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**November 18, 2021**

This Form ADV Part 2A (this “Brochure”) provides information about the qualifications and business practices of Värde Management, L.P. (“VMLP”). If you have any questions about the contents of this Brochure, please contact us at 952.893.1554. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

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

Registration with the SEC as an investment adviser does not imply that VMLP or any of its affiliates, personnel or employees possesses a particular level of skill or training.

## Item 2 – Material Changes

In this Item VMLP is required to disclose material changes since its last annual update, which was the version dated March 30, 2021. The material changes are as follows:

- In Item 4, we updated the description of the firm to include MPowered Capital, LLC, a newly established relying adviser of VMLP.
- In Item 8, we updated the description of the firm’s investing philosophy and significant investment strategies, and we updated the disclosure regarding risks related to the firm’s significant investment activities.
- In Item 10, we updated certain disclosure, including adding information about MPowered Capital, LLC and changing the description of affiliate services provided by the firm to reflect changes to the firm’s plan to develop an insurance platform.

If you are interested in receiving the most current copy of this Brochure, please contact Investor Services by email at [investor.services@varde.com](mailto:investor.services@varde.com).

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#### Item 4 – Advisory Business

Värde Management, L.P. (“VMLP”) is the registered investment adviser in the broader Värde organization (“Värde” or the “Firm”), a global alternative investment firm. In addition to VMLP, the Firm provides advisory services through affiliated relying adviser entities, including MPowered Capital, LLC (“MPowered”). Värde was founded in 1993 and operates with major offices in Minneapolis, London, Singapore and New York as well as additional offices in Asia Pacific and Europe.

The Firm is managed by a group of senior professionals, including sixteen partners: George G. Hicks, Ilfryn C. Carstairs, Marcia L. Page, Bradley P. Bauer, Giuseppe Naglieri, Jonathan A. Fox, Andrew P. Lenk, Brendan D. Albee, Scott T. Hartman, Elena Lieskovska, Haseeb K. Malik, David A. Marple, Francisco Milone, Timothy J. Mooney, Rick J. Noel and Brian C. Schmidt (together, the “Principals”). The Principals, together with retired partner Jeremy D. Hedberg, own 100% of the Firm.

The Firm sponsors and manages a family of private investment funds (the “Private Funds”). A related entity of the Firm generally acts as the general partner of each Private Fund. VMLP serves as the investment manager for all Private Funds other than certain Private Funds that invest in Diverse Talent (as defined below) and are managed MPowered.

The Firm currently categorizes the Private Funds into two primary categories: “closed-end funds” and “evergreen funds.” The closed-end funds are structured in a “private equity” format, typically having a stated investment period and term. The evergreen funds do not have a defined investment period, but generally permit investors to make subscriptions and redemptions on a periodic basis. In addition, the Firm from time to time forms Private Funds that are co-investment vehicles designed to participate in particular investments or opportunities alongside one or more other Private Funds. The terms of such co-investment vehicles, including but not limited to permitted investments, fees and governance, are negotiated between the Firm and the participating Co-Investors (as defined herein). The section titled “*Methods of Analysis, Investment Strategies and Risk of Loss*” (Item 8 below) includes additional disclosure related to co-investments.

The Firm also expects to offer advisory services to managed accounts (any such managed account clients, together with the Private Funds, “Clients”).

The Firm’s advisory services primarily consist of (i) investigating, identifying and evaluating investment opportunities; (ii) structuring, negotiating and making investments on behalf of Clients; (iii) managing and monitoring the performance of such investments; and (iv) exiting such investments on behalf of Clients. The Firm’s advisory services to each Client are subject to the specific investment objectives and restrictions set forth in the limited partnership agreement, confidential private placement memorandum, investment management agreement, subscription materials and/or other governing documents (collectively, the “Account Documents”) applicable to such Client. Each managed account client, as well as investors and prospective investors in each Private Fund, should refer to the Account Documents of the applicable Client for complete information regarding the investment objectives, investment restrictions and other information with respect to such Client.

In accordance with common industry practice, one or more of the Private Funds' general partners enter into "side letters" or similar agreements with certain investors pursuant to which the general partner grants the investor specific rights, benefits and/or privileges that are not made generally available to other investors. These side letters or similar agreements generally are disclosed only to investors in the applicable Private Fund that have the right to review such side letters or similar agreements or pursuant to a "most favored nations" provision.

As of June 30, 2021, the Firm's Regulatory Assets Under Management (as defined in Form ADV Part 1) are \$22.80 billion.

## Item 5 – Fees and Compensation

A general description of the fees and compensation received by the Firm is set forth below. The details of the compensation each Client pays the Firm is set forth in such Client's Account Documents.

### Advisory Services

The Firm and/or its related entities are generally paid a management fee by each Client in accordance with the Client's Account Documents. The Firm is typically authorized under the Clients' Account Documents to charge and deduct management fees directly from the assets of the Clients. Please refer to the Account Documents of each applicable Client for complete information on the fees and compensation payable with respect to such Client.

The fee percentage and/or the base upon which the fee is calculated varies by Client and may also vary over the life of a particular Client, as negotiated and determined at the time the Client is established and as set forth in its Account Documents. Management fees, performance-based fees and incentive allocations are sometimes waived or reduced with respect to investments in the Clients by the Firm and/or its related persons. The Firm reserves the right to waive, reduce or defer any compensation or allocations payable to it by a Client, including with respect to certain participants in such Client, at any time it deems appropriate in its sole discretion.

Each Client will bear and be charged (or reimburse the Firm) for certain organizational, operational and other permissible expenses as described in the Account Documents for such Client. The permissible organizational expenses vary among Clients, but the expenses borne by each Client generally include: all fees, costs, charges, expenses, liabilities, obligations and other amounts (including amounts paid to outside legal counsel, accountants and tax advisors, including in each case professionals on secondment to the Firm) incurred in connection with or incidental to the formation, organization, and establishment of the Client and its general partner and the marketing and offering of interests in the Client to investors and prospective investors, including Travel-Related Expenses (as defined below) and amounts incurred in connection with or incidental to (i) preparing, printing, mailing or otherwise distributing Account Documents, prospectuses, presentations, disclosure documents, side letters and similar agreements, comment responses, diligence materials, legal opinions and other documentation; (ii) complying with any law or regulation related to the formation, organization, establishment, marketing and offering of the Client and its general partner (including any "blue sky" and "world sky" filing fees, costs and expenses); (iii) the engagement of placement agents; and (iv) negotiating with investors or prospective investors.

The permissible operational and other expenses vary among Clients depending on negotiated terms and/or structural considerations, but the expenses borne by each Client generally include, to the extent applicable to such Client, all fees, costs, charges, expenses, liabilities, obligations and other amounts (including amounts paid to outside legal counsel, accountants and tax advisors, including in each case professionals on secondment to the Firm) incurred in connection with or incidental to the Client's and its related entities' investments, potential investments, portfolio companies, operations and/or business (whether undertaken directly by the Client or indirectly by another entity, including a special purpose vehicle, co-investment vehicle, portfolio company or alternative

investment vehicle and whether incurred by the Firm, the Client's general partner, their respective related entities or their respective investments, potential investments or portfolio companies), including organizational expenses, management fees payable to the Firm and fees, costs, charges, expenses, liabilities, obligations and other amounts incurred in connection with or incidental to: (i) the evaluation, sourcing, structuring, organizing, acquisition, purchase, sale, disposition, operating, holding, valuing, carrying, financing, restructuring, taking public or private, winding-up, liquidating, refinancing, discovery, investigation, development, execution, trading, hedging or management of investments, follow-on investments and related transactions (whether or not consummated), including (A) amounts incurred in connection with or incidental to engaging service providers and advisors (including financial advisors, investment banks, brokers, broker-dealers, finders, financing sources, asset managers, developers, joint venture partners, consultants, third-party research providers, information services, work-out specialists, valuation services and other third-parties), (B) amounts incurred in connection with or incidental to entering into derivative transactions or short sales, (C) sales and brokerage commissions, clearance charges, commitment fees, origination fees, debt service fees, underwriting commissions and discounts, broken deal expenses, reverse break-up and termination fees, (D) Travel-Related Expenses, (E) amounts incurred in connection with or incidental to acquiring or licensing software, obtaining research (including payments relating to research contemplated by Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets and financial instruments and any rules and regulations related thereto), subscribing to publications, attending and sponsoring conferences (including Travel-Related Expenses), conducting business entertainment and printing; (ii) the maintenance of books and records and the preparation, distribution or filing of financial statements or other reports, tax returns, tax estimates, Schedule K-1s (or similar schedules) or any other administrative, compliance, regulatory or other related reporting or filing obligations for any relevant entity, including amounts incurred in connection with or incidental to engaging third-party service providers and developing, licensing, implementing, maintaining or upgrading any web portal, extranet tools, computer software or other administrative or reporting tools (including subscription-based services) for the benefit of the Client and/or its investors; (iii) the engagement of consultants (including with respect to environmental, social, governance, manufacturing, sales, hedging, marketing, pricing support, legal, technology, human resources, finance, commercial, acquisition integration/rationalization, insurance, sourcing, operating, research, industry and other matters), senior advisors, asset managers, due diligence service providers, administrative service providers and other service providers (including service providers owned by the Firm and/or one or more Clients), in each case regardless of whether or not such persons are engaged in a dedicated or exclusive capacity and whether or not such persons are compensated with fixed fees (such as retainers), performance-based fees, allocations, and/or other methods of compensation, including in the form of cash, options, warrants, stock or otherwise; (iv) the transfer, receipt, safekeeping, servicing and accounting for investments, cash and other property, including all charges of depositories (including any depositary appointed pursuant to the European Union Directive on Alternative Investment Fund Managers (2011/61/EU) (the "AIFMD") or any law, rule or regulation relating to the implementation thereof in any relevant jurisdiction), custodians, trustees, asset managers, title companies and other agents, if any; (v) the engagement of third-party administrators (if any) and independent auditors; (vi) the engagement of local agents (including distribution agents, broker-dealers, representatives, or similar agents) required to be appointed in order to comply with any law, rule, or regulation; (vii) registering or complying with any law, rule or regulation, including Form PF, the AIFMD and related European Economic Area national

private placement laws, laws, rules and regulations related to anti-money laundering, know-your-customer, data protection, freedom of information and any similar laws, rules, regulations or procedures in any jurisdiction, including those related to the activities of the Client's general partner or any other related entity; (viii) non-recurring matters, including amounts incurred in connection with or incidental to (A) actual, threatened or otherwise anticipated litigation, actions, suits, proceedings, mediation, arbitration or other dispute resolution processes, (B) any governmental inquiry, investigation or proceeding, including judgments, fines, other awards and settlements paid in connection therewith, (C) indemnification obligations or guarantees, including the Client's legal obligation to provide indemnification under the Account Documents (including amounts incurred in connection with or incidental to indemnifying any person or entity pursuant to the Account Documents and advancing amounts incurred by any such person or entity in defense or settlement of any claim that is subject to a right of indemnification pursuant to the Account Documents and the management agreement with the Firm) and indemnification obligations in other contracts, including agreements with agents and other service providers; (ix) taxes and governmental fees payable to any U.S. federal, state or other governmental authority, domestic or non-U.S., including real estate, stamp or other transfer taxes, including in connection with any tax audit, investigation or review, or any settlement thereof, and, in the discretion of the Firm, certain withholding taxes (including fees, costs, charges, expenses, liabilities, obligations and other amounts incurred by the "tax matters partner" or "partnership representative"); (x) complying with the U.S. Foreign Account Tax Compliance Act, the Common Reporting Standard issued by the Organisation for Economic Cooperation and Development, or similar legislation, regulations or guidance enacted in any other jurisdiction, which seeks to implement tax reporting and/or withholding tax regimes as well as any intergovernmental agreements and other laws of other jurisdictions with similar effect; (xi) insurance, including premiums for general liability, errors, omissions, fidelity, crime, general partner liability, fiduciary, directors' and officers' liability, cybersecurity and other coverage, including in respect of any investment, the Client's general partner and/or investment manager; (xii) the winding up, dissolution or liquidation of the Client and its related entities, including the Client's general partner; (xiii) any restructuring or other liquidity transaction offered to investors in the Client and its related entities (whether or not consummated, and including any fees and expenses of any agents, attorneys or other service providers engaged in connection therewith), (xiv) any amendments to the constituent documents of the Client and related entities, including the Client's general partner; (xv) the valuation and appraisal of the assets of the Client (including third-party valuation firms and software), including in connection with the Client acquiring an investment from or selling an investment to another account (whether or not consummated), and third-party assessments of fees for services, including services provided by companies owned by the Firm or other Clients; (xvi) the formation, management, governance, operation, restructuring, maintenance (including any amendments to constituent documents), winding up, dissolution or liquidation of entities, including feeder vehicles, alternative investment vehicles, co-investment vehicles, special purpose vehicles and any other entities (including expenses in connection with raising and putting in place co-investment or joint venture vehicles where desirable for accomplishing an investment or joint venture, to the extent not borne by the applicable Co-Investors or joint venture partners and/or co-investment or joint venture vehicle); (xvii) co-investments or joint ventures (whether or not consummated) that are not borne by Co-Investors or joint venture partners; (xviii) capital contributions from (including expenses relating to defaults in the payment thereof) and distributions to the Client investors; (xix) meetings of one or more of the Client investors or the operation of the Client's



advisory committee, including Travel-Related Expenses of the Firm and its employees and their representatives and VMLP Client investors, out-of-pocket expenses of advisory committee members and their designees in connection with the performance of their duties (including any non-voting members or persons with observer rights), professional service fees, venue rental, meals and entertainment and reasonable fees and expenses of legal counsel retained by the advisory committee; (xx) complying with the Account Documents, any side letters or similar agreements and any “most favored nations” election processes; (xxi) extraordinary expenses under U.S. Generally Accepted Accounting Principles (“GAAP”) or other required accounting standard; (xxii) the engagement of and services provided by placement agents (including any such fees, costs and expenses that do not otherwise constitute organizational expenses); (xxiii) borrowings and indebtedness (including any credit facility) and any transactions having a similar leveraging effect, including amounts incurred in connection with or incidental to arranging financing and indebtedness (including obtaining lines of credit, loan commitments and letters of credit for the account of the Client) and in guaranteeing the obligations of any investments or portfolio companies or any assets thereof; (xxiv) the transfer or proposed transfer of interests in the Client, secondary transactions (including transactions in which the Client’s general partner participates) or a Client investor’s name change, internal restructuring or change in agent of any, in each case to the extent not borne by such Client investor; (xxv) protecting the confidential or non-public nature of any information or data; (xxvi) printing, communications, marketing and publicity (including any such fees, costs and expenses that do not otherwise constitute organizational expenses); (xxvii) directors of the Client (as applicable), and expenses associated with meetings of such directors; and (xxviii) any other expenses approved by the Client’s advisory committee or investors or otherwise set forth in the Client’s Account Documents. “Travel-Related Expenses” include costs, expenses and amounts related to transportation (including the use of air transportation not to exceed commercial-equivalent first class (or comparable tier) airfare), lodging and accommodations, meals and entertainment. To the extent that any of the foregoing expenses relate to the operations of more than one Client, the Firm will allocate such expenses based on a good faith determination of the relative benefits (or anticipated benefits) of such expenses to all Clients benefiting from such expenses. From time to time, Värde pays for certain of these expenses out of its own assets and seeks reimbursement from the Clients. The section titled “*Brokerage Practices*” (Item 12 below) describes the factors the Firm considers in selecting or recommending broker-dealers and determining the reasonableness of their compensation. The section titled “*Client Referrals and Other Compensation*” (Item 14 below) describes certain management, monitoring, consulting, directors’ or other fees that the Firm may receive from portfolio investments held by Clients.

Certain of the fees payable to the Firm are based on the value and performance of the assets held in the Clients. The Firm has adopted and implemented a valuation policy that governs the valuation of the securities and other assets held by the Clients. The Firm faces a conflict of interest in valuing assets that lack a readily ascertainable market value, because their value can impact certain of the fees payable to the Firm and its performance returns. With respect to these investments, the Firm uses various valuation methodologies based on the nature of the assets. These methodologies are inherently subjective and capable of producing a range of values that may be considered reasonable to different parties and that may be different than valuations done by others applying their own judgment at different or similar dates. There is no assurance that the valuations determined by the Firm represent values that can or will be realized in a sale or exchange of investments with an independent third party. The Firm documents its valuation decisions and

reviews them on a periodic basis. VMLP has a Valuation Committee that is responsible for overseeing the valuation of investments held by its Clients. The Valuation Committee meets no less than quarterly and on an as-needed basis. On an annual basis, VMLP's valuations are reviewed in connection with each Client's independent external financial statement audit.

#### Other Värde Services

In addition to the advisory services provided by the Firm, the Clients (directly or indirectly) and/or portfolio investments of the Clients may engage the Firm or its affiliates to provide services, including asset management services and/or country-specific management or service functions. The Firm and/or its affiliates will retain the benefit of the fees paid for such services to the extent set forth in each Client's Account Documents.

The section titled "*Other Financial Industry Activities and Affiliations*" (Item 10 below) includes additional details regarding the services provided by other Firm entities.

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

The calculation and role of the performance compensation, if any, paid by each Client to the Firm and/or its affiliates (as applicable) is described in the Client's Account Documents. Performance-based fee and allocation arrangements create an incentive for the Firm to make more speculative investments in the assets purchased for a Client than it might otherwise make in order to increase the likelihood that the Firm would be paid incentive fees or receive incentive allocations. These conflicts are mitigated by the Firm's suitability obligation with respect to Client investments and its disciplined investment process, and in some instances are further mitigated by the Firm's investment of its own capital in the Client and by the structure of the performance-based compensation (e.g., restrictions on the distribution of incentive compensation relating to the closed-end Private Funds until after the return of all principal to investors and payment to them of any preferred return).

Different Clients have different incentive compensation arrangements. For example, the incentive compensation for the evergreen funds is generally payable annually, while the incentive compensation for the closed-end funds is generally paid only after investors have received distributions equal to their invested capital and a preferred return. This creates a conflict of interest relating to the allocation of investment opportunities and the time and attention of the Firm's personnel to the extent the Firm (in its capacity as general partner) can collect the incentive compensation sooner (or collect higher incentive compensation) from one Client than it can from the others. The Firm believes that this conflict is mitigated by its investment allocation procedures (as described in the section titled "*Brokerage Practices*" (Item 12 below)) and its disciplined investment process.

## Item 7 – Types of Clients

The Clients include Private Funds and managed accounts. Investors in the Private Funds include various global institutional investors (e.g., trusts, endowments, foundations, pensions, corporations and other types of entities, including private funds-of-funds) as well as high net worth individuals that, in each case, meet the regulatory and other requirements under which the Private Fund operates and desire to invest in accordance with the Private Funds' investment objectives.

Interests in the Private Funds are offered in private placements under the U.S. Securities Act of 1933 (as amended, the "Securities Act"). As a result, the Firm generally offers limited partnership (or equivalent) interests in the Private Funds to a limited number of "accredited investors" as defined in Regulation D under the Securities Act, and except with respect to Private Funds that rely on the exemption under Section 3(c)(1) of the U.S. Investment Company Act of 1940 (as amended, the "1940 Act"), interests are offered exclusively to "qualified purchasers" as defined in Section 2(a)(51) of the 1940 Act due to the Private Funds' exempt status under Section 3(c)(7) of the 1940 Act. Employees who qualify as "knowledgeable employees" under Rule 3c-5 of the 1940 Act are also permitted to invest (directly or indirectly) in the Private Funds. Investors and prospective investors in each Private Fund should refer to the Account Documents of such Private Fund for complete information on minimum investment and other requirements for participation in such Private Fund.

In connection with the formation and management of a Client, the Firm may form certain related entities for such Client. The Firm may establish vehicles to address tax, legal or regulatory issues or requirements of certain investors in such Client or for other purposes. The Firm may also form parallel funds to invest alongside a Client. In addition, the Firm may form alternative investment vehicles, holding companies or other special purpose vehicles for the purpose of facilitating certain investments by one or more Clients. Please refer to the Account Documents of the applicable Private Fund for complete details regarding entities that the Firm may form in connection with the formation and management of such Private Fund.

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

With respect to the Clients advised by VM LP, the core of the Firm’s investment philosophy has four key tenets:

1. Apply a rigorous, fundamental, value-based approach, with a view of value across the liquidity spectrum as well as the full capital structure of individual investments.
2. Identify opportunities where the Firm has the ability to deliver value through scale or where there is the potential to invest at a discount to intrinsic value and where catalysts exist for this value to be recognized, often through unlocking complexity.
3. Build portfolios with a focus on downside protection, including risk management tools that utilize the Firm’s deep expertise in credit.
4. Maintain high standards of integrity and seek to establish a right to play wherever the Firm operates.

In applying this philosophy, Värde draws upon the process, discipline, and rigor that have been developed throughout the Firm’s long history in the investing business. The Firm seeks to unlock complexity in areas of the market where there is mismatch of supply and demand for capital and identify attractive risk-reward across a global set of opportunities. In managing the Clients, the Firm focuses on the portfolio view, deploying capital efficiently to build a sensibly diversified portfolio, and maintains a focus on risk management.

With respect to Clients advised by MPowered, the core of the Firm’s investment strategy is to commit capital and resources to female and/or underrepresented investment talent (including, but not limited to, Black/African Americans, Hispanic Americans/Latinxs, Native Americans and Asian Americans) (“Diverse Talent”).

### ***Significant Investment Strategies***

Details regarding the investment and liquidity profile pursued by each Client, as well as additional information regarding the Firm’s investment strategies and activities, are set forth in the Account Documents related to each Client.

*VM LP.* Subject to the investment parameters set forth in each Client’s Account Documents, VM LP pursues investment strategies across geographies in a broad range of asset classes. VM LP’s investing activity on behalf of Clients is conducted by three global investment teams:

- *Corporate and Traded Credit:* This team focuses on opportunistic and dislocated traded credit, restructurings and liquidations in corporate, structured product, sovereign and other fixed-income credit instruments and related assets.
- *Real Estate & Mortgages:* This team focuses on private and public debt and equity investments related to real estate (both residential and commercial) as well as private credit and asset-level investments in the transportation and infrastructure space, among other real asset categories. The team also has the capability to manage structured credit

investments related to real estate, including commercial mortgage-backed securities (CMBS) and residential mortgage-backed securities (RMBS).

- *Financial Services & Specialty Finance*: This team pursues private credit and private equity investments in financial services businesses, including consumer and commercial finance, insurance, trust and corporate services, payments and asset management. This team is also responsible for investments in asset-backed securities collateralized by small balance consumer and commercial asset types.

*MPowered*. Subject to the investment parameters set forth in each Client's Account Documents, MPowered pursues the following investment strategies: (i) making investments in closed-end investment funds owned, controlled and/or founded by Diverse Talent; (ii) building seeding relationships and making investments in fund managers owned, controlled and/or founded by Diverse Talent with the intent of accelerating their launch and/or supporting their growth; and (iii) making investments in opportunities led, originated or otherwise sourced or underwritten by Diverse Talent into portfolio companies through direct investments and co-investments. MPowered's investment focus will be primarily in North America.

### ***General Methods of Analysis***

With respect to Clients advised by VMPLP, the Clients invest across global markets, asset classes and industries, and individual investment opportunities will require varying levels of review and customized processes depending upon the investment, the status of the markets and the participants involved. Depending on the nature of the investment, the Firm will apply the following methods of analysis:

- Performance of quantitative and qualitative fundamental research to identify potential investments and determine the suitability of a particular investment on both its own merits as well as its "fit" in terms of industry or macro theme.
- Completion of a financial analysis based on comparable valuations in the liquid and illiquid markets, a discounted cash flow analysis, a re-organization and/or liquidation analysis and/or an analysis of potential returns for the investment.
- Review of the corporate structure and specific collateral packages (as applicable).
- Performance of an operational review of the investment, including assessment of management and ESG considerations (as applicable).

With respect to Clients advised by MPowered, the Clients will invest across private markets, alternatives strategies (including venture capital, growth equity, buyout and opportunistic strategies) and investment types (fund investments, structured transactions, and direct/co-investments) primarily in North America. Individual investment opportunities will require varying levels of review and customized processes depending on the nature of the investment. MPowered will take numerous factors into consideration when evaluating a potential investment including, but not limited to, investment focus, investing and relevant operational experience, references, team dynamic, portfolio construction, differentiated sourcing channels, value add, background checks, and operational due diligence. Operational due diligence will encompass money

movement, auditor independence, third-party service providers, reporting standards, any legal proceedings, valuation policy, and other policies and procedures (including ESG-related policies).

### ***Material Risks***

A summary of the material investment strategy risks generally applicable to each particular Client is contained in the Account Documents related to such Client, including, if and as applicable, risks that are particular to such Client or its investment strategy or method, such as the types of investments it makes, the types of instruments it holds or the types of transactions it enters into.

This Brochure does not purport to be a complete disclosure of all risks that will be relevant to a Client or a prospective investor in a Private Fund. Investing involves risk of loss that an investor should be prepared to bear. Investments by the Firm involve significant risks. As a result of these factors, as well as other risks inherent in investments generally, there can be no assurance that the Firm will meet the investment objectives of any particular Client or otherwise be able to execute successfully its investment program.

Global Economic Conditions: The Clients are affected by conditions in the global financial markets and economic conditions throughout the world. These factors are outside the Firm's control and may adversely affect the liquidity and value of the Clients' investments, and the Firm may fail to, or may not be able to, manage their exposure to these conditions. In such circumstances, the financial performance of the Clients will be negatively impacted and investors may incur material losses. In addition, if global financial markets were to experience adverse conditions, a negative impact on economic fundamentals and consumer and business confidence would likely increase market volatility and reduce liquidity, both of which could have a material adverse effect on the performance of the Clients and these or similar events will affect the ability of the Firm to execute the Clients' investment strategies. The response by governments, central banks and other policy makers to financial crisis situations could impair the ability of private sector investors (like the Clients) to pursue investment opportunities in certain markets and could cause artificial market prices or result in other unanticipated consequences that could adversely affect the performance of the Clients.

Government, Regulatory and Political Risks: There is often a high degree of government regulation of economies, including in the global financial markets. Action by governments could directly affect investments and have a significant indirect effect on the market prices of assets and of the payment of dividends or interest. The level of government action has increased recently as governments and their agencies are implementing measures to seek to stabilize and encourage growth in their relevant markets in response to the Covid-19 (as defined below) pandemic, exacerbating many of the risks related to government action.

Changes in policy with regard to taxation, fiscal and monetary policies, economic and stimulus relief, repatriation of profits and other economic regulations are possible, any of which could have an adverse effect on investments. In addition, governments from time to time intervene (directly and by regulation) in economic affairs, and such intervention may adversely affect the performance of the Clients and their investment activities. The response by governments, central banks and other policymakers to any financial crisis could have an adverse impact on the performance of the Clients, including by distorting market prices, impairing the ability of private sector investors (such

as the Clients) to pursue investment opportunities in certain markets or creating significant additional regulatory burdens or delays with respect to the Clients' investment activities or operations.

Non-U.S. economies may differ favorably or unfavorably from the U.S. economy and other economies with regard to the rate of growth of gross domestic product, the rate of inflation, currency controls, currency appreciation or depreciation, capital reinvestment, resource self-sufficiency and balance of payments.

Governments in certain countries participate to a significant degree, through ownership interests or regulation, in their respective economies. Action by these governments could have a significant adverse effect on market prices of assets and payment of dividends and interest.

Many countries have undergone a substantial political and social transformation. There can be no assurance that the economic, educational and political reforms necessary to complete political and economic transformation will continue. The state of development of certain political systems makes them susceptible to changes and potential weakening from economic hardship and social instability. In certain countries, the extent of the success of economic reform is difficult to evaluate. Information on these economies is often contradictory or absent. In certain countries, much of the workforce remains underemployed or unemployed. Continued unemployment could hinder the ability of various governments to keep deficit spending in check.

Changing political environments, regulatory restrictions, and changes in government institutions and policies could adversely affect the Clients' investment activities and opportunities. Civil unrest, ethnic conflict or regional hostilities can contribute to instability in some countries. Such instability would impede business activity and adversely affect the environment for investments. The Firm does not intend to obtain political risk insurance on behalf of the Clients. Actions in the future of one or more governments could have a significant effect on the various economies, which could affect market conditions, prices and yields of investments in the Clients' respective portfolios. Political and economic instability in any of the countries in which the Clients invest could adversely affect the Clients' respective investments.

Market Disruptions: The Clients may incur major losses in the event of market disruptions and other extraordinary events in which historical pricing relationships become materially distorted. The risk of loss from pricing distortions is compounded by the fact that in disrupted markets many positions become illiquid, making it difficult or impossible to close out positions against which the markets are moving. The availability of credit is typically reduced during market disruptions. Market disruptions caused by unexpected political, military and terrorist events may from time to time cause dramatic losses for the Clients and such events can result in otherwise historically low-risk strategies performing with unprecedented volatility and risk.

Highly Volatile Markets: The value of certain financial instruments to which the Clients have exposure is expected to be volatile at certain times and from time to time. The price of equity, debt and other assets are influenced by numerous factors including interest rates, currency rates, default rates, governmental policies and political and economic events (both in the U.S. and globally). Moreover, other events such as political or economic crises may occur, and the economic events of Covid-19 may continue, in a manner that may be highly disruptive to the



markets in which the Firm invests. The Clients are also subject to the risk of a temporary, longer-than-anticipated or permanent failure of certain markets used by the Clients in connection with their investment activities. Sustained market turmoil and periods of heightened market volatility will make it more difficult to produce positive results and there can be no assurance that the Firm's strategies will be successful in such markets.

Extreme Events: The Clients' business and investments may be subject to extreme events. These events could include epidemics, pandemics, fires, floods, earthquakes, adverse weather conditions, assertion of eminent domain, strikes, acts of war (declared or undeclared), riots, terrorist acts, "acts of God" and similar risks. For example, as of the date hereof, there continues to be a global pandemic caused by a novel and highly contagious form of coronavirus ("Covid-19"). The U.S. government, various state and local governments and many non-U.S. governmental authorities have implemented enhanced screenings, quarantine requirements and business and travel restrictions, both domestically and internationally, in connection with the Covid-19 outbreak. Such actions are creating disruption in global demand and supply chains and contributing to significant volatility in financial markets, and are adversely impacting a wide range of different industries. Generally, the Covid-19 outbreak has had, and is expected to continue to have, a negative effect - potentially a severe negative effect - on the economies, financial markets and business activities of the United States and many other countries. Covid-19 has resulted in health or other government authorities requiring the closure of offices or other businesses, including office buildings, retail stores and other commercial venues; potential future outbreaks of Covid-19 or the outbreak of new epidemics could also result in more closures or sustained closures and further general economic decline.

The extent of the impact of any extreme events on the Clients' and their portfolio companies' operational and financial performance will depend on many factors, including the duration and scope of such event, the impact and extent of any public reaction and/or government intervention, the impact of the event on overall supply and demand, goods and services, investor liquidity, consumer confidence and levels of economic activity and the extent of its disruption to important global, regional and local supply chains, economic markets and governmental authorities (including regulatory, legislative and administrative agencies as well as legislative and judicial systems), all of which are highly uncertain and cannot be predicted. Such extreme events may also present uncertainty in the interpretation of legal documents pertaining to transactional, service and counterparty agreements (e.g., whether such event constitutes a force majeure event that may excuse a party's delay or nonperformance of its obligations). Some risks stemming from such events are uninsurable and, in some cases, investment project agreements can be terminated if an event is so catastrophic that it cannot be remedied within a reasonable time period. The effects of such events may materially and adversely impact the value and performance of the Clients' investments, the ability to source, manage and divest investments and the ability to achieve their investment objectives, all of which could result in significant losses. In addition, the operations of the Clients, their portfolio companies and the Firm may be significantly impacted, or even temporarily or permanently halted, as a result of such events, any governmental response, and the potential adverse impact on such entity's personnel.

Availability of Suitable Investments: The business of identifying, structuring, completing and realizing an attractive investment opportunity is highly competitive and involves a high degree of uncertainty. There can be no assurance that investment opportunities will be available or that

available investments will continue to meet a Client's investment criteria. Furthermore, there can be no guarantee that the Firm will be able to identify sufficient investment opportunities for each Client to enable it to invest fully its capital commitments or investable assets in opportunities that satisfy such Client's investment objectives, or that such investment opportunities will lead to successful investments by such Client.

In addition, the availability of investment opportunities generally will be subject to market conditions as well as, in some cases, the prevailing regulatory or political climate. Therefore, identification of attractive investment opportunities is difficult and involves a high degree of uncertainty, and competition for such opportunities may become more intense.

Global Mandate: Certain Clients have a global mandate and/or have exposure to non-U.S. markets. In some non-U.S. countries, there is (among other things) the possibility of expropriation or confiscatory taxation, limitations on the removal of securities, property or other assets of the Clients, political, economic or social instability or diplomatic developments, each of which could have an adverse effect on the Clients' investments in such non-U.S. countries. Additional risks include: (i) the imposition or modification of foreign exchange controls; (ii) the unpredictability of international trade patterns; (iii) the possible imposition of non-U.S. taxes on income and gains recognized with respect to such non-U.S. investments; (iv) the imposition of regulatory minimum hold periods or limits on debt issuance, holdings, minimum hold periods or concentration; (v) different bankruptcy laws and customs; (vi) less developed corporate laws regarding, among other things, fiduciary duties and the protection of investors; (vii) price volatility; and (viii) fluctuations in currency exchange rates. While the Firm will take these factors into consideration in making investment decisions for the Clients, no assurance can be given that the Firm will be able to evaluate and successfully minimize these risks.

To the extent that a Client makes any investment in one or more emerging markets, it will be subject to risks and special considerations that are not typically associated with investing in more established economies or markets, including, among other things, (i) higher dependence on exports and the corresponding importance of international trade; (ii) greater risk of inflation; (iii) inability to exchange local currencies for U.S. dollars; (iv) increased likelihood of governmental involvement in and control over the economy; (v) governmental decisions to cease support of economic reform programs or to impose centrally planned economies; (vi) less developed compliance culture; (vii) differing cultural expectations and norms regarding business practices; (viii) longer settlement periods for transactions and less reliable clearance and custody arrangements; (ix) less developed, reliable or independent judiciary systems for the enforcement of contracts or claims; (x) greater regulatory uncertainty; (xi) the maintenance of the Clients' investments with non-U.S. broker-dealers, securities depositories, asset servicers or custodians; and (xii) threats or incidents of corruption or fraud, all of which could adversely affect the return on the Clients' investments.

Corruption: Corruption remains a significant problem in some countries and its effects seriously constrain the development of local economies, erode stability and trust and its macro-economic and social costs are immense. There often exists insufficient anti-corruption legislation and coordination of anti-corruption initiatives. Specifically, in some countries, there is a greater acceptance than in the U.S. of government involvement in commercial activities, and of the resulting potential for corruption. See the section titled "FCPA Considerations" below for related

risks with respect to compliance with the FCPA (as defined below) and other U.S. and non-U.S. anti-corruption, anti-bribery and anti-boycott laws and regulations.

U.S. Government Sanctions and Intervention Risks: Economic sanction laws in the U.S. prohibit the Firm, its professionals and/or the Clients from transacting with or in certain countries and with certain individuals and companies. In the U.S., the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") administers and enforces laws, Executive Orders and regulations establishing U.S. economic and trade sanctions. Such sanctions prohibit, among other things, transactions with, and the provision of services to, certain foreign countries, territories, entities and individuals. These entities and individuals include specially designated nationals, specially designated narcotics traffickers and other parties subject to OFAC sanctions and embargo programs. The lists of OFAC prohibited countries, territories, persons and entities, including the List of Specially Designated Nationals and Blocked Persons and the Sectoral Sanctions Identifications List, as such lists may be amended from time to time, can be found on the OFAC website. In addition, certain programs administered by OFAC prohibit dealing with individuals or entities in certain countries regardless of whether such individuals or entities appear on the lists maintained by OFAC. Many of the regulators to which the Firm, the Clients and their respective affiliates are expected to be subject, including governmental agencies and self-regulatory organizations, are empowered to conduct investigations and administrative proceedings that can result in fines, suspensions of personnel or other sanctions, including censure, the issuance of cease-and-desist orders or the suspension or expulsion of applicable licenses or members. Even if an investigation or proceeding did not result in a sanction, or the sanction imposed is small in monetary amount, the adverse publicity relating to the investigation, proceeding or imposition of these sanctions could harm the Firm, the Clients or their respective affiliates' reputations in a manner that adversely affects the investment performance of the Clients by hindering their ability to obtain desired financing or consummate a potentially profitable investment. In addition, the enactment of new U.S. economic and trade sanctions could significantly restrict a Client's investment activities or require the divestment of existing Client investments.

Additionally, a major governmental intervention into industry, including newly implemented or modified tariffs or other trade agreements applicable to certain products, industries or countries, the nationalization of an industry, or the assertion of control over one or more industry sectors or related assets, could result in a loss to the Clients, including if a Client investment is canceled, unwound, acquired or otherwise adversely affected (which could be without what the Firm considers to be adequate compensation). These types of interventions may significantly restrict the Clients' investment activities in certain industries or countries.

Dependence on Key Personnel: The success of the Clients will be highly dependent on the financial and managerial expertise of the Principals. The Account Documents for certain Clients contain provisions addressing the departure of one or more of the Principals and, in some instances, other key employees, including terms whereby the Client's investment period ends upon the departure of certain Principals and, in some instances, other key employees. The loss of, or reduction of service by, one or more of these individuals could have a material adverse effect on the performance of the Clients and on the ability to achieve their investment objectives. Although the Principals have committed, and will continue to commit, business efforts to the Firm and the Clients, the Firm and the Principals do not intend, and are not required, to devote all of their time to any particular Client's affairs. The Principals will be under no contractual obligation to remain

with the Firm for the term of any specific Client. As a result, the ability of the Firm to carry on their activities successfully will be dependent upon the skill and experience of the remaining Principals. In addition, certain Principals have established family offices to provide investment advisory, accounting, administrative and other services to their respective family accounts (including certain charitable accounts) in connection with their personal investment activities unrelated to the Clients, and their respective involvement in such family offices may require the respective resources and attention of each such Principal who may also have responsibilities for the Clients' affairs.

Certain Consultants: The Firm intends to retain, on behalf of the Clients and/or a portfolio investment, certain consultants (including external executives), senior advisors and other companies and individuals, including affiliates of the Firm, employees of such affiliates, or portfolio investments of other Clients (collectively, "Consultants"), to provide services to, or in connection with, the Clients in relation to their activities or one or more portfolio investments, including due diligence, industry analysis and identification, acquisition, holding, improvement and disposition of such portfolio investments, including operational aspects of such portfolio investments. Subject to the Account Documents, fees, costs and expenses of such parties (which may, at the discretion of the Firm and taking into account the particular services, include a profits or equity interest in a portfolio investment or other incentive-based compensation, which will be determined according to one or more methods, including the value of the time (including an allocation for overhead and other fixed costs) of the party, a percentage of the value of the portfolio investment, the invested capital exposed to such portfolio investment, amounts charged by other providers for comparable services and/or a percentage of cash flows from such portfolio investment) may be paid and/or reimbursed by the Clients and/or such portfolio investment, as applicable, but do not reduce or offset against any management fees payable to the Firm under the applicable Account Documents.

Although the Firm intends to retain Consultants with a view to reducing costs to portfolio investments (and, ultimately, the Clients) and/or improving portfolio investment performance, a number of factors may result in limited or no cost savings and/or limited or no performance improvement from such retention. In addition, the Firm intends to retain only such Consultants which it believes provide a level of service at a value generally consistent with other relevant market alternatives. However, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

Asset Managers: In connection with certain investments, the Firm employs asset managers that specialize in converting certain types of assets and portfolios of assets into cash. These asset managers also assist in acquisition and valuation activities from time to time. If an asset manager breaches its servicing agreement or otherwise fails to perform its responsibilities adequately, the Clients will be adversely affected. In addition, given the specialized nature of these service providers, they are difficult to replace if needed and transfers of servicing could cause a disruption of cash flow on the related investment.

Limited Rights Regarding Portfolio Funds and Fund Managers: With respect to Clients advised by MPowered, the success of a Client's investments may depend in part on its ability to obtain an appropriate level of transparency from investment managers in which the Client invests and/or that manage one or more of their underlying portfolio funds (each, a "Fund Manager") regarding

their operations and management, as well as, in certain cases, their portfolio positions, coupled with the Client's right to withdraw its capital in a timely manner if, among other reasons, the Fund Manager's investments experience significantly poor performance, or there is an occurrence of a material change to the business or certain "key person" or other similar events. The Client may also seek an investment term stating that the Client is entitled to transfer all or part of an investment with a Fund Manager, with all associated rights and benefits, with only limited restrictions. Some Fund Managers may be unwilling to grant some or all of these rights for a variety of reasons, including due to confidentiality concerns, or concerns that such rights if not provided to all investors, could cause the Fund Manager to breach other obligations owed to other investors in the relevant portfolio fund. In the event the Client does not obtain certain of these rights, the Firm may nevertheless elect to invest with the Fund Manager and in such cases, may not have the ability to closely monitor performance, realize an investment in a Fund Manager by transferring the Client's interest in a Fund Manager to a third party or to withdraw on a timely basis and without penalties or other restrictions. Because each structured transaction is negotiated separately and independently and each Fund Manager's circumstance may be different, the rights that the Client is ultimately able to negotiate with respect to each Fund Manager may vary significantly.

In addition, although MPowered will receive information from each prospective Fund Manager regarding such Fund Manager's historical performance, if any, and investment strategy, in most cases MPowered will have little or no means of independently verifying the information supplied to it by such Fund Managers. In general, MPowered will not have access to detailed information regarding the underlying portfolios of the funds managed by a Fund Manager, and will rely in large part on the limited information provided to it by the Fund Managers. Relatedly, MPowered will have little ability to assess the accuracy of the valuations received from a Fund Manager. Furthermore, the net asset values received by the Client from such Fund Manager will typically be estimates only, subject to revision through the end of each portfolio fund's annual audit. Revisions to the Client's gain and loss calculations will be an ongoing process, and no appreciation or depreciation figure can be considered final until the Client's annual audit is completed. The absence of detailed information could result in significant losses to the Client.

MPowered Client Fee Structure: With respect to Clients advised by MPowered, the Clients will, in part, utilize a so-called "fund-of-funds" or "multi-manager" investment strategy, pursuant to which their assets will be invested with Fund Managers, both directly and by investments in portfolio funds. Investment management fees will be charged to the Clients by both MPowered and the Fund Managers. As a result, the Clients, and indirectly an investor in the Clients, will bear multiple investment management fees, which may include fees that in the aggregate will exceed the fees that would typically be incurred by a direct investment in a fund managed by the Fund Manager.

MPowered Client Compensation Arrangements: With respect to Clients advised by MPowered, the general partner of such Client will receive carried interest in the Client with respect to the Client's investments. Moreover, Fund Managers typically receive compensation based on the performance of their investments. Such compensation arrangements may create an incentive to make investments that are riskier or more speculative than would be the case if such arrangements were not in effect.

Further, the Clients may invest in Portfolio Funds that are managed by firms to which MPowered or its affiliates has provided or will provide operating capital, corporate governance and firm-building capabilities and/or in which MPowered or its affiliates has acquired minority interests (“Affiliated Funds”). It is not expected that any Affiliated Fund will waive, reduce, rebate or otherwise offset any fees or other compensation payable in respect of a Client’s investment in the Affiliated Fund. Accordingly, if a Client invests in an Affiliated Fund, (i) a Fund Manager with economic ties to an affiliate of MPowered may receive, in the case of management fees, a percentage per annum of a Client’s investment in the Affiliated Fund and, in the case of carried interest or other performance compensation, a percent of the profits attributable to the Client’s investment in an Affiliated Fund and (ii) MPowered and the general partner of the Client would receive both the management fee and carried interest associated with the Client’s investment in the Affiliated Fund.

MPowered Client Indirect Interest in Portfolio Funds: With respect to Clients advised by MPowered, investors in a Client will not be limited partners or members of the Portfolio Funds and will not be entitled to vote directly on matters affecting the Portfolio Funds. However, certain matters affecting the Portfolio Funds may have adverse consequences for the Clients and such investors.

Portfolio Company Management Team: In the case of investments in companies, each such company’s day-to-day operations will be the responsibility of such entity’s management team. There can be no assurance that the existing management team, or any successor management team, will be able to operate the company in accordance with the Firm’s plans or expectations. Many of the Clients’ investments will represent minority and/or non-voting positions in portfolio companies, and, although the Clients, in certain circumstances, have representatives that serve on the boards of directors, such representatives may not have the power individually to exert significant control over such portfolio companies’ boards of directors and management. In such cases, the Clients will rely significantly on the existing management and boards of directors of such portfolio companies, which may include unseasoned directors, managers and representatives of other investors with whom the Clients are not affiliated and whose interests or views conflict with the interests of the Client. To the extent that the management of a portfolio company performs poorly, or if a director or key manager of a portfolio company engages in misconduct, commits material errors in carrying out his or her duties, or terminates his or her employment or association with such company, the applicable Client’s investment in such company will be adversely affected.

Counterparties: In connection with their investment activities, the Clients will be dependent upon one or more counterparties, including counterparties that hold certain assets of the Clients. The failure of a counterparty can have a devastating impact on investment vehicles or accounts (like the Clients). If any counterparty used by the Clients (or any investment) becomes insolvent or files for bankruptcy, the Clients could suffer losses and their financial performance could be materially and adversely affected. In addition, the insolvency or bankruptcy of any counterparty that is in possession of any assets of the Clients could undermine the Clients’ access to such assets on a temporary or permanent basis and result in a partial or complete loss of the related investments. The failure of a counterparty to fulfill its obligations could have a material adverse effect on the related investment and the overall performance of the Clients.

Some of the markets in which the Clients effect transactions are “over-the-counter” or “interdealer” markets. The participants in such markets are typically not subject to the same credit evaluation and regulatory oversight as are members of “exchange-based” markets. This exposes the 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 the Clients to suffer a loss. Such “counterparty risk” is accentuated for contracts with longer maturities where events intervene to prevent settlement, or where the Clients have concentrated their transactions with a single or small group of counterparties. The Clients are not restricted from dealing with any particular counterparty or from concentrating any or all of their transactions with one counterparty. Moreover, it is possible that the Clients will not accurately evaluate the creditworthiness of their counterparties or such evaluation will prove insufficient. The lack of a complete evaluation of the financial capabilities of the Clients’ counterparties and the absence of a regulated market to facilitate settlement increases the potential for losses by the Clients.

The Clients are subject to the risk of failure of any of the exchanges on which their positions trade or of their clearinghouses. Because securities owned by the Clients that are held by broker-dealers are typically not held in a Client’s name, the bankruptcy of any such broker-dealer could have a greater adverse impact on the Clients than if such securities were registered in each Client’s name.

In situations where the Clients are required to post margin or other collateral with a counterparty, the counterparty could fail to segregate the collateral or could commingle the collateral with the counterparty’s own assets. As a result, in the event of the counterparty’s bankruptcy or insolvency, the Clients’ excess collateral would be subject to the conflicting claims of the counterparty’s creditors, and the Clients would be exposed to the risk of a court treating the Client as a general unsecured creditor of the counterparty, rather than as the owner of such collateral.

In addition, the Clients use counterparties located in various jurisdictions. Such local counterparties are subject to various laws and regulations in various jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to the Clients’ assets are subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a counterparty, it is impossible to generalize about the effect of their insolvency on the Clients and their assets. Investors should assume that the insolvency of any counterparty would result in a loss to the Clients, which could be material.

### Benchmark Rates

Many financial instruments use or may use a floating rate based on the London Interbank Offered Rate, or “LIBOR,” which is the offered rate for short-term Eurodollar deposits between major international banks. On March 5, 2021, the U.K. Financial Conduct Authority announced that it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021 for all sterling, euro, Swiss franc and Japanese yen settings and the 1-week and 2-month U.S. dollar settings, and after June 30, 2023 for all remaining U.S. dollar settings. There remains uncertainty regarding the future utilization of LIBOR and the nature of any replacement rate, and additional uncertainty regarding the transition phase. Currently, the Secured Overnight Financing Rate (“SOFR”) is the presumptive replacement for LIBOR. SOFR is a “repo” rate representing the interest rate that banks impose on each other in making secured loans – specifically, loans secured

by US treasuries. SOFR is a daily, overnight rate, released by the U.S. Federal Reserve Bank every morning – it is not currently available as a forward-looking rate. Note that while LIBOR was, at least theoretically, meant to represent a bank's cost of capital, SOFR does not necessarily represent the cost of capital to a bank. The expected discontinuation of LIBOR and the potential switch to SOFR could have a significant impact on the financial markets and may present a risk for certain market participants, including public companies, investment advisers, investment companies, and broker-dealers. The risks associated with this discontinuation and transition will be exacerbated if the work necessary to effect an orderly transition to SOFR is not completed in a timely manner. Transition away from LIBOR as a benchmark reference for interest rates may (i) affect the cost of capital, (ii) require amending or restructuring debt instruments and related hedging arrangements for the Clients and their portfolio companies, and (iii) impact the value of floating rate securities and/or loans based on LIBOR that are held or may be held by the Clients in the future, which could result in additional costs or adversely affect the Clients' liquidity, results of operations and financial condition. Further, it remains unclear whether SOFR will attain wide acceptance among all market participants as the replacement rate for LIBOR. As such, it is not possible to predict all potential effects of these changes on U.S. and global credit markets, the Clients or their ability to obtain favorable financing terms for its portfolio investments. Given the inherent differences between LIBOR and SOFR or any other alternative benchmark rate that may be established, there are additional uncertainties regarding a transition from LIBOR, including but not limited to the need to amend all contracts with LIBOR as the reference rate and how this will impact the Fund's cost of certain debt and financial instruments.

Execution Risks and Manager Error: In order to seek positive returns in global markets, the Firm's investments for certain Clients involve multiple instruments, multiple brokers and counterparties and multiple strategies. As a result, the execution of the investment strategies employed by the Firm for the Clients often require complex investments, difficult to execute investments, use of negotiated terms with counterparties (such as in the use of derivatives) and/or the execution of trades involving less common or novel instruments or structures. In each case, the Firm seeks best execution and has trained execution and operational staff. However, in light of the high volumes, complexity and global diversity involved, some slippage, errors and miscommunications with brokers and counterparties can occur and could result in losses to the Clients. In such circumstances, the Firm will evaluate the merits of potential claims for damage against brokers and counterparties who are at fault and, to the extent practicable, will seek to recover losses from those parties. The Firm is permitted to choose, in its sole discretion, to forego pursuing claims against brokers and counterparties on behalf of the Clients for any reason, including the cost of pursuing claims relative to the likely amount of any recovery and the maintenance of its business relationships with brokers and counterparties. In addition, the Firm's own execution and operational staff may be solely or partly responsible for errors in placing, processing, and settling transactions that result in losses to the Clients. See "*Investment and Allocation Errors*" in the section titled "*Brokerage Practices*" (Item 12 below) for details on reimbursement for errors made by the Firm personnel.

Co-Investments: To the extent that a particular investment opportunity exceeds the desired allocation to the Clients, or there are prospective investors that the Firm believes will be of benefit to the Clients or that are expected to provide a strategic, sourcing or similar benefit to the Firm, the Clients or one or more of their respective affiliates (including funds sponsored by others in so-called "club deals," through joint ventures or other entities (as further discussed in "*—Other Party*



*Involvement*” below)) due to industry expertise, end-user expertise or otherwise, the Firm is permitted, in its discretion, to offer the opportunity to co-invest alongside the Clients to, or otherwise partner with, one or more of such investors or any other person or entity (including the Firm, existing investors in the Private Funds, employees of the Firm, a portfolio company’s management team members, consultants or advisors, or other third parties) (collectively, “Co-Investors”). In any event, no Client or Private Fund investor should have any expectation of receiving a co-investment opportunity or to be owed any duty or obligation in connection therewith.

The Firm will select Co-Investors and allocate co-investment opportunities based on a number of relevant factors, including those specific to the investment opportunity. These factors include: any requirements or restrictions relating to co-investment opportunities in any relevant Account Documents or side letters; the strategic value of a prospective Co-Investor to the underlying investment opportunity; how quickly a prospective Co-Investor is able to conduct its own due diligence and provide a commitment with respect to the investment opportunity; whether the prospective Co-Investor has the financial and other resources to make the investment; whether the prospective Co-Investor has indicated a desire to make investments of the type offered by the investment opportunity; any relevant confidentiality restrictions or obligations relating to the investment opportunity; the Firm’s past experience and relationship with the potential Co-Investor; the size of the potential Co-Investor’s commitment to any Client; the Firm’s belief that allocating all or a portion of the co-investment opportunity to a potential Co-Investor will help establish, strengthen and/or cultivate a relationship that is expected to provide indirect benefits to any existing or future Clients; whether the profile or characteristics of the potential Co-Investor are expected to have an impact on the viability of the proposed investment and the ability of the applicable Clients to pursue the opportunity; and any other factor reasonably determined by the Firm to be relevant to the relationship of a particular investment opportunity to a given prospective Co-Investor.

Co-Investors will typically bear their pro rata share (relative to capital invested) of fees, costs and expenses related to the discovery, investigation, development, acquisition or consummation, ownership, maintenance, monitoring, hedging and disposition of their co-investments and will typically be required to pay their pro rata share of fees, costs and expenses related to potential investments that are not consummated, such as breakup fees or broken deal expenses. Although the Firm endeavors to allocate such fees, costs and expenses on a fair and reasonable basis, there can be no assurance that such fees, costs and expenses will in all cases be allocated proportionately. In addition, Co-Investors may not agree to pay or otherwise bear fees, costs or expenses related to consummated or unconsummated co-investments. In such event, such fees, costs and expenses (including broken deal expenses) will be considered operating expenses of and be borne by the applicable Clients to the extent permissible under the Account Documents of those Clients. Investments made with Co-Investors also may involve a portion of transaction or other fees being allocated to such Co-Investors or, in lieu of such fees being allocated to such Co-Investors, to the Firm.

In certain cases, co-investments will be funded or committed before or after the time that the applicable Clients make their funding or commitment. Any co-investment will be provided on such terms and conditions as the Firm and the Co-Investors participating therein agree. Some of the Co-Investors with whom a Client co-invests could also have pre-existing investments with the

Firm, and the terms of such pre-existing investments often differ from the terms upon which such persons or entities co-invest with the Client.

From time to time, the Clients co-invest through partnerships, joint ventures or other entities or arrangements. It is more difficult for a Client to sell its interest in any joint venture, partnership or entity with other owners than to sell its interest in other types of investments. In order to facilitate certain co-investments, the Firm has formed Clients that are co-investment vehicles designed to allow Co-Investors to invest alongside other Clients in one or more particular investments or opportunities, and the Firm expects to form similar vehicles again in the future. To the extent agreed upon with Co-Investors, co-investment vehicles will be allocated a pro rata share (relative to capital invested) of transaction fees, portfolio monitoring fees, management fees and any similar payments from portfolio companies or assets. To the extent also agreed upon with Co-Investors, the Firm will earn carried interest, receive a management fee and/or retain transaction fees or portfolio monitoring fees or other remuneration allocated to Co-Investors, and/or receive other compensation with respect to such co-investment, and such remuneration or compensation will be retained by the Firm and will not reduce the compensation paid to the Firm by the Clients. The Firm and its employees often make an investment, or otherwise participate, in co-investment entities that are managed by the Firm.

Other Party Involvement: The Clients from time to time enter into one or more joint venture, consortium, “club deal” or other arrangements with one or more third parties to act as joint venture partners, developers or asset managers in connection with the acquisition, development, construction, operation or renovation of their investments. The payment of any development fees, incentive fees, asset management fees, property management fees and other amounts in connection with investments made with joint venture partners will increase the costs to the Clients. In addition, the Clients often participate in investment opportunities alongside other Clients with overlapping, similar or identical investment objectives (as discussed in the section titled “*Allocation of Investment Opportunities*” in Item 12 below).

The commitments of any such other party that invests alongside a Client in such an opportunity may be substantial and such arrangements typically involve risks not present in investments where another party is not involved, including the possibility that: (i) the Client and such other party reach an impasse on a major decision that requires the approval of both parties, including with respect to the management and disposition of the investment, which would increase the risk of deadlocks, which in turn could delay the execution of the business plan for the opportunity or require the Client to engage in a buy-sell of the venture with such other party or conduct the forced sale, enforcement or other realization of such investment; (ii) such other party fails or is unable to comply with agreed-upon plans, budgets or timetables; (iii) such other party at any time has economic or business interests or goals that are inconsistent with those of the Client (including, in the case of another Client, different return and duration expectations, as well as different investors with accordingly different economic or business interests or goals) and accordingly takes a different view from the Firm as to the appropriate strategy for the investment; (iv) such other party encounters liquidity or insolvency issues or becomes bankrupt or otherwise experience financial, legal or regulatory difficulties; (v) such other party (including due to its pro rata interest, the negotiated terms of its participation or its operation control of the investment) is in a position to control major decisions with respect to the investment or to otherwise take action with respect to the investment, and such actions are contrary to the Client’s investment objectives; (vi) the Client

relies upon the abilities and management expertise of such other party; (vii) such other party takes actions that subject the property (or other assets) to liabilities in excess of, or other than, those contemplated; or (viii) in certain circumstances, the Client becomes liable for actions or obligations (including obligations entered into on a joint and several basis) of such other party. As a result of these risks, the Clients may be unable to fully realize their expected return on any such investment.

In circumstances where such other parties include a member of a portfolio company's management team, operating consultants, senior advisors or other joint venture partners serving on the portfolio company's board of directors or in another professional capacity with such portfolio company, such other parties may receive compensation arrangements relating to the arrangement, including incentive compensation arrangements, which compensation expenses will be borne directly or indirectly by the Client. Such other parties could have pre-existing investments in the investment and the terms of such pre-existing investment often differ from the terms upon which the Client invests.

Secondary Transactions: Except as otherwise set forth in the Account Documents, the Firm will not be prohibited from seeking out (or may be solicited by) one or more potential purchasers (including any investor, the Firm and/or its affiliates, and/or any partners, members or shareholders thereof) to purchase (i) all or any portion of an investor's direct interests in the applicable Private Fund or (ii) the investors' interests in the applicable Private Fund that indirectly relate to one or more investments (a "Secondary Restructuring"). The Firm's determination of whether its consent to any secondary transaction is desirable may include factors beyond the interests of the investors. In connection with any secondary transaction, the Firm will not be prohibited from requiring a secondary purchaser to make a capital commitment (or, if applicable, increase the amount of its existing capital commitment) to a Client in connection with such transaction. Such a "stapled" commitment creates incentives for the Firm to pursue the secondary transaction in a manner that is not aligned with the interests of the selling investor and/or other investors of the applicable Private Fund. To the extent not prohibited by the Account Documents, the applicable Private Fund(s) will generally bear all expenses, costs, fees (including, in connection with any Secondary Restructuring or other secondary liquidity offering led by the Firm, placement agent fees and expenses) and charges incurred in connection with activities related to a secondary transaction that are not paid by the transferring parties.

If an investor requests the Firm to assist it in finding a purchaser for all or any portion of its interest in a Private Fund, the Firm will be permitted, in its sole discretion and to the extent not prohibited by the Account Documents, to elect (directly or on behalf of its designees) to purchase (including through one or more affiliates) all or a portion of such interest, and may do so without notifying (or offering such purchase opportunity to) the other investors. The Firm will be under no obligation to purchase any interest from any investor. The Firm's purchase of an interest from a particular selling investor may be at a price that is different from the price that the Firm would be willing to buy a comparable interest from one or more other investors. The Firm will have different (and likely more) information available to it, which will inform its decision to purchase an interest from an investor, as well as the price at which it would be willing to do so.

Asset Valuation: All or a portion of each Client's investments will likely be in investments that are not liquid assets, *i.e.*, in readily marketable securities for which prices are available from third

parties. Independent quotations for such positions will not necessarily be available, and, where available, will not necessarily provide a reliable indication of current value. In addition, for an investment to be deemed by the Firm to be a liquid investment for valuation purposes, there need only be market quotations available from one independent market source at the time of investment. Such quotations will not assure that the investment is as liquid as investments in the secondary market for more traditional investments, such as stocks and bonds. As a result, if the Firm is forced to sell such an investment prematurely, it may not be able to fully realize the potential underlying value of such investment, and, in some cases, will have to sell such investment at a loss.

After a distribution in kind is made to the investors in a Private Fund, many such investors may decide to liquidate such investment within a short period of time, which could have an adverse impact on the price of such investment. The price at which such investment is sold by such investors could be lower than the value of such investment determined pursuant to the Account Documents, including the value used to determine the amount of carried interest available to the general partner of such Private Fund with respect to such investment.

Subject to any limitations set forth in the Account Documents of a particular Client, investments will be priced at their respective fair values in accordance with U.S. Generally Accepted Accounting Principles (“GAAP”) as determined in good faith by the Firm in accordance with its then-current valuation policies and procedures. Situations involving uncertainties as to the valuation of portfolio investments could have an adverse effect on a Client’s net assets if the Firm’s judgments regarding appropriate valuations should prove incorrect. In calculating fair values, the Firm relies upon, and will not be responsible for the accuracy of, financial data furnished to it by automatic processing services, third-party financial models, brokers, market makers or intermediaries, third parties and any administrator or valuation agents. To the extent that the Firm relies on information supplied by any brokers or other financial intermediaries engaged by a Client or by the Firm, in connection with calculating fair values, the Firm’s liability for the accuracy of such calculation is limited to the accuracy of its computations. The Firm is not liable for the accuracy of the underlying data provided to it. If market quotations for a Client’s investments are not readily available, the Firm may seek to value such Client’s investments by testing possible sales prices for such investments with at least one potential investor or, if there are market makers, by obtaining quotations, and may sell investments through such pricing mechanism. Should no quotes be available for a particular investment, the Firm will seek to determine the fair value of such investment in good faith. Determining fair value is not exact and can be especially difficult for illiquid investments, and prices can vary significantly from one period to the next.

There can be no assurance that the value assigned to an investment at a certain time will equal the value that a Client is ultimately able to realize. In the absence of manifest clerical error, the value determinations of the Firm will be conclusive and binding on a Client and all investors in a Private Fund .

For purposes of financial reporting compliant with GAAP, the Private Funds are required to follow the requirements for valuation set forth in Accounting Standards Codification 820 (“ASC 820”), “Fair Value Measurements,” which defines and establishes a framework for measuring and reporting fair value under GAAP. Additional Financial Accounting Standards Board (“FASB”) Statements and guidance and additional provisions of GAAP that are adopted in the future will

likely also impose additional, or different, specific requirements as to the valuation of assets and liabilities for purposes of GAAP financial reporting.

ASC 820 and other accounting rules applicable to investment funds and various assets they invest in are evolving. As a result, the Firm reviews the application of relevant FASB Statements and guidance to the valuation of the Private Funds' assets and liabilities. Certain changes could adversely affect the Private Funds. For example, the evolution of rules governing the determination of the fair value of assets to the extent such rules become more stringent would tend to increase the cost and/or reduce the availability of third-party determinations of fair value. This would in turn increase the costs associated with selling assets or affect their liquidity due to inability to obtain a third-party determination of fair value. In certain circumstances, a Private Fund pays a service provider for valuation, administration or other services relating to the investments held by it that are expected to also be held by other Private Funds. These arrangements present conflicts of interest because in certain circumstances such other Private Funds receive an indirect benefit in connection with the services provided to the contracting Private Fund that will be bearing the related expense.

Litigation: Certain of the Clients' investments or companies with respect to which the Clients invest will involve various types of restructurings, foreclosures or other activist efforts, which can be contentious and adversarial. It is by no means unusual for participants in any transaction to use the threat of, as well as actual, litigation or notification of regulators as a negotiating technique. A Client and one or more of its affiliates (including the Firm) may commence or be named as defendants in civil proceedings. Furthermore, the adoption of new or enhancement of existing laws and regulations could increase the risk of litigation still. Any such litigation would likely have a negative financial impact on the Clients and may continue without resolution for long periods of time. For instance, the expense of defending against claims by third parties and paying any amounts pursuant to settlements or judgments would, subject to certain exceptions, be borne by the respective Client and would reduce such Client's net assets. Under a Client's Account Documents, the Firm and others are entitled to be indemnified by the related Client in connection with any such litigation, subject to certain conditions. In addition, any litigation would likely consume substantial amounts of Värde's time and attention, and such time and the devotion of these resources to litigation could, at times, be disproportionate to the amounts at stake in the litigation.

Use of Leverage: Subject to any limitations set forth in the Account Documents of a particular Client, the Clients are permitted to (i) employ leverage in the acquisition, operation and ownership of their investments, (ii) refinance their investments, if desirable, and (iii) make use of leverage by having a portfolio company or acquisition vehicle incur debt to finance a portion of their investments in a given portfolio company. The Clients are permitted to lever their assets through various types of financings and through various securitization vehicles and repurchase agreements. With respect to the Clients' real estate investments, debt could take the form of mortgage or other financing at the asset level or ownership level. The Clients will also be permitted to guaranty indebtedness (such as a guaranty of an investment's debt) and to enter into recourse and non-recourse borrowings, primarily from banks, securities firms and other providers of capital, in such amounts and on such terms and conditions as the Firm, in its sole discretion, deems appropriate, subject to any applicable restrictions set forth in the Account Documents of a particular Client.

The Clients are also generally permitted to leverage their investment returns with options, short sales, swaps, forwards and other derivative instruments.

The Clients may incur leverage on a joint and several basis or a cross-collateralized basis with one or more other Clients and/or other related entities and may have a right of contribution, subrogation or reimbursement from or against such entities.

A Client's assets, including any investments made by the Client and any capital held by the Client, will be available to satisfy all liabilities and other obligations of the Client. If a Client or a portfolio company defaults on secured indebtedness, for example, the lender would be permitted to foreclose and the Client could lose its entire investment in the security for such loan. If the Client itself becomes subject to a liability, parties seeking to have the liability satisfied may have recourse to the Client's assets generally and may not be limited to any particular asset, such as the investment giving rise to the liability. In addition, there can be no guarantee that (i) debt facilities will be available at commercially attractive rates including, when due for refinancing, and accordingly the Client or the applicable portfolio company would be exposed to less favorable terms or rates upon a refinancing, or (ii) any facilities negotiated will be fully utilized. The investors in a Private Fund will not be personally liable for the Private Fund's obligations under any borrowing or similar arrangements. However, such borrowing arrangements are permitted to be secured by, among other things, the right of the Private Fund's general partner to call capital and capital commitments made by (and/or enforce other payment obligations of) the Private Fund's investors and to recall distributions previously made to the Private Fund's investors, and the inability of the Private Fund to repay borrowings under a credit facility secured by such rights or the capital commitments and/or enforcement of other payment obligations could enable a lender to take action against any investor in the Private Fund to the extent of its unfunded capital commitment and/or other payment obligations with respect to the Private Fund (including being required to make capital contributions or other payments or return distributions directly to one or more lenders instead of the Private Fund).

With respect to Private Funds, net internal rates of return in respect of investment and performance data, as reported from time to time, are based on the payment date of capital contributions received from and distributions returned to the investors of each Private Fund. This treatment also applies in instances where a Private Fund utilizes borrowings under such Private Fund's subscription-based credit facility in advance of receiving capital contributions from the investors, or under such Private Fund's post-investment period credit facility to return capital to the investors prior to the receipt of investment proceeds. As a result, use of a subscription-based or post-investment period credit facility will (in a positive return scenario and to the extent not offset by expenses associated with the use of such facility) result in a higher reported internal rate of return than if the facility had not been utilized and instead the investors' capital had been contributed at the inception of an investment and/or distributions returned upon receipt of investment proceeds.

While leverage presents opportunities for increasing the Clients' total returns, it has the effect of potentially increasing losses as well. Accordingly, any event that adversely affects the value of an investment by the Clients would be magnified to the extent the Clients are leveraged. The cumulative effect of the use of leverage by the Clients in a market that moves adversely to the Clients' investments could result in a substantial loss to the Clients, which would be greater than if the Clients were not leveraged. Leverage will increase the exposure of the Clients and their

investments to adverse economic factors such as significantly rising interest rates, severe economic downturns or a deterioration in the condition of the Clients' investments or their corresponding markets.

If a Client is unable to obtain desired financing for its investments or maintain a desired or optimal amount of financial leverage, the Client will have to maintain a larger than expected capital allocation to the investments and will realize lower than expected returns from such investments that would adversely affect the Client's ability to generate investment returns for its investors. Any failure by lenders to provide previously committed financing could also expose the Client to potential claims by sellers of assets that the Client have contracted to purchase.

Potential Restrictive Covenants: The Clients may enter into a credit facility with one or more lenders in order to finance their operations (including the acquisition of the Clients' investments) and the Clients' subsidiaries and investments are permitted to enter into various other financing arrangements and other transactional agreements. It is anticipated that any such transactions will contain a number of common covenants that, among other things, might restrict the ability of the Clients and their subsidiaries and investments to: acquire or dispose of assets or businesses; incur additional indebtedness; make expenditures, distributions or capital calls; create liens on assets; enter into leases, investments or acquisitions; consent to transfers; restrict the use of information; make amendments to the Account Documents; or engage in certain transactions with affiliates, and otherwise restrict activities of the Clients, their subsidiaries and investments without the consent of the lenders or other counterparties. In addition, such a transaction may require the Clients and their subsidiaries and investments to maintain specified financial ratios and comply with tests, including minimum liquidity, minimum interest coverage ratios, maximum leverage ratios, minimum net worth and minimum equity capitalization requirements. Multiple Clients are permitted to be co-borrowers under a credit facility or other agreement, and/or Clients may co-invest in assets that are subject to the terms of a credit facility entered into by one or more co-investing Clients. In such a case, a default by another Client or such other Client's inability to meet such ratios or comply with such tests could limit the activities of the other Clients and have other adverse consequences on the other Clients, including triggering cross-default provisions and providing the lender with recourse against the other Clients and their assets.

Misrepresentation, Fraud and Misconduct: Of significant concern in lending and investing is the possibility of material misrepresentation or omission by a counterparty or other parties involved in the transaction. Such misrepresentation or omission could adversely affect the valuation of the collateral underlying the investment or adversely affect the ability of a Client to realize a return on its investment. The Clients often rely upon the accuracy and completeness of representations made by counterparties but cannot guarantee such accuracy or completeness.

Instances of fraud and other deceptive practices committed by third parties in connection with any Client's investments would undermine Värde's due diligence efforts with respect to such investments, and if such fraud is discovered, negatively affect the valuation of such Client's investments. In addition, when discovered, financial fraud would likely contribute to overall market volatility, which can negatively impact a Client's investment program.

Misconduct by employees of the Firm, portfolio companies or their respective affiliates or third-party service providers could also cause significant losses to a Client. Examples of employee

misconduct include binding a Client to transactions that exceed authorized limits or present unacceptable risks and unauthorized trading activities or concealing unsuccessful trading activities (which, in either case, would result in unknown and unmanaged risks or losses). Losses could also result from actions by third-party service providers, including failing to recognize trades and misappropriating assets. In addition, employees and third-party service providers might improperly use or disclose confidential information, which could result in litigation or serious financial harm, including limiting a Client's business prospects or future activities. Adverse employee relationships and inadequate control over assets each increases the possibility of misappropriation of a Client's assets. Such misappropriations would be difficult to identify in a timely manner and, once identified, adequate legal remedies might not be available, or may be ineffective if the assets or proceeds in question are not recoverable. No assurances can be given that the due diligence performed by the Firm will identify or prevent any such misconduct.

Due Diligence: The Firm will conduct, and is permitted to use third parties to conduct, due diligence on prospective investments. In conducting such due diligence, the Firm's investment professionals often use publicly available information as well as information from their relationships with former and current management teams, consultants, competitors, potential counterparties and investment bankers. Such level of due diligence may not, however, reveal all matters and issues, material or otherwise, relating to prospective investments.

Expedited Transactions: Investment analyses and decisions by the Firm will often be undertaken on an expedited basis in order for the Clients to take advantage of investment opportunities. In such cases, the information available to the Firm at the time of an investment decision will be limited, and the Firm may not have access to the detailed information necessary for a full evaluation of the investment opportunity. In addition, the Firm often relies upon independent consultants in connection with its evaluation of proposed investments. There can be no assurance that these consultants will accurately evaluate such investments.

Material, Non-Public Information: By reason of their responsibilities in connection with the Clients and other investment activities, and notwithstanding procedural safeguards including restricted securities lists, personnel of the Firm will, at times, acquire confidential or material, non-public information that would limit the ability of the Clients to buy and sell certain of their investments. The Clients' investment flexibility would be constrained in such circumstances due to the inability of the Firm to use such information for investment purposes. Moreover, the Firm would be restricted from initiating transactions in certain securities or selling certain investments, due to its acquisition of confidential or material, non-public information, at a time when the Firm would otherwise take such action.

Hedging Transactions: The markets in which the Clients invest are subject to fluctuations and the market value of any particular investment can be subject to substantial variation. The entire market, or particular securities traded on a market, will, at times, decline even if earnings or other factors improve since the prices of debt securities and equity securities are subject to numerous economic, political, procedural and other factors that have little or no correlation to the performance of a particular company. The Clients expect to use a variety of financial instruments, such as derivatives, options, interest rate swaps, caps and floors, futures and forward contracts, to endeavor to manage the Clients' or any investment's currency exposures, interest rate exposures or other exposures and are permitted (but are not obligated) to use such financial instruments for



investment purposes as well. When used for hedging purposes, an imperfect or variable degree of correlation between price movements of the derivative instrument and the underlying investment sought to be hedged will prevent the Clients from achieving the intended hedging effect or expose the Clients to risk of loss. Even if the Clients enter into hedging transactions to seek to reduce risk, such transactions could result in a poorer overall performance for the Clients than if they had not engaged in any such hedging transaction. The Firm is permitted to determine not to hedge a position and may not identify appropriate risks to hedge. Moreover, it should be noted that the Clients' portfolios will always be exposed to certain risks that cannot be hedged.

In connection with a hedging transaction, the Clients are often required to allocate funds or provide a credit line to be used as collateral for the margin capital of the hedge. Such a requirement would tie up a portion of the Clients' capital that could otherwise have been available for investment. This could cause the Clients to be less invested in their core investment strategy than they would have been absent such hedging transaction and could possibly result in an adverse effect on the overall returns of the Clients.

FCPA Considerations: The Firm and its professionals are committed to complying with the U.S. Foreign Corrupt Practices Act ("FCPA") and other anti-corruption, anti-bribery and anti-boycott laws and regulations, including under U.S. and non-U.S. law, to which they are subject. As a result, the Clients may be adversely affected because of their intention not to participate in transactions that violate such laws or regulations. Such laws and regulations will make it difficult in certain circumstances for the Firm to act successfully on investment opportunities and for investments to obtain or retain business.

While the Firm has developed and implemented policies and procedures designed for compliance by the Firm and its personnel with the FCPA and other applicable anti-bribery laws, such policies and procedures may not be effective in all instances to prevent violations. In addition, notwithstanding Värde's policies and procedures, affiliates of portfolio investments, particularly in cases where the Clients do not control such portfolio investment, may engage in activities that could result in violations of the FCPA or other applicable laws. Any determination that the Firm has violated the FCPA or other applicable anti-corruption, anti-bribery or anti-boycott laws could subject the Firm and/or the Clients to, among other things, civil and criminal penalties, material fines, profit disgorgement, injunctions on future conduct, securities litigation and a general loss of investor confidence, any one of which could adversely affect Värde's business prospects and/or financial position, as well as the Clients' ability to achieve their investment objectives and/or conduct their operations.

No Assurance of Investment Return: Värde's task of identifying and evaluating investment opportunities, managing such investments and realizing a return for investors is difficult. Many organizations operated by persons of competence and integrity have been unable to make, manage and realize returns on investments successfully. There is no assurance that the Clients will be able to invest their capital on attractive terms or generate returns. There can be no assurance that the Clients' investments will increase in value or that the Clients or their investments will not incur significant losses. The Clients could lose all or substantially all of their capital.

Projections: The Clients make investments relying upon projections developed by the Firm or other third-party sources concerning such investment's future performance. Projected performance for

the Clients' investments normally will be based primarily on financial projections. In all cases, projections are only estimates of future results that are based upon information relating to investments and third parties and assumptions made at the time the projections are developed. Projections are inherently subject to uncertainty and factors beyond the control of the Firm or such other sources. The inaccuracy of certain assumptions, the failure to satisfy certain financial requirements and the occurrence of other unforeseen events could impair the ability of investments to realize projected values. In particular, general economic factors, which are not predictable, can have a material effect on the reliability of projections. There can be no assurance that the results set forth in the projections will be attained, and actual results may be significantly different from the projections.

Expenses: Each Client will pay and bear all expenses related to its operations as set forth in such Client's Account Documents. The amount of these expenses is expected to be substantial and will reduce the actual returns realized by investors on their investment (and, in the case of most Private Funds, will reduce the amount of capital available to be deployed by the Private Funds in investments). These expenses include recurring and regular items, as well as extraordinary expenses for which it is often difficult to budget or forecast. As a result, the amount of these expenses ultimately incurred or incurred at any one time could exceed expectations.

Illiquidity of Interests in the Private Funds: Prospective investors should be aware of the long-term nature of their investment in the Private Funds, particularly with respect to the closed-end Private Funds. There is no public market for the interests in the Private Funds and none is expected to develop. Interests in the Private Funds are not able to be assigned or transferred without the written consent of the Firm, which may be withheld in its sole discretion. Investors desiring to transfer interests in a Private Fund are required to reimburse the Private Fund's expenses of such transfer which can, in certain circumstances, be substantial.

No Right to Control the Private Fund's Operations: The investors in the Private Funds have no right or power to take part in the management or control or conduct of the business of the Private Funds. The Private Funds are managed solely by the Firm. Investors in the Private Funds must rely solely on the judgment of the Firm in selecting investments and should not invest in the Private Funds unless willing to entrust all aspects of the portfolio management of the Private Funds to the Firm. For example, in order to safeguard their limited liability for the liabilities and obligations of the Private Funds, investors in a Private Fund must rely entirely on the Firm and the general partner or manager of such Private Fund and/or its affiliates (as the case may be) to conduct and manage the affairs of the Private Funds.

Cybersecurity and Business Continuity: The Clients, the Firm, their portfolio companies, their respective affiliates and their respective service providers are subject to risks associated with a breach in cybersecurity. Cybersecurity is a generic term used to describe the technology, processes and practices designed to protect networks, systems, computers, programs and data from both intentional cyber-attacks and hacking by other computer users, as well as unintentional damage or interruption that, in either case, can result in damage and disruption to hardware and software systems, loss or corruption of data and/or misappropriation of confidential information. While the Firm intends to maintain insurance to protect against certain cybersecurity-related losses, the Clients could experience losses that are outside the scope or exceed the amount of such coverage. It is expected that a portion of the expenses related to maintaining such insurance will be allocated

to the Clients. Cybersecurity attacks are evolving and include malicious software, attempts to gain unauthorized access to data and other electronic security breaches that could lead to disruptions in critical systems, unauthorized release of confidential or otherwise protected information, including information regarding the investors in and investment activities of the Clients, and corruption of data. Such damage or interruptions to information technology systems would cause losses to the Clients or their investors by interfering with the processing of transactions, affecting the Clients' ability to conduct valuations or impeding or sabotaging trading. The Clients would also likely incur substantial costs as the result of a cybersecurity breach, including those associated with forensic analysis of the origin and scope of the breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, litigation, adverse investor reaction, the dissemination of confidential and proprietary information and reputational damage. Any such breach could expose the Clients and the Firm to civil liability as well as regulatory inquiry and/or action. Investors in or owners of the Clients could also be exposed to losses resulting from unauthorized use or dissemination of their personal information.

The Clients depend on the Firm to develop and implement appropriate systems for their activities. The Firm relies heavily on computer programs and systems (and expects to rely on new systems and technology in the future) for various purposes in connection with its activities on behalf of its investors, including to trade, clear and settle transactions, to evaluate certain financial instruments, to monitor its portfolio and net capital, and to generate risk management and other reports that are critical to the oversight of such investors' activities. Certain of Värde's and the Clients' activities will be dependent upon systems operated by third parties, including prime brokers, market counterparties and other service providers, and the Firm may not be in a position to verify the risks or reliability of such third-party systems. The Clients' service providers also depend on information technology systems and, notwithstanding the diligence that the Clients may perform on their service providers, the Clients may not be in a position to verify the risks or reliability of such information technology systems. The failure, corruption or breach of one or more systems (including as a result of the occurrence of a disaster such as a cyber-attack, a natural catastrophe, an industrial accident, a terrorist attack or war, events unanticipated in Värde's disaster recovery systems, or a support failure from external providers) or the inability of such systems to satisfy investors' needs, including the execution of orders, could have a negative effect on Värde's ability to conduct business and thus, the Clients, particularly if those events affect Värde's computer-based data processing, transmission, storage and retrieval systems or destroy Värde's data. If a significant number of Värde's personnel were to be unavailable in the event of a disaster or other event, Värde's ability to effectively conduct the Clients' business could be severely compromised.

The Firm depends heavily upon computer systems to perform necessary business functions. Despite its implementation of a variety of security measures, Värde's computer systems could be subject to cyber-attacks and unauthorized access, such as physical and electronic break-ins or unauthorized tampering. Like other companies, the Firm experiences threats to its data and systems, including through malware and computer virus attacks, unauthorized access, system failures and disruptions. The occurrence of one or more of these events could potentially jeopardize the confidential, proprietary and other information processed and stored in, and transmitted through, Värde's computer systems and networks, or otherwise cause interruptions or malfunctions in its operations, which could result in damage to its reputation, financial losses, litigation, increased costs, regulatory penalties and/or customer dissatisfaction or loss and could have a material effect on the Clients.

Special Purpose Vehicles; Participations: The Firm often forms special purpose vehicles to hold Client investments. In certain circumstances, depending on the jurisdiction of organization, applicable tax treaties and other tax, legal or business considerations, special purpose vehicles through which multiple Clients make one or more investments will not provide for complete segregation of assets and liabilities in respect of the applicable Clients holding such investments through such special purpose vehicles. Accordingly, if any Client is unable to meet all of its obligations to the underlying investment in which it holds an interest through a special purpose vehicle, other Clients that hold investments through such special purpose vehicle would be adversely affected. Furthermore, in certain cases, Clients will engage in internal participation arrangements where one Client contracts with the relevant counterparty with one or more other Clients obtaining exposure to the underlying investment by way of a participation arrangement with the contracting Client. In such an arrangement, the Clients obtaining indirect exposure to the underlying investment through the participation arrangement will have a direct contractual relationship only with the originally contracting Client, and not the relevant counterparty, and thus generally will have no right to enforce compliance by the counterparty with the terms of the underlying transaction documents.

Investments in Other Clients and Holding Structure: Under certain circumstances, a Client may subscribe for or otherwise acquire an interest in another Client or entity managed by the Firm. For example, at the end of a Private Fund's life, its assets may be liquidated through a transfer to another Private Fund, which may be accomplished by contributing such assets in kind in exchange for limited partner or similar interests in such other Private Fund. Furthermore, a Client may invest into another Client or entity managed by the Firm as a desirable structure for purposes of gaining access or exposure to one or more underlying investments. The Firm may desire to pursue such "stacked" structures for reasons beyond the other purported benefits (such as the inflation of the amount of capital raised in the subsidiary Client). In addition, one or more portfolio companies of a Client may subscribe for or otherwise acquire an interest in another Client or entity managed by the Firm. For example, a Client could acquire interests in an investment company or operating company that then invests into alternative investment funds, including one or more other Clients. One type of stacked structure the Firm relies on is a holding structure. The Firm periodically forms holding structures to enable one or more Clients to invest in a portfolio of assets. The holding structures are established for a variety of reasons, including for operational efficiency and to facilitate financing for the underlying investments. The Firm has the ability to direct different Clients to invest into and liquidate from the holding structures at different times. Any such arrangement where a Client invests, directly or indirectly, into another Client or other entity managed by the Firm would create various conflicts of interest for Firm and each such Client. The Firm will seek to resolve these conflicts of interest using its best judgment considering all factors it deems relevant, including the best interests of each of the affected Clients.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any material legal or disciplinary events that would be material to an evaluation of the Firm or the integrity of the Firm's management. The Firm does not have any material legal or disciplinary events to disclose.

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

### ***Other Investment Advisers/Sponsors of Clients***

Except with respect to Clients advised by MPowered, VMLP is the investment manager of each Client. The general partner of VMLP is Värde Management, Inc., a Delaware corporation. VMLP's direct subsidiary sub-advisers are: Värde Partners Europe Limited, Varde Partners Asia Pte. Ltd, Värde Partners Australia LLC, and Varde India Investment Adviser Private Limited. In addition, VMLP has other subsidiaries established in certain other jurisdictions to support its operations. VMLP and its direct and indirect subsidiaries share compliance personnel, and the personnel of such other Värde entities will be subject to substantially similar compliance policies and procedures and Code of Ethics requirements as the personnel of VMLP (in addition to any other compliance requirements of applicable regulatory authorities in their respective jurisdictions).

VMLP is affiliated, and has material business relationships, with Värde Partners, L.P. (“VPLP”). VPLP is a Delaware limited partnership and serves as the direct or indirect general partner of each Private Fund. The general partner of VPLP is Värde Partners, Inc., a Delaware corporation. The performance-based compensation, if any, paid by a Private Fund is generally received by the applicable general partner of the Private Fund. Please see “*Performance-Based Fees and Side-By-Side Management*” (Item 6 above) regarding performance-based fees that may be paid by a Private Fund to its general partner. In addition, the general partner of each Private Fund is generally required to invest at least 1% in each Private Fund (other than certain co-investment vehicles).

The investment advisory and fund management business operated by VMLP is governed by a Partners Committee, the members of which are the Principals. The Principals are Värde's primary investment advisory professionals.

MPowered is the investment manager of Clients that are formed to commit capital to Diverse Talent. MPowered is owned by Marcia Page and VMLP, and it is governed by a management committee comprised of VMLP and MPowered employees. In addition to having its own direct employees, MPowered shares certain personnel with VMLP and VMLP's direct and indirect subsidiaries. MPowered employees are subject to substantially similar compliance policies and procedures and Code of Ethics requirements as the personnel of VMLP and are under the supervision of VMLP's compliance function.

### ***Investments in Asset Managers, Operating Platforms and Similar Entities***

Certain of the Clients have acquired, and may in the future acquire, interests in or complete ownership of one or more asset managers, operating platforms or similar entities (each, a “Platform”). These Platforms (i) provide various services that are purchased by the Clients, including converting certain types of assets and portfolios into cash; providing collection, due diligence and underwriting services; or otherwise servicing financial assets, and/or (ii) originate assets that are subsequently purchased by one or more Clients, including commercial loans and consumer receivables. The Clients' investments in Platforms have been structured to provide the Clients with a range of ownership interests (from minority interests to complete ownership). The board of directors (or its equivalent) of any such Platform will generally include the Firm employees and/or nominees. Certain other control rights will also be retained by the related Clients to protect the investments made in or through the Platform by such Clients.

The Firm has ownership interests in these Platforms through its investments in the Clients, and such ownership interest may also increase over time. Subject to any restrictions in the Account Documents, the portion of any fees or payments to Platforms will generally not offset the management fees paid to the Firm by any Clients.

The Platforms from time to time enter into contractual relationships with the Clients (or their investments). The performance under such contracts is dependent on the Platform's personnel, not on personnel or other affiliates of the Firm, and the Firm does not typically exercise day-to-day control over or management of the Platform.

A Client's engagement of a Platform to provide services to a Client and/or its investments, and/or sell originated assets to a Client and/or its investments, creates certain conflicts of interest for the Firm.

First, there is the incentive for the Firm to pursue unsuitable or unnecessary investments on behalf of a Client in order to generate fees for a Platform and/or purchase unsuitable or unnecessary investments from a Platform on behalf of a Client to generate proceeds for a Platform.

Second, the Firm has an incentive to transact with a Platform regardless of the quality of the services provided or assets available for sale in order to support the Platform's business.

Third, the Firm will, depending on the circumstances, have incentives to engage with Platforms on terms that are inconsistent with the terms that are otherwise available in the market in order to benefit the Clients that own the Platform or the Clients that are engaging with the Platform.

Finally, the Firm will be incentivized to refrain from asserting remedies, including litigation, against a Platform if it breaches its contractual obligations or otherwise fails to perform its responsibilities adequately.

These conflicts are mitigated in instances where the Clients that own the Platform are the same as the Clients that are hiring the Platform to perform services or are acquiring assets from the Platform, since a proportionate share of any benefits that accrue to the Platform (including any servicing and origination fees) will accrue to the Clients as owners of the Platform. In circumstances where the Clients transacting with the Platform are different than the Clients that own the Platform (or where a Client's economic interest in a Platform deviates significantly from its economic interest in the services or assets received from the Platform), the potential conflicts of interest will be more pronounced. The Firm will seek to resolve these conflicts using its best judgment considering all factors it deems relevant, including the best interests of each of the affected Clients, and the Firm may request that the third-party, non-Client owners of the Platform (if any) agree to indemnify and hold harmless the Client owners in connection with the Platform's performance of its obligations.

### ***Overlapping Strategies***

MPowered's investment strategy is to commit capital to Diverse Talent. Given this strategy, the Firm does not generally expect that investments by the Clients advised by MPowered will overlap with the investments made by the Clients advised by VMLP, but the funds and accounts managed by the Diverse Talent to which MPowered commits may have strategies that overlap with the

strategies managed by the Clients managed by VMLP. Any such overlap could create certain conflicts of interest between VMLP and MPowered. These conflicts are mitigated by the fact that the Diverse Talent in which MPowered invests will operate independently of MPowered, and the Firm will seek to resolve any such conflicts using its best judgment considering all factors it deems relevant, including the best interests of each of the affected Clients.

### ***Sponsors of Limited Partnerships***

The Firm and its related entities are, directly or indirectly, the general partners, limited partners and/or managing members of the general partner of each of the Private Funds. This creates conflicts in the allocation of time, resources and investment opportunities among the Private Funds as well as other Clients. The Firm believes these conflicts of interest are mitigated by its allocation procedures. Investors are encouraged to refer to the Account Documents of each Client for complete information on the requisite time commitments of the Firm and its related persons to the Client.

### ***Affiliate Services***

As an extension of and in addition to the investment advisory services, Värde has established businesses that provide services to (1) the Clients, (2) portfolio investments and/or prospective portfolio investments of the Clients and/or (3) other parties, including third parties and investment holding entities that are wholly or partially owned and/or controlled by Värde and/or certain Clients (collectively, “Service Recipients”), including:

- A business to manage the provision of services with respect to certain real estate investments; and
- A joint venture that operates as an asset reconstruction company in India.

In addition to these businesses, the Firm may, from time to time, form or acquire other businesses (all such businesses, “Affiliate Service Providers”).

Certain Affiliate Service Providers will charge fees, costs and/or expenses for their services to Service Recipients. The engagement of Affiliate Service Providers by Service Recipients presents certain conflicts of interest, some of which are described below. The conflicts of interest described in “*Investments in Asset Managers, Operating Platforms and Similar Entities*” (above) also generally apply to such affiliate service arrangements.

*Additional Fees and Other Compensation:* By virtue of its beneficial ownership in the Affiliate Service Providers, the Firm will receive all or a significant portion of any profits arising from any fees, costs or expenses paid to such Affiliate Service Providers. Except as otherwise set forth in the Account Documents of the applicable Clients, the fees, costs and expense reimbursements paid to the Affiliate Service Providers, and any proceeds received by the Firm in connection therewith, will not be reduced by any fees or expenses paid or payable to the Firm in respect of such Clients. Accordingly, the receipt of additional compensation creates an incentive for the Firm to cause the Clients to engage Affiliate Service Providers, and/or to cause the Clients to invest in companies that will become Service Recipients. Subject to any restrictions in the Account Documents, such engagements will result in additional fees and expenses being borne, directly or indirectly, by the applicable Clients, and may result in decreased returns.



*Enterprise Value:* The Firm will receive an indirect economic benefit from services provided by the Affiliate Service Providers because such services will facilitate the creation or continuation of a business with independent enterprise value, even in circumstances where the amounts received by the Firm from an Affiliate Service Provider result in a management fee offset. Värde's decision to cause the Clients to engage Affiliate Service Providers, and/or to cause the Clients to invest in companies that will become Service Recipients, will result in new or increased enterprise value of the applicable Affiliate Service Providers and assist such Affiliate Service Providers in establishing a track record that will facilitate earning future business from third parties and/or other Clients.

*Service Agreements:* When the Service Recipient is a Client or a company into which a Client has invested, the Firm will generally have the authority to negotiate any services agreements entered into between Affiliate Service Providers, on the one hand, and the applicable Service Recipients. Such service agreements will not be subject to review or consultation by any third party. The Firm will have a conflict of interest in determining the costs of such services that will be charged to the Service Recipients. In addition to determining the amount of compensation payable to the Affiliate Service Provider, the Firm will have the authority to determine other key terms of the service arrangement, including terms relating to expense reimbursements, termination fees, indemnification payable to the Affiliate Service Provider and its personnel, and exculpation provided to the Affiliate Service Provider and its personnel. While the Firm seeks to negotiate such arrangements on what it believes are market terms, there can be no assurance that such terms are market standard or that better terms could not be obtained from a different service provider. Fees charged by the Affiliate Service Provider may not be the lowest fees available for similar services offered by unrelated service providers.

*Failure to Participate in Certain Investments:* If a Client does not permit the engagement of an Affiliate Service Provider with respect to its investment activities and/or has not agreed to directly or indirectly incur the fees and/or expenses charged by an Affiliate Service Provider in connection with any such engagement, the ability of such Client to directly or indirectly enter into or participate in certain investments serviced by such Affiliate Service Provider will be limited.

*Sharing of Personnel:* Certain Affiliate Service Providers and other Värde entities will share certain personnel. The time and attention spent by such personnel on the Affiliate Service Provider activities creates a conflict of interest in that the time and effort of such personnel will not be devoted exclusively to the business of Värde, and vice versa.

In an effort to mitigate such conflicts, the Firm expects to implement the following procedural safeguards: (i) the Firm will periodically review the services provided by Affiliate Service Providers and evaluate such services, and the terms upon which they are provided, against other service providers in the market as appropriate; (ii) the Firm will periodically disclose to the applicable Clients that are Service Recipients (and/or, if applicable, the investors, advisory committee and/or other appropriate representatives for such Clients) any fees and expense reimbursements paid to an Affiliate Service Provider that are directly or indirectly borne by the applicable Client as provided in such Client's Account Documents; (iii) to the extent applicable with respect to the relevant Clients, the Firm will offset the Client's management fee if and to the extent required by the Client's Account Documents; and (iv) except as otherwise disclosed in the Account Documents for a Client, the Firm will retain underwriting discretion for prospective investments by a Client in any Service Recipient and will consider and potentially approve any such investment on a deal-by-deal basis. The Firm intends to resolve all such conflicts using its

best judgment considering all factors it deems relevant, including the best interests of each of the relevant Clients.

*Additional Considerations:* It is possible that any Affiliate Service Provider will provide services to certain Service Recipients that compete or have overlapping investment objectives with the Firm, its Clients, and/or other Service Recipients. Accordingly, it is possible that services or advice provided by such Affiliate Service Provider to Service Recipients could result in a competitive advantage to the person receiving such services or advice and therefore be disadvantageous to other Service Recipients and/or Clients. In certain circumstances, the management fee and/or performance-based fee or allocation arrangements with Service Recipients and/or Clients, as well as any principal interest the Firm or its personnel may have in such Service Recipients and/or Clients, will create incentives for the Firm to (i) favor certain Clients by, for example, allocating attractive investment opportunities to Clients with terms that are more economically beneficial to the Firm, (ii) dedicate additional time and resources to such Clients, and/or (iii) invest in riskier assets in an attempt to achieve higher returns for such Clients, each of which may have a detrimental effect on the performance of the Clients and/or the Service Recipients. The Firm addresses these conflicts of interest by (i) providing in its Code of Ethics that all supervised persons have a duty to act in the best interest of each Client, (ii) providing training to supervised persons with respect to conflicts of interest and how such conflicts are to be resolved under Värde's policies and procedures, and (iii) maintaining written policies and procedures relating to investment allocation procedures. Please see "*Allocation of Investment Opportunities*" (Item 12 below) for additional information about Värde's allocation procedures.

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

### ***Code of Ethics***

The Firm maintains a Code of Ethics (the “Code”) designed to reinforce the fiduciary principles that govern the conduct of the Firm and its personnel. The Code, among other things, requires all employees to act with integrity and in an ethical and professional manner.

The Code requires pre-clearance of all covered personal securities transactions and those involving initial public offerings, limited offerings or private placement securities, and requires reporting and review of personal securities transactions in accounts in which employees and certain family and household members have an interest. These confirmations and statements are submitted to and reviewed by the Global Chief Compliance Officer or his or her designee.

Requests for trading authorization will be denied when, among other reasons, the proposed personal transaction would be contrary to the provisions of the Code. In addition to the pre-clearance requirements, the Code contains several provisions that subject such personnel to various trading restrictions and reporting obligations. These include disclosure of accounts in which Värde’s personnel have a beneficial interest, and disclosure of conflicts of interests by investment personnel before making a recommendation to any Client concerning a security in which the investment person has an interest. Reportable transactions are reviewed for compliance with the Code.

In certain situations, the Firm and/or related persons of the Firm may purchase interests in the same securities in which one or more Clients is investing or has invested or, conversely, a Client may purchase interests in a security in which the Firm and/or related persons of the Firm are investing or have invested. The Firm prohibits employees from acquiring or disposing a security in which the Clients are currently invested. In addition, the Firm reviews the periodic personal securities transactions and holdings reports in an effort to safeguard against employees personally benefitting from, or trying to take advantage of, their knowledge of upcoming buys and sells of Clients.

The Code also addresses the fiduciary duties expected of the persons subject to the Code, including gift and entertainment policies as well as charitable and political contribution and personal relationship policies. A copy of the Code is available to any Client, investor or prospective investor upon request.

Any partner, member, officer, director or employee of the Firm who fails to comply with the Code risks sanctions up to and including dismissal and personal liability.

### ***Insider Trading***

The Firm and its related persons, from time to time, come into possession of material, non-public and other confidential information which, if disclosed, might affect an investor’s decision to buy, sell or hold a security. Under applicable law, the Firm and its related persons are prohibited from improperly disclosing or using such information for their own benefit or for the benefit of any other person, regardless of whether the other person is a Client.

By reason of its responsibilities to the Clients and other investment activities, and notwithstanding procedural safeguards including restricted securities lists, the Firm frequently acquires material, non-public or other confidential information that would limit its ability to direct the purchase and sale of certain investments. Moreover, the Firm is restricted from initiating transactions in certain instruments or selling certain investments, due to its possession of material, non-public or other confidential information, at a time when it would otherwise take such action. At times, the Firm, in an effort to avoid investment restrictions with respect to the Clients, may elect not to receive information that other market participants or counterparties are eligible to receive or have received.

### ***Additional Conflicts of Interest***

Liquidation of Investments: One or a subset of Clients will from time to time invest in assets that are eligible for purchase by the other Clients, which raises potential conflicts. Investors should be aware of the inherent conflicts of interest that arise if a Client is required or desires to liquidate an investment that is also held by one or more other Clients. Especially with regard to illiquid investments, the Client might not be able to liquidate such investment at the time it is required or would like to do so. Alternatively, if the Client is able to sell its portion of the illiquid investment, such sale might impact the value of the investment held by the other Clients and may be at a price and/or on other terms that are more or less favorable than the price and/or other terms received by such other Clients when liquidating such investments.

Investments with Respect to Which Other Clients May Benefit: Certain of the Clients have made, and will in the future make, investments in entities or assets in which they have already invested (e.g., an additional investment) or that are held by other Clients. The purchase, holding or sale of these investments may enhance profitability of such investments to the related Clients and therefore present conflicts of interests with respect to the investing Client.

Investments in Which Other Clients have a Different Interest: Conflicts also arise if the Clients invest in the same portfolio investment at different times, valuations or risk-return profiles or in different levels of an entity's capital structure. For example, if a Client is investing in debt securities, it may have an interest in restructuring these securities in a manner that another Client, as an existing equity owner, may not find desirable. In addition, questions may arise as to whether payment obligations and covenants should be enforced, modified or waived, or whether debt should be refinanced. Decisions about what actions should be taken in a troubled situation, including whether or not to enforce claims, whether or not to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any work-out or restructuring raise conflicts of interest. A Client may also participate in restructuring or recapitalization transactions (including those requiring additional investments of capital) involving companies in which other Clients have invested or may invest. These transactions may present conflicts of interest, including determinations of whether existing investors are being cashed out at a price that is higher or lower than market value and whether new investors are paying too high or low a price for the company or purchasing investments with terms that are more or less favorable than prevailing market terms. There can be no assurance that the return on one Client's investments will not be less than the returns obtained by other Clients participating in the same overall capital structure.

Joint Financing: Conflicts of interest may arise in connection with entering into financing arrangements for the Clients. The Clients may obtain joint financing with respect to their investments, and as a result, one Client would be compelled to bear the liabilities incurred in

respect of another Client. For example, if two Clients enter into a financing facility that is secured by investments owned by the two Clients, and the assets owned by one Client are insufficient to satisfy the Client's obligations under the financing, the lender could, depending on the terms of the financing, look to the other Client's investments to satisfy such unsatisfied obligation. In addition, a Client may guarantee a credit facility obtained for investments in which it participates with other Clients and may also guarantee (on a joint or several basis with such special purpose vehicles and/or other Clients) certain payment, indemnification and/or other obligations in connection with investment transactions.

See "*Execution Risks*" in the section titled "*Methods of Analysis, Investment Strategies and Risk of Loss*" (Item 8 above) for further information related to common covenants that certain Clients are subject to pursuant to their financing arrangements and other similar risks associated therewith.

Management Conflicts with Other Clients: The Account Documents of certain Clients set forth procedures whereby, upon the occurrence of certain events and/or with the approval of a certain percentage of investors in such Clients, the Firm may be removed as investment manager and/or general partner (or equivalent managing entity) for such Clients and replaced with a controlling entity unaffiliated with the Firm and/or such Clients may be dissolved and proceed into liquidation. Additionally, subject to limitations in their Account Documents, certain Clients are expected to have the ability to terminate the Firm on reasonable notice. Separately, certain Clients have rights that could limit Värde's discretion with respect to making and managing investments. If several Clients jointly own investments, the removal of the Firm as investment manager and/or general partner of some, but not all, of the Clients that jointly own investments (or the failure of the Clients to appoint a single third party as a replacement of the Firm as investment manager and/or general partner) as well as the inconsistent application of rights held by Clients will present risks in the ongoing management of the jointly owned investments, including (i) the Clients may reach an impasse on a major decision that requires the approval of all parties, including with respect to the management and disposition of an investment, which would increase the risk of deadlocks and could delay the execution of the business plan for the investment or require the Client to conduct the forced sale of such investment; and (ii) the general partner and/or investment manager of certain Clients would be in a position to take action contrary to the investment objectives or strategy of the general partner and/or investment manager of other Clients.

The Firm does not generally make investments alongside the Clients. the Firm (in its capacity as general partner) is generally required to invest at least 1% in each Private Fund (other than certain co-investment vehicles) and qualified employees of the Firm are also permitted to invest in certain of the Private Funds. Additional conflicting interests can arise in connection with these investments.

Fund and Portfolio Company Services: Conflicts may arise in connection with the engagement of advisors and other service providers. Certain advisors and other service providers or their affiliates (including accountants, administrators, lenders, bankers, broker-dealers, attorneys, consultants, investment or commercial banking firms and certain other advisors and agents) (including with respect to manufacturing, sales, marketing, technology, human resources, acquisition integration/rationalization and/or other operations services) to the Clients or their investments may also provide goods or services to or have business, personal, financial or other relationships with the Firm. Such advisors and service providers may be current or prospective investors in one or

more Clients or their affiliates, sources of investment opportunities or Co-Investors or counterparties therewith. These relationships may influence the Firm in deciding whether to select or recommend such a service provider to perform services for the Clients or a portfolio company (the cost of which will generally be borne directly or indirectly by the Clients).

In certain circumstances, advisors and service providers, or their affiliates, charge different rates or have different arrangements for services provided to the Firm as compared to services provided to the Clients, which may result in more favorable rates or arrangements than those payable by the Clients. The compensation of such service providers may be structured as fixed fees and/or as performance-based fees or allocations with respect to investments. Notwithstanding the foregoing, investment transactions for the Clients that require the use of a service provider will generally be allocated to service providers on the basis of Värde's judgment as to best execution, as described in the section titled "*Brokerage Practices*" (Item 12 below). In addition, the Firm may from time to time enter into business arrangements with service providers to operating companies whereby the Firm will recommend the service provider to operating companies held by one or more Clients in circumstances deemed appropriate by the Firm, and the service provider will agree to provide services to all such operating companies at a discounted rate. Although the Firm does not receive a referral fee or other direct compensation in connection with such arrangements, such arrangements present a conflict of interest given the potential recommendation of a service provider that is providing other operating companies (in some cases, owned by other Clients) with services (at a discounted rate or otherwise).

The Firm's personnel serve as directors, officers and/or agents of certain companies or other legal entities in which the Clients have invested. In those instances where the Clients are not the sole owners of the applicable company or other legal entity, in addition to any fiduciary duties the Firm's personnel owe to the Clients, as directors, officers and/or agents of companies or other legal entities, such personnel owe certain duties to the owners of the companies or other legal entities and to persons other than the Clients. Such director, officer and/or agent positions are often important to the Clients' investment strategy and are usually expected to enhance the ability of the Firm's personnel to manage investments. However, from time to time, such positions place the Firm's personnel in a position where a decision must be made that is either not in the best interests of the Clients or not in the best interests of the owners of the company or other legal entity. Should such the Firm's personnel make a decision that is not in the best interest of the owners of a company or other legal entity to whom they owe duties, such decision could subject the Firm and the Clients to potential claims that they would not otherwise be subject to as an investor, including claims of breach of the duty of loyalty, securities claims and other director-related claims. In addition, because of the potential conflicting duties, the Firm would be restricted in choosing investments for the Clients or be required to abstain from voting or otherwise participating in portfolio company decisions, which could negatively impact returns achieved by the Clients.

the Firm, in connection with investments by the Clients, may represent creditors or debtors in insolvency proceedings or prior to such filings. From time to time, the Firm may serve as advisor to, or a member of, creditor or equity committees. This involvement may limit or preclude the flexibility that the Clients may otherwise have to participate in restructurings or the Clients may be required to liquidate or refrain from purchasing or selling any existing positions of the applicable issuer. In similarity to the potential conflicts that can arise from serving on the board

of directors of a company, the Firm's personnel that serve as members of a bankruptcy committee may owe fiduciary or other legal duties to other stakeholders in the bankruptcy.

Allocation of Expenses and Liabilities: The Firm will from time to time cause Clients to incur expenses on a collective basis or incur (or commit to incur) liabilities and other obligations on a joint and several or cross-collateralized basis or otherwise provide direct or indirect credit support for the benefit of other Clients and other persons and entities. In determining whether certain costs or obligations should be borne by one or more Clients, the Firm will have a conflict of interest. This conflict will be particularly acute when determining whether an expense or obligation should be borne by one or more Clients, on the one hand, or the Firm, on the other hand. Although the Firm will attempt to allocate such expenses or the related repayment obligations or other related liabilities so that each person or entity bears its pro rata share of the applicable expense or liability or other obligation, there can be no assurance that such expenses, repayment obligations and other related liabilities will be in all cases allocated appropriately. As a result, the Client would bear an expense or a liability or other obligation to which it does not receive a proportionate (or any) benefit.

In connection with the activities, investments and business of a Client, the Firm's personnel may use private aircraft, including aircraft in which the Firm has a proprietary interest. The Firm may allocate expenses related to such use to the Clients as Travel-Related Expenses as described in the section titled "*Fees and Compensation*" (Item 5 above), it being understood that any such expenses allocated to the Clients in connection with travel to a specific destination shall not exceed commercial-equivalent first-class (or comparable tier) airfare to such destination.

While the Firm endeavors at all times to act in the best interests of the Clients, investors should be aware that the types of transactions described above create potential conflicts of interest with respect to the Firm and the Clients. The Firm will seek to resolve the conflicts of interest discussed above using its best judgment and in a manner that it believes to be fair and reasonable to the Clients in accordance with its duties as an investment adviser. The Firm also believes that these conflicts of interest are mitigated by its allocation procedures and its disciplined investment process.

## **Item 12 – Brokerage Practices**

### ***Selection Criteria for Broker-Dealers***

The primary selection criterion employed by the Firm in connection with selecting broker-dealers is the broker-dealers' ability to provide best execution. In assessing best execution, and its overall broker-dealer relationships, the Firm considers a variety of factors including pricing, market/asset knowledge, market access, reliability, settlement risk, integrity/confidentiality, financial stability, infrastructure (technology/operations) and access/responsiveness. The Firm generally gives primary consideration to obtaining the most favorable price and efficient execution. the Firm may, however, pay a higher commission than would otherwise be necessary for a particular transaction when, in Värde's opinion, to do so would further the goal of obtaining the best available execution on an aggregate basis for the related investment. Commissions are negotiated with the broker-dealer on the basis of the quality and quantity of execution services that the broker-dealer provides, in light of prevailing commission rates with respect to any securities transactions involving a commission payment.

The Firm may also use an Electronic Communications Network ("ECN") or Alternative Trading System ("ATS") to effect over-the-counter trades when, in Värde's judgment, the use of an ECN or ATS may result in equal or more favorable overall executions for the transactions. The Firm will pay a commission to an ECN or ATS that, when added to the price, is believed to be better than the overall execution price that might have been attained trading "net" with a market maker.

The Firm endeavors to be aware of current charges of eligible broker-dealers and to minimize the expense incurred for effecting portfolio transactions. Although the Firm seeks competitive commission rates, it will not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services or unique sourcing considerations on the part of the broker-dealer involved, resulting in higher commissions or their equivalents than would be the case with transactions requiring more routine services. The reasonableness of commissions is based on the broker-dealer's ability to provide professional services, competitive commission rates and other services that will help the Firm in providing investment management services to clients. The limited availability of a particular investment may also impact the selection of a broker-dealer and the related commission.

From time to time, Värde's prime brokers offer it opportunities to meet with potential investors and advisory clients as part of conferences or meetings it sponsors (commonly known as capital introduction services). The Firm is not charged a fee nor is it obligated to provide any other form of consideration in connection with this service, and the prime brokers are not acting as a placement agent or underwriter. The Firm intends to continue to use the prime brokers regardless of Värde's use of such services, or their success, as long as the Firm believes the prime brokers are capable of providing the services necessary for the Firm to fulfill the Firm's obligations to clients. As such, any capital introduction services are not a factor in our continued use of the prime brokers.

### ***Soft Dollar and Directed Brokerage Policies***

The Firm may receive proprietary research from the broker-dealers with which it does business, although the Firm generally does not request such research, does not have any arrangements to



“pay up” for such research and does not consider such research when directing brokerage transactions for client accounts to broker-dealers. The Firm does not receive third-party research or any brokerage services (except proprietary research) paid for with client commissions. Should the Firm decide to do so at some future time, the Firm will adopt specific procedures for implementing any soft dollar policy. The Firm also does not participate in directed brokerage commission arrangements and will not accept directed brokerage instructions from any investor.

### ***Cross Transactions, Warehousing and Principal Transactions***

The Clients may trade assets between the Clients. Any such cross transactions will generally be valued and priced at fair value and in accordance with any fiduciary obligation of the Firm under applicable law and subject to any conditions or required consents under a participating Client’s Account Documents. Moreover, in order to facilitate an investment, certain Clients (the “Initial Clients”) may make (or commit to make) such investment with a view to selling a portion of such investment to other Clients or other parties or obtaining third-party financing prior to or within a brief period after the closing of the acquisition (“Warehoused Investments”), and other Clients (the “Acquiring Clients”) may commit to acquire such Warehoused Investments from the Initial Clients on terms set forth in the Operative Documents of such Acquiring Clients. In such event, the Initial Clients will bear the risk that any or all of the excess portion of any such Warehoused Investment may not be sold or financed or may only be sold or financed on unattractive terms and that, as a consequence, the Initial Clients may bear the entire portion of any breakup fee or other fees, costs and expenses related to such Warehoused Investment, hold a larger than expected portion of such Warehoused Investment (and thus the Initial Clients’ investment portfolios could become significantly concentrated in such Warehoused Investment) or may realize lower than expected returns from such Warehoused Investments. The Firm endeavors to address such risks by requiring such Warehoused Investments to be in the best interests of the Initial Clients, regardless of whether any sell-down ultimately occurs.

The Firm and/or certain related persons of the Firm may, directly or through one or more entities, sell securities in which they have a direct or indirect ownership interest to certain Clients in connection with Warehoused Investments or other transactions, provided that the sale is consistent with the Firm’s fiduciary obligations to the Clients. Such transactions will be fully disclosed and the written consent of the appropriate Client (which, in certain circumstances, may be provided by the Client’s advisory committee) will be obtained prior to the consummation of any such transactions in accordance with Section 206(3) of the U.S. Investment Advisers Act of 1940, as amended (the “Investment Advisers Act”) (to the extent such transactions constitute “principal transactions”) and all other applicable state and federal securities laws.

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

The Firm allocates investment opportunities to each Client in a manner that in its judgment it believes to be appropriate and equitable in light of the investment objectives, liquidity, diversification and other similar factors applicable to the Clients. As a general practice, the Firm endeavors to allocate investment opportunities pro rata among each of the actively investing Clients (assuming the investment satisfies the objectives of each such VMLP Client) based on the amount of capital each has available for investment in such investment opportunity. In certain cases, however, investment opportunities may be made available other than on a pro rata basis. In making its allocation decisions, the Firm generally takes into account the following factors: (i) the

investment objectives of each Client; (ii) the liquidity position and anticipated liquidity needs of each participating Client; (iii) the size and anticipated liquidity of the investment; (iv) diversification and/or concentration considerations; (v) maturity or duration considerations; (vi) applicable transfer or assignment provisions; (vii) the proximity of a Client to the end of its investment period (if applicable); (viii) tax considerations; (ix) regulatory considerations; and (x) such other factors as the Firm may reasonably deem relevant (including, with respect to Clients managed by MPowered, the strategic nature of the investment as it relates to the business of the Firm and its affiliates). Due to differences in their respective investment mandates, the Firm does not expect that there will be overlap between investments allocated to MPowered Clients and investments allocated to VMLP clients. The Firm monitors allocations made on an other-than-pro rata basis in an effort to ensure that over time all Clients are treated fairly in light of their specific situations.

### ***Transaction Aggregation***

Transactions are executed by approved personnel. Generally, the Firm purchases and sells the same securities for two or more Clients and may bunch orders where the Firm deems this to be appropriate and consistent with the Firm's fiduciary duties. The decision to aggregate is only made after the Firm determines that: it does not intentionally favor any Client over another; it does not systematically advantage or disadvantage any Client; it does not receive any additional compensation or remuneration solely as the result of the aggregation; and each participating Client will receive the average investment price and will share pro rata in the transaction costs. When a bunched order is filled in its entirety, each participating Client will participate at the average investment price for the bunched order on the same business day. Transaction costs generally will be shared pro rata based on each Client's participation in the bunched order. When a bunched order is only partially filled, the investments purchased generally will be allocated on a pro rata basis to each Client participating in the bunched order or in such other manner that is consistent with the Firm's allocation policy.

### ***Investment and Allocation Errors***

The Firm will evaluate any investment or allocation errors to confirm that they are corrected by the appropriate party. The Firm identifies and corrects any investment and allocation error affecting any Client as expeditiously as possible. As a general practice, any error that results in a gain accrues to the benefit of the Client in which the error was made; the Firm will review any error by its personnel that results in a direct loss on a case-by-case basis to determine whether, based on the circumstances and the Account Documents, the Firm will reimburse the Client for which the error was made. In determining the amount of any reimbursement by the Firm to a Client, if more than one error is made in any given Client within reasonable proximity of each other, any error resulting in a gain may be netted against any error by the Firm personnel resulting in a loss to the Client. However, in no event will gains and losses be netted across multiple Clients. Any damages (net of recovery expenses) received from a counterparty in connection with any losses sustained due to counterparty errors will be for the benefit of the Clients. However, the Firm will not be responsible for reimbursing the Client for any losses sustained due to counterparty errors in the absence of recovery from the counterparty. See "Execution Risks" in the section titled "*Methods of Analysis, Investment Strategies and Risk of Loss*" (Item 8 above) for details on the Firm's recourse against counterparties in connection with any such errors.

### **Item 13 – Review of Accounts**

The Firm's investment and business professionals are responsible for ongoing diligence and reviews of investments entered into on behalf of the Clients. These professionals review investments on a periodic basis, and in some cases as frequently as daily. Key items reviewed include comparing an investment's actual performance versus its anticipated performance.

An independent auditor annually audits each Private Fund's financial statements.

Each investor in a Private Fund generally receives in writing monthly performance return information, capital statements, a quarterly report and a copy of the quarterly unaudited and annual audited financial statements for each Private Fund in which it is invested. Clients other than Private Funds receive statements and reports in accordance with their Account Documents.

## Item 14 – Client Referrals and Other Compensation

The Firm and related persons may enter into cash compensation arrangements with unaffiliated placement agents or third parties for introducing investors to a Private Fund. Any sales charge or placement fees associated with such arrangements will ultimately be payable by the Firm and/or its related persons, either directly or through an offset of the management fee payable by the relevant Private Fund to the Firm. Notwithstanding the foregoing, in the Firm's discretion, reasonable out-of-pocket expense reimbursements and indemnification payments (if any) to such placement agents or third parties may be borne by the relevant Private Funds and not by the Firm. Additionally, if an investor that is placed in a Private Fund by one of the placement agents retained by the Firm has a brokerage, banking or other relationship with that placement agent, that investor may pay additional fees to the placement agent based on the terms of that relationship. The Firm and related persons of the Firm may also provide cash compensation to unaffiliated placement agents or third parties for introducing separate account Clients to the Firm.

To the extent the Firm intends to provide cash compensation to a party for the referral of investors or Clients, the Firm will comply with the requirements of the Investment Advisers Act. These requirements may include that the referring party be eligible to receive such compensation under the Investment Advisers Act, the existence of a written agreement between the Firm and the referring party if required under the Investment Advisers Act, and the prospective Clients or investors being provided with certain disclosures describing, among other things, that the Firm will be paying the referring party and the terms of such compensation arrangement if and to the extent required under the Investment Advisers Act.

Värde may provide certain real estate asset management services and country-specific management functions with respect to certain investments for compensation. See the section titled *"Other Financial Industry Activities and Affiliations"* (Item 10 above) for additional information about these arrangements. In addition, the Firm (or persons associated with the Firm) may receive a management fee and/or monitoring, consulting, directors' or other fees (whether in cash or options or other securities) from a portfolio investment, and/or the Firm (or persons associated with the Firm) may also receive commitment, structuring and/or other transaction fees from counterparties or portfolio investments in which one or more of the Clients invests or intends to invest. The amount of any fees that the Firm or any of its associated persons receives from portfolio investments or counterparties is determined by negotiations between the Firm and the applicable portfolio companies. These types of arrangements present potential conflicts of interest, including whereby the Firm may be incentivized to favor itself or its affiliates to provide such services over other service providers. To help mitigate potential conflicts, the benefits received by the Firm or its employees in connection with services rendered will be disclosed in the Account Documents of the relevant Clients, and in some instances such benefits will be offset in whole or substantial part against (and therefore reduce) management fees payable by the relevant Clients. To the extent a benefit results in a management fee offset, the Firm will generally calculate the applicable offset amount for each Client by allocating the corresponding benefits among the Clients based on the relative amounts invested or proposed to be invested in the applicable portfolio investment by each Client or on such other basis as the Firm may determine is equitable and appropriate under the circumstances. Notwithstanding the foregoing, investors and prospective investors should note that in the event a specific Client does not charge a management fee or its Account Documents otherwise permit, the Firm and its associated persons may retain

such Client's proportional share of such amounts as additional compensation with no corresponding offset.

## **Item 15 – Custody**

The Firm does not serve as the qualified custodian of any of the assets owned by the Clients and does not maintain physical custody of any securities or cash owned by the Clients (other than certain privately offered securities to the extent permitted by the Investment Advisers Act and related SEC interpretive guidance). However, the Firm is deemed by the applicable regulatory rules to have constructive custody of the assets of each Private Fund as a result of its position as an affiliate of the general partner (or equivalent control person) of each Private Fund.

The Firm satisfies the applicable regulatory requirements related to custody of the assets owned by the Private Funds by, among other things, confirming that each Private Fund is subject to an annual audit by an independent accounting firm that is registered and examined by the Public Company Accounting Oversight Board, and that audited financial statements for each Private Fund are provided to its respective investors within the applicable required time frame. For these Private Funds, investors will not receive account statements from the bank or other qualified custodian holding physical custody of such Private Fund's assets.

## **Item 16 – Investment Discretion**

Each Client retains the Firm to exercise investment discretion in accordance with the investment objectives and investment mandates of each Client, all as set forth in the applicable Account Documents. Subject to certain restrictions set forth in the applicable Account Documents, the exercise of the Firm's investment discretion typically includes the determination of:

- When to buy or sell investments;
- Which investments to buy or sell;
- The total amount of investments to buy or sell;
- The broker-dealer or other institution through which (or with which) investments are bought, sold or managed;
- The commission rates (or other fees) at which investment transactions are effected;
- The prices and terms at which investments are to be bought or sold, which may include spreads, mark-ups, fees and transaction costs payable to one or more third parties;
- The amount of research and/or due diligence that may be conducted and whether the transaction may be pursued on an expedited basis; and
- How to manage the investments after acquisition, including (for example) whether to pursue an activist role with respect to any investment or whether to engage an asset manager or other third-party service provider.

## Item 17 – Voting Client Securities

Because the Firm has proxy voting authority for investments held by the Private Funds and may have proxy voting authority for certain investments held by other Clients, it has adopted written proxy voting policies and procedures. These policies and procedures generally provide that the Firm will vote investments for the exclusive benefit, and in the best economic interest, of the relevant Clients and their beneficiaries, as determined by the Firm in good faith. The Firm's voting responsibilities will be exercised in a manner that is consistent with the general anti-fraud provisions of the Investment Advisers Act, as well as with the Firm's fiduciary duties under applicable law to act in the best interests of the Clients. The Firm considers each issue presented in a proxy on its merits and votes on a case-by-case basis consistent with the best economic interests of the Clients. On occasion, the Firm may determine not to vote a particular proxy. This may be done, for example, where: (a) the cost of voting the proxy outweighs the potential benefit derived from voting; (b) a proxy is received with respect to securities that have been sold before the date of the shareholder meeting and are no longer held in a client account; (c) the terms of an applicable securities lending agreement prevent the Firm from voting with respect to a loaned security; (d) despite reasonable efforts, the Firm receives proxy materials without sufficient time to reach an informed voting decision and vote the proxy; or (e) the terms of the security or any related agreement or applicable law preclude the Firm from voting. It is possible the Firm may have a conflict of interest in connection with voting on a particular matter. If a conflict exists that cannot be otherwise addressed, the Firm may choose one of several options including: (i) voting in accordance with its standard proxy procedures, if it involves little or no discretion; (ii) voting as recommended by a third-party service, if employed by the Firm; (iii) "echo" or "mirror" voting the proxies in the same proportion as the votes of other proxy holders that are not the Firm clients; (iv) if possible, erecting information barriers around the person or persons making the voting decision sufficient to insulate the decision from the conflict; or (v) abstaining from voting. Investors and Clients may request a copy of the Firm's written proxy voting policies and procedures as well as information about how the Firm has voted securities for the applicable Client.

If the Firm seeks to vote as recommended by a third-party service, additional measures will be taken to ensure that its voting authority is exercised in the best economic interests of the Private Funds, and in accordance with its fiduciary duties. In order to gain a sufficient understanding of the substantive issues involved, the Firm will assess third-party recommendations in conjunction with any additional information that becomes available prior to voting. This additional information may include the issuer's own views regarding the third-party recommendation, where it is available sufficiently in advance of the voting deadline and would reasonably be expected to affect the Firm's voting decision.



## **Item 18 – Financial Information**

Each registered investment adviser is required to disclose whether it has any financial condition that could impair its ability to meet its contractual commitments to its clients, and whether it has been the subject of a bankruptcy proceeding. The Firm does not have any adverse financial conditions to disclose and has not been the subject of a bankruptcy proceeding.