client account can impact the performance of any such entity and the resulting Incentive Fee or Performance Allocation, as applicable. P&S has developed internal policies designed to allocate trades on a fair and equitable basis and identify such conflicts of interest in making investment decisions for the Clients. Such policies include a requirement to document the investment basis on which an allocation is made when it is made on other than a pro rata basis (taking into account the differing investment objectives and profiles of each Client) and that the Adviser's Chief Compliance Officer periodically reviews such allocations and the reasons therefore.

Item 13. Review of Accounts

A. Frequency and Nature of Review

The Adviser's investment management team, led by the portfolio managers, review each Client account on a frequent and regular basis. To assist in this effort, P&S generates various portfolio, performance, exposure and risk reports on a daily, weekly, monthly, quarterly and periodic basis, which are reviewed and monitored by the portfolio managers and Head of Credit Trading on a continuous basis to determine, among other things, whether account positions should be maintained or adjusted in light of position-specific information, current market conditions and/or internal risk and portfolio composition analysis and guidelines. Investment selection, portfolio and risk management reviews are also conducted on a regular and periodic basis in collaboration with P&S's investment management team and other risk, operational, internal fund administration and compliance personnel.

B. Content and Frequency of Regular Account Reports

Investors in pooled investment vehicles managed by the Adviser receive written reports pursuant to the terms of such investment vehicle's confidential offering memorandum. P&S distributes to the investors in each Hedge Fund unaudited month-end estimates of performance and a monthly report on the Hedge Funds' exposures and asset allocations. P&S also distributes quarterly investment letters to investors in the Hedge Funds, which typically include a general discussion on current portfolio positioning. The capital value of each investor's investment in a Hedge Fund

is independently calculated and reported by the Hedge Fund's third party administrator, Citco Fund Services (the "Administrator"), and distributed to underlying investors by the Administrator. Additionally, the Administrator provides a quarterly report to underlying investors with information on, among other matters, pricing verification and asset confirmation. Investors in each Hedge Fund also receive audited financial statements within 120 days following the end of each Hedge Fund's fiscal year. Certain investors may, upon request, receive additional reporting information, including weekly estimates of performance.

The Account receives trade reporting and reconciliations on a daily basis and full details in regard to cash balances, transaction activity, and net asset value support on a monthly basis pursuant to the terms of the investment management agreement between the Adviser and the Account.

P&S or the Administrator on its behalf may deliver the foregoing reports in electronic format with the consent of the investors. The Hedge Funds, the General Partner, the Adviser and the Administrator do not guarantee the security of any information transmitted through e-mail and will not be liable for any interception, corruption or delays of investor communications. Please see Item 8. B. above for a more complete description of the risks associated with the processing, storage and transmission of electronic information relating to the transactions of the Clients and personally identifiable information of investors by the Adviser and its service providers, including the Administrator.

Item 14. Client Referrals and Other Compensation

Although P&S has in the past and may in the future enter into solicitation agreements with unaffiliated third parties in connection with marketing to prospective investors in the Hedge Funds, currently, P&S does not receive economic benefits from non-clients for providing investment advice and other advisory services. Please see Item 12 above for a discussion of P&S's policy regarding the use of soft dollars and the related receipt of economic benefits from non-clients for providing services to Clients.

Item 15. Custody

Although P&S will not take or maintain physical custody of any Client funds or securities, under Rule 206(4)-2 of the Advisers Act (the "Custody Rule"), P&S is deemed to have custody of certain of its Client assets because it or its affiliate has the authority to obtain or acts in a capacity as the General Partner of the Hedge Funds with the authority to obtain Client funds or securities, for example, by deducting advisory fees from a Client's account or otherwise withdrawing funds from a Client's account. P&S maintains all Hedge Fund assets in the safekeeping of independent "qualified custodians", as that term is defined under the Custody Rule; generally unaffiliated broker-dealers or banks.

Rule 206(4)-2 under the Advisers Act imposes certain requirements on registered investment advisers who have actual or deemed custody of client assets. However, pursuant to subparagraph (b)(4) of Rule 206(4)-2 (the so-called "Pooled Vehicle Annual Audit Exception"), P&S is deemed to have complied with or satisfied certain of its custody obligations because, among other things,

the Hedge Funds are subject to an annual audit by an independent public accountant registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and distributes to each investor in the Hedge Funds audited financial statements prepared in accordance with U.S. generally accepted accounting principles at least annually within 120 days of the end of each Hedge Fund's fiscal year.

To the extent P&S sends account statements and other reports directly to an investor in the Hedge Funds in addition to those sent by the qualified custodian(s), the investor should compare the statements received from the custodian with the statements received from P&S.

Holders of interests in the Hedge Funds receive written quarterly statements and audited annual reports.

Item 16. Investment Discretion

P&S has complete discretionary authority to determine the type, amount and price of securities and investments to be bought and sold on behalf of each Client account, including the selection of, and commissions paid, if any, to broker-dealers. Prior to assuming generally full discretion to manage a Client's assets, P&S enters into an investment management agreement or other similar agreement with each Client account pursuant to which P&S is granted discretionary trading authority. In all cases, P&S's investment decisions and advice with respect to each Client account are subject to each such Client account's investment objectives and guidelines, as set forth in its confidential offering memorandum or investment management agreement, as applicable.

Certain Client accounts, including separate account clients, have the ability to place restrictions on their portfolios under the investment management agreement entered into with P&S. Please see Item 4 above for a further description of any limitations clients may place on P&S's discretionary authority.

Item 17. Voting Client Securities

P&S votes proxies in accordance with the proxy voting guidelines adopted by P&S, which are reasonably designed to ensure that proxies are voted in the best interests of Clients and to recognize and resolve any material conflicts of interest that may arise in the course of such voting.

Proxies are generally voted in accordance with the recommendation of the issuer's management. Non-routine matters are decided on a case-by-case basis, although generally voted in support of management. If a proxy raises material conflicts between P&S or its employees and one of its Clients, the proxy will be voted in a manner determined to be in the best interest of P&S's Clients.

Clients may obtain a copy of P&S's proxy voting policies and procedures as well as a record of proxies voted on their behalf by contacting our Chief Compliance Officer at our main business address.

Item 18. Financial Information

P&S has no financial condition that is reasonably likely to impair its ability to meet contractual commitments to Clients and has not been the subject of a bankruptcy proceeding.

Item 19. Requirements for State-Registered Advisers

This Item is not applicable since we are an SEC registered adviser.