

Form ADV Part 2A: Firm Brochure

Item 1 - Cover Page



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The date of this brochure is March 15, 2021.

This brochure provides information about the qualifications and business practices of Shelter Growth Capital Partners LLC. If you have any questions about the contents of this brochure, please contact Jay Strauss at (203) 355-6113. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.

Additional information about Shelter Growth Capital Partners LLC is also available on the SEC's website at www.adviserinfo.sec.gov.

Any reference to Shelter Growth Capital Partners LLC as a "registered investment adviser" or as being "registered" does not imply a certain level of skill or training.

Item 2 - Material Changes

The most recent update to this Form ADV Part 2A was the annual amendment filed on March 23, 2020. The only notable changes contained in this annual amendment are found in Item 4 reflecting updated Regulatory Assets Under Management, Item 8 reflecting updated applicable risk disclosures, and Item 11 reflecting affiliated party disclosures.

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Item 4 - Advisory Business

- A. Shelter Growth Capital Partners LLC ("Advisor," "SGCP", "we" or "us") is a Delaware limited liability company that was formed in November 2014 to provide investment advisory services. SGCP is owned by SGCP Holdco LLC, which is 49% owned by One Dock Partners, LP ("One Dock"). Dan Sparks, Kevin Gasvoda and Justin Mahoney control One Dock and control a majority of the Board of Managers of SGCP and SGCP Holdco LLC.
- B. SGCP pursues investment strategies on behalf of clients by seeking to provide attractive risk-adjusted returns through fundamental analysis and relative value investing primarily in the structured credit and fixed income markets. SGCP participates across markets that provide opportunities for clients to achieve their objectives including fixed income securities, loans, derivatives, equities, mortgage-related assets and other asset classes. SGCP may provide these services as advisor to funds or from time to time, separately managed accounts.
- C. SGCP manages investments for clients in accordance with the investment objectives outlined in each fund's applicable governing documents. Fund investors may not impose restrictions on investing in certain securities or types of securities. Separately managed account clients may, however, negotiate certain restrictions regarding the types of investment instruments and the level of leverage permitted.
- D. SGCP does not participate in wrap fee programs.
- E. SGCP anticipates providing advisory services to various types of clients, including, but not limited to, hedge funds, private equity funds, foundations, financial institutions, ERISA-compliant vehicles, high net worth persons (including their family offices), and charitable organizations.

As of December 31, 2020, SGCP had \$751,099,020 in regulatory assets under management.

Item 5 - Fees and Compensation

- A. Fees charged to fund clients of SGCP are detailed in the fund documents. In the case of separately managed account clients, fees are separately negotiated and described in the investment management agreement for each client. In general, SGCP typically charges both management fees and incentive fees to clients.
- B. SGCP deducts management fees periodically in advance from the accounts of its fund clients. This process is more fully described in the fund documents for each fund client. Separately managed account fees are separately negotiated and are billed to, and payable by, each separately managed account client in arrears pursuant to the investment management agreement for each separately managed account. This process may vary from client to client.
- C. Certain specific operating expenses incurred by clients of SGCP may be paid by SGCP and reimbursed by clients or paid directly from the accounts of fund clients by a fund administrator. These fees and expenses are detailed in the fund documents for each fund client or investment management agreement for each separately managed account.
- D. Management fees that are paid in advance are generally not refundable, and management fees that are paid in arrears are paid through the date of termination.
- E. Neither SGCP nor any of its supervised persons accepts compensation for the sale of securities or other investment products.

Funds and accounts managed by SGCP may enter into transactions with its affiliates, SG Capital Partners LLC, CEL Lending LLC, or another affiliate. SGCP-managed funds and accounts purchase mortgage and real estate loans and mortgage-backed securities from SG Capital Partners LLC, CEL Lending LLC or another affiliate from

time to time for investment purposes. Each such transaction is a “principal transaction” for purposes of Section 206(3) of the Investment Advisers Act of 1940 (the “Advisers Act”). SGCP has adopted a policy to address these transactions that consists of a third-party valuation company valuing any assets transferred and a committee of individuals unaffiliated with SGCP and acting on behalf of SGCP clients reviewing and approving in writing in advance based on the valuation all transactions between funds or accounts managed by SGCP and its affiliates.

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

SGCP charges performance-based fees to its clients. These performance-based fees are more fully described in the fund documents for each fund client or investment management agreement for each separately managed account. Separately managed account clients are not charged performance based fees except on a case-by-case basis as negotiated between parties.

The performance-based fee arrangements vary from client to client. SGCP advises clients to whom SGCP or its affiliates charge performance based fees at the same time that SGCP advises clients to whom SGCP does not charge performance based fees. This creates the potential for conflict of interest with respect to trade allocation as SGCP may have an incentive to favor accounts that are charged higher performance fees. SGCP is committed to providing fair and equitable allocation of trades and investment opportunities among clients regardless of any fee disparity among clients. SGCP has adopted a trade allocation policy pursuant to which trade allocations are tested periodically by the CCO or his designee to ensure fair allocation of investment opportunities among clients.

Item 7 - Types of Clients

SGCP provides advice to funds in the form of pooled investment vehicles for institutional and high net worth investors. Private funds managed by SGCP have various minimum investment amounts as more fully described in the fund documents for each such private fund client.

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

A. **Methods of Analysis, Investment Strategies:** SGCP seeks attractive risk-adjusted returns through fundamental analysis and relative value investing primarily in the structured credit and fixed income markets. SGCP participates across markets including fixed income securities, loans, mortgage-related assets, derivatives, equities and other asset classes. SGCP’s analysis of the structured credit and fixed income markets, the macro-economic environment and the general interest rate environment is conducted through a variety of means. SGCP subscribes to various publications and data services and has compiled its own detailed research database. SGCP’s analysis reflects the extensive experience of the investment team in conducting fundamental analysis and managing risk in the securities and loan markets, and the debt and equity markets generally, over a series of decades.

Risks: The following is a general summary of the potential risks related to the investments made by SGCP on behalf of clients. With respect to funds managed by SGCP, the information below is intended to be a general summary of risks that is supplemented and superseded in all respects by each fund’s applicable governing documents. SGCP may offer advisory services, engage in an investment strategy, and make any investment, including any not described in this brochure, that SGCP deems appropriate, subject to each client’s investment objectives and guidelines. Potential investors should review the governing documents in their entirety and consult their own legal, tax, and/or financial advisers before investing with SGCP. This information may be both supplemented and superseded by information in each client’s governing documents.

B. Due to the risks inherent in the investment strategy pursued by SGCP on behalf of clients, investments managed by SGCP are not suitable for all investors and can result in losses including the risk of loss of principal.

No assurance can be made that profits will be achieved or that substantial or complete losses will not be incurred. Past investment results generated by SGCP or its affiliates are not necessarily indicative of future performance.

Credit Risk

Credit risks include the risk that an investment is not paid in full and or the risk that payments are not made on time. Defaults by borrowers can impair the ability of a particular loan or security to make its payments as scheduled. SGCP attempts to manage credit risk through credit analysis, loan and security selection and, in some circumstances, the use of credit risk hedging techniques including the purchase of derivatives, indices and options on indices and securities. There can be no guarantee that these techniques will successfully mitigate the credit risks associated with investing in credit instruments. In addition, derivatives dependent upon credit events are priced incorporating many variables including the pricing and volatility of the underlying instruments, potential loss upon default and many factors which may not be easily quantified by market participants.

Non-Investment Grade Securities

SGCP may invest in non-investment grade instruments on behalf of clients. These instruments may represent opportunities for SGCP to increase investment returns on behalf of clients. However, the lack of an investment grade rating presents different and additional risks to investors, including reduced liquidity. SGCP will manage the risk of these investments through credit analysis, loan and security selection and hedging techniques. There can be no guarantee that these techniques will be successful.

Non-Qualified Mortgages

SGCP may purchase certain US residential mortgages that do not satisfy the US Consumer Financial Protection Bureau's ("CFPB") definition for a qualified mortgage in addition to qualified mortgages and secured or unsecured consumer loans. SGCP may also purchase mortgage-backed securities collateralized by non-qualified mortgages. Non-qualified mortgages create certain borrower claims that may not be available to qualified mortgage borrowers, including certain lender liability concerns present even if SGCP did not originate the loan. Lender liability concerns include but are not limited to the following: certain borrower defenses, including usury claims; representations and warranties associated with participation in the securitization of these loans; and certain liability associated with maintaining licenses or qualifications specific to the jurisdiction in which the borrowers of these loans reside, or where the underlying property exists. While SGCP may rely on certain third-party due diligence firms to determine whether such loans are originated to acceptable standards, these third party due diligence firms may be exculpated from liability and any deficiency in originations may not be discovered until many years after origination.

Concentration Risk

SGCP may invest in markets or regions in a concentrated way that results in additional risk for investors. SGCP may look to mitigate certain concentrations if it is consistent with the relevant objectives of the fund and if such diversification of risk can be achieved economically.

Market Price Volatility

Investment values will fluctuate in price due to a number of factors including movements in interest rates and credit spreads. The market price of assets held on behalf of clients may vary significantly during volatile market conditions. SGCP may employ hedging strategies in an attempt to mitigate this risk; however, there can be no guarantee that any hedging strategy employed by SGCP will be successful.

Liquidity Risk

Many of the investments that SGCP plans to hold on behalf of clients trade in the over the counter markets. These over the counter instruments may be difficult to sell at favorable prices during certain market conditions

due to lack of liquidity. SGCP will attempt to manage liquidity risk through loan and security selection, maintaining a large number of counterparty relationships, pursuing hedging activities, and attempting to secure financing terms and maturities that are consistent with the liquidity of assets, however, there is no guarantee that these strategies will be successful. Furthermore, due to the potentially limited number of counterparties in the marketplace for certain over the counter instruments, there is no guarantee that SGCP will be able to find a suitable counterparty when necessary in order to obtain liquidity. Furthermore, SGCP may be required to sell certain instruments on unfavorable terms due to unanticipated market conditions. Occasions may arise whereby previously liquid investments have rapidly become illiquid.

Investor Withdrawal Limitations

Investors are subject to certain withdrawal limits detailed in the fund documents, which may limit the amount of funds that an investor can withdraw at any given redemption date. Although investors in open-end funds or accounts managed by SGCP may request redemption of their interests on specified redemption dates, withdrawals of greater than 25% of invested capital are satisfied over successive withdrawal dates as set forth in the fund documents. The withdrawal limitations imposed by SGCP have the effect of limiting liquidity for investors.

Leverage

SGCP may use leverage in funds and client accounts for any one of a number of reasons, including enhancement of returns, and meeting withdrawals that might otherwise result in premature liquidation of investments at a loss. The use of leverage can magnify the effect of any increase or decrease in the market price of assets and thereby increase volatility.

Financing

Investments made by SGCP may be financed. Risks in relation to financing include that financing for these instruments will not be available when it is needed to fund existing levered assets or new purchases and that the term of financing may be such that SGCP will be unable to refinance at financing roll dates or have to refinance at unknown rates in the future. SGCP may attempt to mitigate this risk by diversifying financing across multiple counterparties, staggering financing maturities and, when possible, terming out financing to match the anticipated length of the investment, but there is no guarantee that these strategies will be successful.

Counterparty Risk

Trading strategies employed by SGCP may involve certain financial exposures to counterparties including but not limited to margin deposits, unsettled trades and mark to market exposure. SGCP will attempt to mitigate counterparty risk by rigorous counterparty selection, counterparty exposure analysis and diversity by number and type of counterparty. There can be no assurance that this process will reduce counterparty risk.

Market Risk

SGCP will invest in and actively trade securities and other financial instruments or assets (including derivative instruments) utilizing strategies and investment techniques with risk characteristics, including risks arising from the volatility of the debt and equity markets. The prices of the financial instruments in which SGCP invests can be volatile. Price movements of assets in which SGCP invests are influenced by, among other things, interest rates; credit; risk of default; foreign exchange rates; changing supply and demand relationships; trade, fiscal and monetary policies of governments; and political and economic events. Moreover, war, political or economic crisis, or other events may occur which can be highly disruptive to the markets, regardless of the strategies being employed. In addition, governments from time to time intervene, directly and by regulation, in certain financial markets. Such intervention often is intended to directly influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction, because of, among other things, interest rate fluctuations. Sustained cyclical market declines and periods of

unusual market volatility make it more difficult to produce positive trading results, and there can be no assurance that the strategies being employed will be successful in such markets.

Credit Ratings

In general, the credit rating assigned by a nationally recognized rating agency to a security represents such rating agency's opinion of the safety of the principal and interest payments of the rated instrument based on available information. Such ratings are relative and subjective; they are not absolute standards of quality and do not evaluate the market value risk of such securities. Such ratings also do not reflect macroeconomic or systemic risk, including the risk of increased illiquidity in the credit markets. Rating agencies rate debt securities based upon their assessment of the likelihood of the receipt of principal and interest payments. Rating agencies do not consider the risks of fluctuations in market value or other factors that may influence the value of debt securities and, therefore, the assigned credit rating may not fully reflect the true risks of an investment in the securities. Further, credit ratings may change over time due to various factors, including changes in the creditworthiness of the issuer and/or changes in the rating agency's analytics and processes. These changes may occur quickly and often. The rating agencies rating the securities may change their ratings criteria after issuance and any changes in ratings criteria may adversely affect the ratings assigned to the securities. There can be no assurance that the assigning rating agencies will not downgrade the securities or that any other rating agency will not assign ratings to the securities that are lower than those assigned by any rating agency requested to assign ratings to the securities. It is also possible that a rating agency might not change its rating of a particular issue on a timely basis to reflect subsequent events and, as a result, outstanding ratings may not reflect the issuer's current credit standing. SGCP clients may incur losses if it makes investments based on credit ratings that subsequently change in a way not favorable to client investment objectives.

Prepayment Risk

SGCP invests in certain mortgage loans, mortgage-backed securities, and asset-backed securities that generally provide for the payment of interest or principal (or both) on the instruments on a frequent basis. There exists the possibility, particularly with respect to residential mortgage-backed instruments, that principal may be prepaid at any time. As a result of prepayments, SGCP may be forced to reinvest assets at an inopportune time, which may expose the Funds to a lower rate of return than anticipated. The rate of prepayments on underlying assets affects the price and volatility of an asset-backed security and may have the effect of shortening or extending the effective maturity beyond what was anticipated. Various types of asset-backed securities are subject to varying degrees of prepayment risk.

Risks Relating to the Operations of Funds

SGCP implements and develops appropriate systems for the fund's activities that rely heavily on a daily basis on financial, accounting and other data processing systems to execute, clear and settle transactions across numerous and diverse markets and to evaluate certain securities, to monitor portfolios and capital, and to generate risk management and other reports that are critical to oversight of client activities. This may require reliance on third-party systems, and SGCP may not be in a position to verify the risks or reliability of such third-party systems. Failures in the systems employed by SGCP including prime brokers (if any), administrators, counterparties, exchanges and similar clearance and settlement facilities and other parties could result in mistakes made in the confirmation or settlement of transactions or in transactions not being properly booked, evaluated or accounted for. Failures to such systems or disruptions could have material adverse effects on clients and any underlying investments.

Cybersecurity Risks

As part of its business, the Advisor processes, stores and transmits large amounts of electronic information, including information relating to the transactions of funds managed by the Advisor and personally identifiable information of investors. Similarly, service providers of the Advisor or funds managed by the Advisor,

especially the Administrator, may process, store and transmit such information. The Advisor has procedures and systems in place to protect such information and prevent data loss and security breaches. However, such measures cannot provide absolute security.

The loss or improper access to, use or disclosure of the proprietary information maintained by SGCP may cause SGCP or its 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 SGCP and client investments.

Valuation Risk

Client assets and liabilities are valued in accordance with SGCP's Valuation Policy. The valuation of any asset or liability involves inherent uncertainty. The value of a security determined in accordance with the Valuation Policy may differ materially from the value that could have been realized in an actual sale or transfer for a variety of reasons, including the timing of the transaction and liquidity in the market. Uncertainties as to the valuation of portfolio positions could have an impact on the net asset value of client assets if the judgment of SGCP, or our affiliates, as general partner or investment advisers to a client, regarding the appropriate valuation should prove to be incorrect.

Force Majeure

SGCP may be affected by force majeure events (i.e., events beyond the control of the party claiming that the event has occurred, including, without limitation, acts of God, fire, flood, earthquakes, outbreaks of an infectious disease, pandemic or any other serious public health concern, war, terrorism, labor strikes, major plant breakdowns, pipeline or electricity line ruptures, failure of technology, defective design and construction, accidents, demographic changes, government macroeconomic policies, social instability, etc.). Some force majeure events may adversely affect the ability of a party to perform its obligations until it is able to remedy the force majeure event. These risks could, among other effects, adversely impact the cash flows for an investment, cause personal injury or loss of life, damage property, or instigate disruptions of service. In addition, the cost to SGCP or a client of repairing or replacing damaged assets resulting from such force majeure event could be considerable. Force majeure events that are incapable of or are too costly to cure may have a permanent adverse effect on an investment. Certain force majeure events (such as war or an outbreak of an infectious disease) could have a broader negative impact on the world economy and international business activity generally, or in any of the countries in which SGCP may invest specifically. Additionally, a major governmental intervention into industry, including the nationalization of an industry or the assertion of control over one or more investments, could result in a loss to clients, including if the investment is canceled or unwound. Any of the foregoing may therefore adversely affect the performance of a client.

Coronavirus

A novel coronavirus was first detected in late December 2019 causing an outbreak of respiratory disease in countries around the world. On February 11, 2020, the World Health Organization named the disease "COVID-19" and declared a pandemic. The disease has spread to countries around the world and the escalation of the COVID-19 outbreak has led to a decline in global economic growth. Many businesses around the world have curtailed their travel and meeting plans. This has slowed business activity, including in particular international business activity. The spread of COVID-19 has had an adverse impact on SGCP's business. The banking industry, and in particular, the consumer finance sector, has been significantly affected by credit losses resulting from financial difficulties of borrowers impacted by COVID-19. COVID-19 has triggered employees and certain of SGCP's service providers to be absent from work or work remotely for prolonged periods of time. The ability of employees and/or service providers to work effectively on a remote basis may adversely impact the day to day operations.

COVID-19 may lead to further volatility in or disruption in the stock market and capital markets and may result in further governmental actions or policy decisions that may adversely affect the market value of securities held by SGCP. Individuals impacted by the COVID-19 pandemic may adversely affect financial instruments held by SGCP if mortgagors do not make monthly payments, or as a result of any forbearance, moratorium, or foreclosure, or other mortgage relief programs that are available, which could ultimately impact solvency or the ability to service mortgage loans. The disruption and volatility in the credit markets may continue for an extended period or indefinitely, and there is no certainty how substantial the impacts of COVID-19 will be or how long it will take before the total impact is realized.

- C. The following risks are associated with the types of securities recommended by SGCP:

Risks Relating to Residential Mortgage-Backed Securities and Residential Mortgage Loans

Holders of Residential Mortgage-Backed Securities ("RMBS") and residential mortgage loans bear various risks, including credit, market, interest rate, structural, regulatory and legal risks. RMBS represent interests in pools of residential mortgage loans secured by one to four family residential mortgage loans. Such loans may be prepaid at any time. Residential mortgage loans are obligations of the borrowers thereunder only and are not typically insured or guaranteed by any other person or entity, although such loans may be securitized by government agencies in which case the securities issued are guaranteed or partially guaranteed. The rate of defaults and losses on residential mortgage loans will be affected by a number of factors, including general economic conditions and those in the geographic area where the mortgaged property is located, the terms of the mortgage loan, the borrower's "equity" in the mortgaged property and the financial circumstances of the borrower. If a residential mortgage loan is in default, foreclosure of such residential mortgage loan may be a lengthy and difficult process, and may involve significant expenses. Furthermore, the market for defaulted residential mortgage loans or foreclosed properties may be very limited.

Regulation of the Mortgage Industry

In response to increased delinquencies and losses with respect to residential mortgage loans starting in late 2006, many mortgage loan originators implemented more restrictive underwriting criteria for mortgage loans, which resulted in reduced availability of refinancing alternatives for borrowers. In response to these and other circumstances, the Federal Reserve Bank began a quantitative easing program whereby the Federal Reserve Bank purchased a significant amount of RMBS and other securities in order to support the market. In addition, federal, state and local authorities have enacted and continue to propose new legislation, rules and regulations relating to the origination, servicing and treatment of mortgage loans in default or in bankruptcy. These initiatives could result in delayed or reduced collections from mortgagors, limitations on the foreclosure process and generally increased servicing costs. Further, the conservatorships of Fannie Mae and Freddie Mac in September 2008 have impacted both the real estate market and the value of real estate assets generally. While Fannie Mae and Freddie Mac currently act as the primary sources of liquidity in the residential mortgage markets, both by purchasing mortgage loans for their own portfolios and by guaranteeing mortgage-backed securities, their long-term role is uncertain as there are a number of legislative proposals to reduce and eventually eliminate their role in the residential mortgage markets. A reduction in the ability of mortgage loan originators to access Fannie Mae and Freddie Mac to sell their mortgage loans may adversely affect the financial condition of mortgage loan originators. In addition, any decline in the value of securities issued by Fannie Mae and Freddie Mac may affect the value of residential mortgage loans and RMBS in general. These adverse changes in market and credit conditions have had, and may continue to have, the effect of depressing the market values and reducing the liquidity of residential mortgage loans and RMBS generally.

Residential mortgage loans, including those backing RMBS, are subject to U.S. federal laws, including:

- the Truth in Lending Act ("TILA"), which provides that subsequent purchasers of mortgage loans originated in violation of certain requirements specified in TILA may have liability for such violations, and includes a requirement codifying a provision of the Dodd-Frank Act prohibiting lenders from originating residential mortgage loans unless the lender determines that the borrower has a reasonable ability to repay the loan;
- the Real Estate Settlement Procedures Act, as amended ("RESPA") and its regulations, which (among other things) prohibit the payment of referral fees for real estate settlement services (including mortgage lending and brokerage services) and regulate escrow accounts for taxes and insurance and billing inquiries made by mortgagors;
- the CFPB's Know Before You Owe TILA – RESPA Integrated Disclosure rule, which became effective for mortgage loans whose applications were received on or after October 3, 2015, reconciles overlapping disclosure obligations under TILA and RESPA to provide for integrated closing disclosure and loan estimate forms that would satisfy those requirements under both TILA and RESPA.
- the Equal Credit Opportunity Act and Regulation B promulgated under the Equal Credit Opportunity Act, which prohibit discrimination on the basis of age, race, color, sex, religion, marital status, national origin, receipt of public assistance or the exercise of any right under the Consumer Credit Protection Act, in the extension of credit;
- the Americans with Disabilities Act, which, among other things, prohibits discrimination on the basis of disability in the full and equal enjoyment of the goods, services, facilities, privileges, advantages, or accommodations of any place of public accommodation;
- the Fair Credit Reporting Act, which regulates the use and reporting of information related to the borrower's credit experience;
- the Home Ownership and Equity Protection Act of 1994, which regulates the origination of high cost loans;
- the Depository Institutions Deregulation and Monetary Control Act of 1980, which preempts certain state usury laws;
- the Alternative Mortgage Transaction Parity Act of 1982, which preempts certain state lending laws which regulate alternative mortgage transactions; and
- the U.S. Servicemembers' Civil Relief Act of 2003, as amended which provides relief to mortgagors who enter into active military service or who were on reserve status but are called to active duty after the origination of their mortgage loans.

In addition, the Dodd-Frank Act made extensive changes to laws regulating financial services firms, including the creation of (1) the CFPB within the Federal Reserve to regulate providers of consumer financial services and products and (2) the Financial Stability Oversight Council to identify, monitor and address emerging systemic risks posed by the activities of financial services firms and make recommendations to the Federal Reserve to alleviate those risks. The CFPB has sole rulemaking and interpretive authority under existing and future consumer financial services laws and supervisory, examination and enforcement authority over institutions subject to its jurisdiction. The Dodd-Frank Act also provides for enhanced regulation of derivatives and securitization transactions (including the addition of risk retention requirements, third-party due diligence disclosure requirements, expanded asset-level data requirements and new standards relating to eligibility of securities as "mortgage-related securities" under the Exchange Act), restrictions on executive compensation and enhanced oversight of credit rating agencies. In addition, the law provides for the elimination of prepayment penalties for mortgage loans and expanded consumer protection in respect of high-cost mortgage loans. In many cases the provisions of the statute will take effect only after regulations are adopted by the applicable Federal agencies. To date there are still certain mandates under the Dodd-Frank Act which have not been implemented because final regulations have not yet been adopted.

On February 9, 2012, the Department of Justice, the Department of Housing and Urban Development, and attorneys general representing 49 states and the District of Columbia reached a settlement agreement ("2012 Servicing Settlement") with five large mortgage servicers in connection with servicing and foreclosure issues. The 2012 Servicing Settlement provides for financial relief for homeowners, including mortgage loan principal reduction, refinancing and increased benefits and protections for service members and veterans, and requires a comprehensive reform of mortgage servicing practices for the five servicers. In addition, the CFPB, U.S. Treasury Department, several regulatory bodies and state attorneys general have recently increased scrutiny of mortgage servicers and have imposed, or are seeking to impose, requirements on servicers to substantially revise their servicing practices, including the establishment of national servicing standards that would be applicable to all residential mortgage servicers. Any changes to the servicers' servicing procedures could cause delays in payments on mortgage loans and RMBS.

Violations of provisions of these U.S. federal laws may limit the ability of the issuer of RMBS or holder of a residential mortgage loan to collect all or part of the principal of or interest on the loan(s) and in addition could subject such issuer to damages and administrative enforcement. In this event, the holder of such RMBS or the holder of the residential mortgage loan may suffer a loss.

In addition, there are applicable state laws which generally regulate interest rates and other charges, require licensing of lenders and require specific disclosures. Other state laws, public policy and general principles of equity relating to the protection of consumers, unfair and deceptive practices and debt collection practices may apply to the origination, servicing and collection of the loans backing RMBS. Depending on the provisions of the applicable law and the specific facts and circumstances involved, violations of these laws, policies and principles may limit the ability of the issuer of a RMBS or of a holder of a residential mortgage loan to collect all or part of the principal of or interest on the underlying loans, may entitle a borrower to a refund of amounts previously paid and, in addition, could subject the owner of a mortgage loan to damages and administrative enforcement.

Commercial Mortgage-Backed Securities, Commercial Real Estate CLOs and Commercial Real Estate Loans

The collateral of Commercial Mortgage-Backed Securities ("CMBS") and Commercial Real Estate CLOs ("CRE CLOs") generally consists of mortgage loans secured by income producing property. Commercial real estate loans depend primarily on the net income generated by the underlying property. Thus, successful income generation will likely affect both the likelihood of default and the severity of losses with respect to commercial real estate loans. Commercial real estate loans often are structured so that a substantial portion of the loan principal is not amortized over the loan term but is payable at maturity, and repayment of the loan principal thus often depends upon the future availability of real estate financing from the existing or an alternative lender and/or upon the current value and salability of the real estate. Therefore, the unavailability of real estate financing may lead to default. Most commercial real estate loans are effectively nonrecourse obligations of the borrower, meaning that there is no recourse against the borrower's assets other than the collateral. If borrowers are not able or willing to refinance or dispose of encumbered property to pay the principal and interest owed on such real estate loans, payments on the commercial real estate loan or on the subordinated classes of the related CMBS or CRE CLOs are likely to be adversely affected. Foreclosure can be costly and delayed by litigation and/or bankruptcy.

Credit Default Swaps

Credit default swaps can be used to implement the view that a particular credit or index, or group of credits or indices, will experience credit improvement or deterioration. In the case of expected credit improvement, SGCP clients may sell credit default protection in which it receives a premium to take on the risk. In such an instance, the obligation of clients to make payments upon the occurrence of a credit event creates leveraged exposure to the credit risk of the referenced entity. Clients may also buy credit default protection with respect

to a referenced entity if, in SGCP's judgment, there is a high likelihood of credit deterioration. In such instance, the clients will pay a premium regardless of whether there is a credit event

Debt Instruments

Bonds, notes and debentures issued by corporations may pay fixed, variable or floating rates of interest, and may include zero-coupon obligations. Corporate debt instruments may be subject to credit ratings downgrades. Other instruments may have the lowest quality ratings or may be unrated.

Interest Rate Risk

Changes in interest rates can affect the value of SGCP client investments in fixed-income instruments. Increases in interest rates may cause the value of the client's debt investments to decline. Clients may experience increased interest rate risk to the extent it invests, if at all, in lower-rated instruments, debt instruments with longer maturities, debt instruments paying no interest (such as zero-coupon debt instruments) or debt instruments paying non-cash interest in the form of other debt instruments.

Agency Securities

Since the Advisor may be investing in the debt of Fannie Mae and Freddie Mac as well as mortgage backed securities guaranteed by Fannie Mae and Freddie Mac, it will be exposed to the credit risk of such agencies. Any action that affects the credit quality of the guarantees provided by Fannie Mae, Freddie Mac and Ginnie Mae could materially adversely affect the value of agency RMBS held by the Fund. If Fannie Mae, Freddie Mac or Ginnie Mae were eliminated, or their structures were to change radically or the U.S. government significantly reduced its support for any or all of them, the Fund may be unable or significantly limited in its ability to acquire agency RMBS and the debt of Fannie Mae, Freddie Mac and Ginnie Mae.

Repurchase and Reverse Repurchase Agreements

In a repurchase transaction, a client "sells" and in a reverse repurchase transaction, a client "buys" a security issued from a broker-dealer or financial institution, subject to the obligation of the client, broker-dealer, or financial institution to repurchase or sell such securities at the price paid by the client, plus interest at a negotiated rate. The use of repurchase and reverse repurchase agreements by clients involves certain risks. For example, if the seller of securities to the client under a reverse repurchase agreement defaults on its obligation to repurchase the underlying securities, as a result of its bankruptcy or otherwise, the client will seek to dispose of such securities, which action could involve costs or delays. If the seller becomes insolvent and subject to liquidation or reorganization under applicable bankruptcy or other laws, the client's ability to dispose of the underlying securities may be restricted. It is possible, in a bankruptcy or liquidation scenario, that the client may not be able to substantiate its interest in the underlying securities. Finally, if a seller defaults on its obligation to repurchase securities under a reverse repurchase agreement, the client may suffer a loss to the extent that it is forced to liquidate its position in the market, and proceeds from the sale of the underlying securities are less than the repurchase price agreed to by the defaulting seller. Similar elements of risk arise in the event of the bankruptcy or insolvency of the buyer.

Derivative Instruments

Certain swaps, options and other derivative instruments may be subject to various types of risks, including market risk, liquidity risk, credit risk, legal risk and operations risk. The regulatory and tax environment for derivative instruments in which SGCP clients may participate is evolving, and changes in the regulation or taxation of such securities may have a material adverse effect on the clients. There are many rules related to derivatives that may negatively impact clients, such as requirements related to recordkeeping, reporting, portfolio reconciliation, central clearing, minimum margin for uncleared over-the-counter instruments and mandatory trading on electronic facilities, and other transaction-level obligations. Requirements such as these also raise the costs of entering into derivative transactions, and these increased costs will likely be passed on

to clients. Regulations in the derivatives industry create reporting, clearing and margin related regulatory requirements to which SGCP is required to adhere.

Equity Instruments

SGCP may invest its assets in equity securities, including preferred and common stock. Equity strategies are based on attempting to predict the future price level of different equity or equity-related securities. Numerous interrelated and difficult-to-quantify economic factors, as well as market sentiment, political, climate-related and geopolitical factors influence the prices of equities. There can be no assurance that SGCP will be able to predict future price levels. While diversification among issuers may mitigate these risks, a fund is not required to diversify its investments in equity securities, and investors should expect fluctuations based on market conditions in the value of equity securities held by the fund.

Investments in Equity of Private Companies

SGCP may purchase equity in private companies. Such an investment involves a high degree of risk and is suitable only for investors with the financial sophistication and expertise to properly evaluate the merits and risks. Risks relating to this type of investment include, but are not limited to, lack of liquidity of the investment, limited or no control over the activities of the company, no assurance that the company will be able to generate returns for its investors, and diversification risk given that SGCP may only invest in a limited number of private companies.

Item 9 - Disciplinary Information

In the past ten years, there have been no legal or disciplinary events involving either SGCP or any of its management persons that are material to SGCP's advisory business.

Item 10 - Other Financial Industry Activities and Affiliations

SGCP is registered with the Commodities Futures Trading Commission (the "CFTC") as a commodity pool operator and is a member of the National Futures Association. SGCP's Scott Barringer is registered with the CFTC as an Associated Person of SGCP.

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

- A. SGCP maintains a Code of Ethics (the "Code") that is applicable to all of its employees. Copies of the Code are available for review by clients and prospective clients upon request. Requests for the Code should be made to Jay Strauss at jstrauss@sgcp.com or (203) 355-6113. Key provisions of the Code include restrictions on personal trading, a requirement to report outside business activities, restrictions on political contributions, requirements to disclose key disciplinary events to the CCO, restrictions on the use of social media, restrictions on the receipt and delivery of gifts and recordkeeping.

The Code includes several restrictions on personal trading conducted by or on behalf of employees. Employees are restricted from trading key instruments that may also be traded by clients due to the potential for a conflict of interest.

Personal trading activity conducted by covered persons is reviewed by the CCO or his designee.

- B. Funds and accounts managed by SGCP may enter into transactions with SG Capital Partners LLC, CEL Lending LLC or another affiliate. SGCP-managed funds and accounts purchase mortgage and real estate loans and mortgage-backed securities from SG Capital Partners LLC, CEL Lending LLC or another affiliate from time to time for investment purposes. Each such transaction is a "principal transaction" for purposes of Section 206(3)

of the Advisers Act. SGCP has adopted a policy to address these transactions that consists of a third-party valuation company valuing any assets transferred and a committee of individuals unaffiliated with SGCP and acting on behalf of SGCP clients reviewing and approving in writing in advance based on the valuation all transactions between funds or accounts managed by SGCP and its affiliates.

- C. SGCP's employees and related persons are prohibited from transacting in the same securities that are recommended to clients.

Item 12 - Brokerage Practices

- A. SGCP considers the following factors in selecting broker-dealers for client transactions: best execution (price), brokerage expenses, execution capabilities, financing arrangements, product mix, reporting capabilities, responsiveness, financial condition and quality of research.

SGCP does not participate in soft dollar programs. The investment activity conducted by SGCP will generally take place in the over the counter securities markets. In these markets, commissions are not typically distinguishable from transaction prices and soft dollar credits are not typically accrued.

SGCP does not consider client referrals when selecting or recommending a broker-dealer.

Certain managed account clients may provide a list of approved broker-dealers from which SGCP may select a broker-dealer to effect its trades, subject to SGCP's approval.

- B. SGCP aggregates the purchase and sale of securities for client accounts if it is operationally efficient to do so and in the best interests of clients. SGCP maintains an allocation policy to ensure fair and equitable allocation of client transactions across client accounts.

Item 13 - Review of Accounts

SGCP employs a full-time investment and trading staff. This investment and trading team reviews client accounts daily as part of an ongoing monitoring process. These reviews and the supervision related thereto are the responsibility of Dan Sparks and Justin Mahoney.

Clients receive written statements from SGCP no less frequently than quarterly.

Item 14 - Client Referrals and Other Compensation

- A. No one other than clients provide to SGCP an economic benefit for providing investment advice or other advisory services to clients.
- B. SGCP does not currently compensate any third parties for client referrals but may in the future consider paying such referral fees.

Item 15 - Custody

SGCP will not physically maintain custody of any client funds or securities. All client funds and securities will be held by qualified custodians. However, private funds that are managed by SGCP may be structured in such a manner that SGCP or an affiliate serves as the general partner to certain limited partnerships and/or the manager of certain limited liability companies, in which case SGCP may be deemed to have custody of the funds and securities held by those entities. SGCP adheres to the applicable requirements of Rule 206(4)-2 of the Advisers Act with respect to these arrangements. SGCP does not have custody over assets held in managed accounts, as

described in the applicable investment management agreement. SGCP may hold uncertificated interests in certain securities that are exempt from the requirement to be held by a qualified custodian.

Fund clients of SGCP will receive a copy of the audit for each fund within 120 days of each calendar year end. In addition, fund clients will receive account statements from the fund administrator and clients should carefully review those statements.

Item 16 - Investment Discretion

SGCP has investment discretion over all client accounts. Clients will delegate investment discretion to SGCP through an investment management agreement.

Item 17 - Voting Client Securities

SGCP may maintain discretion to vote client securities and has adopted a policy governing such arrangement that includes a screen for conflicts of interest prior to casting a vote. A complete copy of SGCP's proxy voting policy and proxy voting record is available to clients by contacting Jay Strauss at jstrauss@sgcp.com or (203) 355-6113.

Item 18 - Financial Information

SGCP does not require or solicit pre-payment of more than \$1,200 in fees per client six months or more in advance, is not aware of any financial condition that is reasonably likely to impair its ability to meet its contractual obligations to its clients and has not been the subject of a bankruptcy petition. As such, Item 18 is not applicable.

Item 19 - Requirements for State-Registered Advisers

Not applicable.