



# M A R I N E R

Mariner Investment Group, LLC  
500 Mamaroneck Avenue, 4<sup>th</sup> Floor  
Harrison, NY 10528  
(914) 670-4300  
[www.marinerinvestment.com](http://www.marinerinvestment.com)

March 31, 2022

This brochure (the “Brochure”) provides information about the qualifications and business practices of Mariner Investment Group, LLC (“MIG”) and Mariner Investment (Europe) LLP (“Mariner Europe”), an affiliated relying adviser of Mariner (collectively MIG and Mariner Europe hereinafter referred to simply as “Mariner” or the “Firm”). If you have any questions about the contents of this Brochure please contact us at (914) 670-4341. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

MIG and Mariner Europe are SEC-registered investment advisers. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an investment adviser provide you with information about which you determine to hire or retain an investment adviser.

Additional information about Mariner is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for Mariner is 124744.

This Brochure does not constitute an offer to sell or the solicitation of an offer to purchase any securities of any entities described herein. Any such offer or solicitation will be made solely to qualified investors by means of a private placement memorandum.

## **Item 2 – Material Changes**

Our last version of this Brochure was dated March 31, 2021.

We have revised this Brochure to amongst other things update information regarding client accounts advised by Mariner, including adding and/or revising disclosures concerning risks and investments and to update certain information, such as assets under management, and to make other clarifying or technical corrections, as well as

- The removal of Mariner Fairwind Unit Trust; and,
- The addition of Galton Mortgage Basis Offshore Fund, Ltd. and Mariner GreyArc Equity Fund, L.P.

Pursuant to SEC rules, we will ensure that you receive a summary of any material changes to this Brochure and subsequent brochures within 120 days of the close of Mariner's fiscal year.

You may request the most recent version of our brochure by contacting Russell Thompson, Mariner's Chief Compliance Officer, at (914) 670-4335.

### Item 3 –Table of Contents

Item 1 – Cover Page.....	i
Item 2 – Material Changes.....	ii
Item 3 –Table of Contents .....	iii
Item 4 – Advisory Business .....	1
Item 5 – Fees and Compensation .....	2
Item 6 – Performance-Based Fees and Side-By-Side Management .....	9
Item 7 – Types of Clients .....	10
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....	10
Item 9 – Disciplinary Information .....	125
Item 10 – Other Financial Industry Activities and Affiliations .....	125
Item 11 – Code of Ethics .....	133
Item 12 – Brokerage Practices .....	144
Item 13 – Review of Accounts .....	149
Item 14 – Client Referrals and Other Compensation .....	150
Item 15 – Custody.....	150
Item 16 – Investment Discretion.....	150
Item 17 – Voting Client Securities .....	151
Item 18 – Financial Information.....	153
Other Information .....	153

## Item 4 – Advisory Business

### Mariner's Business

MIG, a Delaware limited liability company, is an alternative asset management firm found in December 1992 by William J. Michaelcheck. Mariner provides discretionary portfolio management and advisory services to institutional clients which are primarily privately-offered pooled investment vehicles (each, a "Fund," or together the "Funds") and, to a lesser extent other types of institutional investors such as insurance companies, endowments, foundations and plan sponsors via managed account agreements.<sup>1</sup> Mariner is currently wholly owned by MIG Holdings, LLC, which is 100% owned by Mariner Employees<sup>2</sup>.

### Advisory Services

Mariner serves as investment adviser to numerous Funds (the "Mariner Funds") and separately managed accounts (the "Accounts") (Collectively, Mariner Funds and Accounts are referred to herein as "Investment Advisory Accounts"). Mariner generally tailors its advisory services to the individual needs of its clients in Accounts and manages the Mariner Funds in accordance with the investment strategy of each and not based upon the individual needs of the investors in the Mariner Funds.

### Mariner Funds

Mariner acts as investment adviser to several types of Mariner Funds, including:

- Hedge funds (the "Hedge Funds") and private equity funds (the "Private Equity Funds") that use various investment strategies to invest in securities and other investments (such as bonds, stocks, loans and derivatives);
- Funds for which portfolio managers (or traders) trade a separate account or "book" for those Funds in a multi-strategy, multi-trader format (collectively, the "Multi-Strategy Funds");

Please see Item 8 for information about the Mariner Funds' investment strategies, investments in which those Funds invest, and risk factors associated with those strategies and investments.

Each of the Mariner Funds rely on the exception from the definition of an "investment company" provided by Section 3(c) (7) of the U.S. Investment Company Act of 1940, as amended (the "1940 Act"), except for Mariner Opportunities Fund, L.P. which relies on the exception from the definition

---

<sup>1</sup> Mariner currently advises a few managed accounts on a discretionary and non-discretionary basis.

<sup>2</sup> "Mariner Employees" include certain employees, their family members and trusts set up by such person.

of an “investment company” provided by Section 3(c) (1) of the 1940 Act and which is not currently being offered for new investment.

### Accounts

Mariner also serves as investment manager to a limited number of Accounts for institutional investors, which Mariner usually manages side-by-side with Mariner Funds.

### **Client Restrictions**

Mariner generally permits its clients to impose restrictions on their Accounts (i.e., separately managed accounts) with respect to: (i) the specific types of investments or asset classes that Mariner will or will not purchase for their Accounts; (ii) the nature of the issuers of investments that Mariner will or will not purchase for their Accounts; and/or (iii) the risk profile of instruments Mariner will or will not purchase for their Accounts, or the risk profile of the Accounts as a whole.

### **Client Assets**

As of December 31, 2021, Mariner manages approximately \$201.2 billion in Regulatory Assets Under Management (“RAUM”) and approximately \$5.6 billion in assets under management (“AUM”) on a discretionary basis. Mariner manages approximately \$83 million in RAUM and \$81 million in AUM on a non-discretionary basis.

## **Item 5 – Fees and Compensation**

### **Compensation for Advisory Services**

#### Generally

Mariner (and its affiliates) generally charge advisory fees to Investment Advisory Accounts (whether the Mariner Funds or the Accounts) based on: (i) client assets under management; and (ii) the performance of an Investment Advisory Account over a specific time period (such as a year).

Mariner’s fees are generally non-negotiable, but under special circumstances, the rate and type of fee might vary based on:

- the nature of a particular client or investor in a Mariner Fund and/or the relationship the client or investor (or their respective advisor or consultant) has with Mariner or its affiliates (for example, Mariner may offer lower fees to large institutional investors in the Mariner Funds, or to large institutional separately managed accounts or to investors advised by the same investment advisor or consultant amongst other reasons);
- the applicable investment strategy;
- any restrictions or requirements imposed on Mariner;

- the timing (e.g., initial seed capital); and/or
- the amounts invested.

Mariner (and its affiliates), in its sole discretion, may elect to waive or reduce its management fee and or incentive allocation (as applicable) for, but not limited to, its employees, affiliates, the family members of its employees or affiliates, or any investor without entitling any other investor to a waiver or reduction. In general, Mariner (and its affiliates) may enter into letters of understanding granting investors (e.g., seed investors) or third parties (e.g., financial institutions that provide financing to Mariner or its clients, consultants or advisers to investors) different rights terms or conditions (see Item 11 - Letters of Understanding a/k/a “Side Letters” below).

As a general policy and as discussed further below, Mariner deducts its asset and performance-based fees directly from the Mariner Funds and Account. In some [limited] instances (for example, large institutional investors who invest with Mariner via a “fund of one” Hedge Fund investment structure in which that investor is the sole investor in the Hedge Fund), management fees are negotiated and at times paid in arrears. Generally, investment advisory contracts terminate on, or shortly following, one party’s receipt of written notice of termination (for any (or no) reasons set forth in the investment advisory contract) from the other party. For example, investors in Mariner Funds do not generally have the ability to terminate the investment advisory contracts between such Mariner Funds and Mariner, however, in most cases investors have the ability to withdraw from Mariner Funds pursuant to the terms of the relevant Fund’s offering memorandum. Similar advisory services may be available from other investment advisers at lower cost.

#### *Asset-Based Fees*

The asset-based fees (or “management fees”) normally range from 0% to 2% per annum of the client’s net assets value on the first day of each month or the first day of each month of such quarter (depending on the terms of the applicable offering document and/or investment management agreement) (or for the Private Equity Funds, of the amount of committed capital, drawn capital and/or paid-in capital that has actually been invested into the Fund’s portfolio companies) for the Mariner Funds and Accounts. Asset-based fees are generally payable monthly or quarterly in advance or arrears (on a pro-rated basis) for the Mariner Funds and the Accounts (depending on the terms of the applicable offering document and/or investment management agreement). With respect to any asset-based fees received in advance by Mariner, such fees for any month or quarter, as applicable, in which Mariner manages assets for less than a full month or full quarter, as applicable, shall be prorated, such proration to be calculated on the basis of the number of days in the month or quarter, as applicable, compared to the number of days the assets were under management during such month.

In the event of an investor’s withdrawal from a Mariner Fund prior to the end of, as applicable, a month or quarter, Mariner will repay to the Mariner Fund and the Mariner Fund will distribute to the withdrawing investor a *pro rata* portion of the asset-based fee received in advance (based on the number of days remaining in the month or the quarter, as applicable).

In the event of the termination of an investment management agreement for an Account prior to the end of, as applicable, a month or quarter, where the client has prepaid an asset-based fee, Mariner will refund to the client a *pro rata* portion of that fee (based on the number of days remaining in the month or the quarter, as applicable).

### *Performance-Based Fees*

Mariner's performance-based fee<sup>3</sup> normally ranges from 0% to 26% of the increase in the net asset value of an Investment Advisory Account ("Net Appreciation") for the relevant time period (typically one year), which may be subject to a performance measure (for example, a high water mark, hurdle rate, loss carry forward or other adjustment) (each a "Performance Measure"). "Net appreciation" generally includes net investment profits (realized and unrealized), less investment transaction costs, applicable fees and all other accrued expenses including management fees. A performance fee is generally accrued monthly on an "as-if" earned basis and is payable at the end of the performance fee calculation period usually as of December 31st of each year (or on the termination of an investment management agreement or the withdrawal of an investor from a Mariner Fund). In certain instances, the performance fee might be payable as of the last day of the calendar quarter (or otherwise quarterly basis). To the extent certain Mariner Funds calculate the performance fee on a "series-by-series" basis, an Investor which acquires interests/shares in such Mariner Fund at more than one time during a calendar year (or performance fee calculation period) might be subject to paying a performance fee even though the overall value of such Investor's investment in such Mariner Fund has declined.

In addition, all or a portion of the performance-based fee might be paid to a Mariner affiliate. Investors directly invested in Mariner Funds are subject to the management and performance fees of the applicable Mariner Fund, as described in that Fund's offering documents. For the Private Equity Funds, the performance-based fee (e.g., carried interest) is typically based on a distribution waterfall (as set forth in the applicable offering documents).

### Fund-Specific Compensation<sup>4</sup>

The following chart provides the fees of the Mariner Funds. Unless otherwise noted, asset-based fees are presented as an annual rate and are based on the average net asset value of the relevant Fund's assets during the course of a year. Unless otherwise noted, performance-based fees are based on the net appreciation of the Fund's assets during the relevant time period (usually during the course of a year). All investors and prospective investors should carefully review the applicable offering documents of each Mariner Fund in conjunction with this brochure for complete information on the fees and compensation payable with respect to a particular Mariner Fund.

---

<sup>3</sup> Please note that certain performance-based compensation is in the form of an allocation (to Mariner or its affiliate), instead of a fee. For purposes of this Brochure, any reference to the payment of a performance-based fee will also include, as applicable, the allocation of a performance-based allocation.

<sup>4</sup> Please note that certain Mariner Fund investors (e.g., "seed" investors or institutional investors who make larger size investments and/or agree to subject those investments to additional investment withdrawal restrictions or other commitments) may have negotiated different asset-based or performance-based fees than set forth herein (e.g., lower fees).

## **Mariner Funds**

<b>Name of Fund</b>	<b>Asset-Based Fee</b>	<b>Performance-Based Fee</b>
Concordia G-10 Fixed Income Relative Value I, L.P.  Concordia G-10 Fixed Income Relative Value Ltd.	1.2 -2.0% (varies by share class)	20% (subject to a LIBOR hurdle)
Concordia Institutional Multi-Strategy Ltd.	1.05-1.5% (varies by share class)	8% -20% (subject to a LIBOR hurdle) (varies by share class)
Concordia Municipal Opportunities Master Fund, L.P.	0.50 - 1.0% (varies by share class)	10 - 16% (subject to a Performance Measure) (varies by share class)
Galton Agency MBS Offshore Fund, Ltd.  Galton Agency MBS Onshore Fund, LP	1.75%	20% (subject to a Performance Measure)
Galton Mortgage Basis Offshore Fund, Ltd.	2.00%	10% (subject to a Performance Measure)
Galton Mortgage Strategies Onshore Fund, L.P.  Galton Mortgage Strategies Offshore Fund, Ltd.	1.75%	20% (subject to a Performance Measure)
Galton Onshore Mortgage Recovery Fund IV, L.P.  Galton Offshore Mortgage Recovery Fund IV, Ltd.	1.75%	Carried interest based upon distribution waterfall
Mariner Alternative Relative Value Fund I, Ltd.	0.-0.80% (varies by tranche)	22-26% (Subject to Performance Measure)(varies by tranche)
Mariner Atlantic Multi-Strategy Fund, Ltd.  Mariner Atlantic Multi-Strategy Fund, L.P.	1-2% (varies by share class)	5 - 20% (subject to a Performance Measure) (varies by share class)  Certain share classes also pay traders performance-based fees of 15-25% of net appreciation (subject to a Performance Measure).
Mariner Frontier Fund, L.P.	0.50%	None

Mariner Glen Oaks Fund, L.P. Mariner Glen Oaks Offshore Fund, L.P.	1.0 - 1.5% (varies by series)	10-20% (varies by share class and subject to a Performance Measure)
Mariner GreyArc Equity Fund, L.P.	1.0 – 1.25% (varies by series)	20% (subject to Performance Measure)

## Additional Expenses

Please note, the information provided in this section is intended to be a broad, general overview of the additional expenses charged by Mariner Funds. Please refer to each Fund's offering document for additional disclosures on expenses, especially for the additional expenses associated with the Private Equity Funds.

Mariner's fees are exclusive of, as applicable, all trading, investment and operating costs (e.g., brokerage commissions, transaction fees, origination fees, back office costs, etc.) and other related costs and expenses, which are the clients' responsibility. Custodians, broker-dealers, third party investment advisers and other third parties may impose fees on Mariner's clients, such as management fees, performance fees, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Third-parties, such as funds in which Fund-of-Funds may invest, may incur soft dollar expenses, of which a Mariner client may incur a *pro rata* portion (see Item 12 for additional information). These charges, fees and commissions are generally exclusive of and in addition to Mariner's fees, and may be paid by either a Fund (for example, brokerage commissions) or Mariner (for example, placement fees) to Mariner affiliates such as Back Office Services Group LLC ("BOSG"), Mariner Investment (Europe) LLP ("Mariner Europe") and Mariner Group Capital Markets, LLC ("MGCM") (see Item 10 below).

In addition to the asset-based and performance based fees discussed above, each Mariner Fund bears all of its ordinary administrative and operating expenses, including, but not limited to, the, trader performance based compensation (as applicable), organization costs, administrator fees, risk management expenses, legal, internal and external accounting and auditing expenses incurred at the Mariner Funds level in preparing, printing and delivering all reports (including such expenses incurred at the Mariner Fund level in preparing, printing and delivering all reports (including such expenses incurred in connection with any Mariner Fund document), and all filing costs, fees and expenses (including, but not limited to, relating to the offer and sale of Interests such as costs and expenses arising from compliance with applicable marketing or offering laws or regulations (e.g., Swiss law on collective investment schemes)), and its allocable share of the Master Fund's expenses, including, but not limited to, special, ordinary and/or recurring investment expenses, including but not limited to expenses incurred in buying, selling, packaging, structuring and holding securities and other investments (e.g., specific transaction related expenses such as the cost of third-party products or services used exclusively to create new or distinct investment opportunities

such as mortgage floaters or interest only securities), currency hedging costs, ongoing regulatory expenses, including, without limitation, the fees and expenses associated with any preparation and filings related to Form PF, CPO-PQR, the Foreign Account Tax Compliance Act (FATCA), the European Union Directive 2011/61/EU on Alternative Investment Fund Managers (AIFM Directive) and other regulatory filings which seek information about the Fund and/or the Master Fund, custodial costs, brokerage commissions, prime brokerage fees, automated order routing or similar fees, dealer spreads, mark-ups, exchange fees, give-up fees, execution fees, National Futures Association (NFA) fees, research, investment and/or trading related expenses, including, without limitation, subscriptions, news and quotation equipment and services (including fees for valuation, data and software providers such as CUSIP Global Services Subscriptions), expenses related to all market data and related software used by Mariner (e.g., Bloomberg and similar services and products, Moody's Analytics (housing data), eMBS (Agency loan data) and Loan Performance (non-agency loan data) and Intex (datasets) and other types of services relating to data, data forecasting and modeling), investment and trading related software, including data processing and storage, software development and trade order management software (e.g., software used to route trade orders), interest or taxes payable and other related transactional fees and interest charges with respect to the investment of the Master Fund's assets, insurance premiums, research (e.g., data and news subscription services including, without limitation, Debtwire, CapitalStructure and Reorg Research), investment and consulting fees (e.g., for expert networks and investment consultants including, without limitation, Gerson Lehrman Group, Guidepoint Global, LLC and Third Bridge Forum) and legal, internal and external accounting and auditing expenses incurred by the Master Fund. Each of the Fund and the Master Fund also pays any extraordinary fees and expenses it may incur, including any litigation and indemnification expenses.

Some of the Mariner Funds have retained The Back Office Services Group, LLC ("BOSG") to perform certain back and middle office services for the Fund and the Master Fund (the "Back Office Services"). BOSG is an affiliate of Mariner. In return for the Back Office Services, BOSG receives a fee borne by the Mariner Fund, but paid at the Master Fund level based on the net asset value of the Mariner Fund on the first Business Day of each month. Although Mariner believes that the overall fees charged by BOSG for the Back Office Services are reasonable in light of totality of such services provided, the exact cost of the Back Office Services have not been negotiated via "Arm's Length" as noted below.

#### *Mariner Might Be Incentivized to Allocate Shared Expenses to Certain Investment Advisory Accounts*

Certain shared expenses (e.g., insurance premiums, use of consultants or other experts, certain computer software, certain legal fees, etc.) may be allocated among Mariner, its affiliates and Investment Advisory Accounts. While Mariner seeks to allocate expenses in accordance with its fiduciary duties and contractual obligations, Mariner might be incentivized to allocate shared expenses to Investment Advisory Accounts and away from Mariner or its affiliates.

Item 12 may further describes the factors that Mariner considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (for example, commissions).

## **Compensation-Based Conflicts**

### *No Arm's Length Negotiation between Mariner and the Mariner Funds*

The fee arrangements between Mariner and the Mariner Funds have not been negotiated at arm's length. Mariner discloses this conflict in the relevant and applicable offering documents to potential investors in the Mariner Funds.

### *Incentive for Mariner to favor clients that pay higher fees*

Management fees paid by certain Mariner clients might be higher than those paid by other Mariner clients, which could lead to a tendency for Mariner to favor its clients that pay higher fees, for example, in the allocation of scarce investment opportunities or investment decisions. Please see Item 10 below for information regarding Mariner's trade allocation and aggregation of trade policies, and Item 11 below for information regarding Mariner's Code of Ethics.

### *Incentive to allocate common expenses to Investment Advisory Accounts and away from Mariner*

Common expenses including, but not limited to, various types of insurance premiums (e.g., D&O/E&O, cyber liability, fidelity bond, etc.), use of consultants or other experts, certain computer software and certain legal fees may be incurred on behalf of the Investment Advisory Accounts. Mariner seeks to allocate these common expenses in accordance with its fiduciary duties and contractual obligations. Because Mariner's expense allocations will often depend on inherently subjective determinations, the portion of a common expense that Mariner allocates to a Fund, Account or itself for a particular product or service may not reflect the relative benefit derived by the Investment Advisory Account from the product or service in any particular instance.

### *Mariner's desire to benefit financially its affiliates and other associated investment advisers*

Mariner has and may in the future retain (and therefore benefit financially) affiliated traders and affiliated investment advisers (as the term "affiliate" is defined under applicable federal securities laws) or certain associated investment advisers as described further below (adviser with which Mariner could have a non-controlling but significant financial interest), which will generally create a financial conflict. As a general statement, Mariner discloses this conflict in the investment management agreements (for Accounts) and offering documents for potential investors (for the Mariner Funds) and will only retain affiliated or otherwise associated traders or advisers when Mariner believes that doing so is appropriate and in the general best interests of the relevant Mariner Fund or Account.

In addition to affiliated advisers, Mariner (or certain of its sister or parent company affiliates) could also have significant financial interests in and/or provide specific and substantive support services to unaffiliated but otherwise associated investment advisers (and their clients, for example, hedge fund vehicles and managed accounts) for which Mariner receives compensation and in which may also have a less than 25% ownership interest (the "Associated Advisers"). For example, pursuant to a service agreement or other type of joint venture arrangement, Mariner (or certain of its sister or parent company affiliates) may have an ownership and/or economic interest in a third party

investment adviser that does not rise to the level of legal “affiliation” (as that term is defined under applicable federal securities laws). Even absent a legal affiliation between the parties, such an association (and related interests) could create a financial conflict. Mariner will only retain Associated Advisers when Mariner believes that doing so is appropriate and in the general best interests of the relevant Mariner Fund or Account.

## **Sales Compensation**

In general, employees of Mariner and/or its affiliate MGCM (a limited purpose broker-dealer engaged primarily in private placement activity) and Mariner Europe (an affiliate of Mariner authorised and regulated by the Financial Conduct Authority) who (i) refer or help solicit investment advisory clients for Mariner, its affiliate or an Associated Adviser or (ii) solicit investors for Funds for which Mariner, its affiliate or an Associated Adviser serves as an investment adviser, will be compensated (e.g., receive sales based compensation and/or a discretionary bonus that takes into consideration the employee’s efforts to refer or help solicit investment advisory clients for Mariner, its affiliate or an Associated Adviser).

Accordingly, this practice of compensating employees of Mariner and/or its affiliates MGCM and Mariner Europe for referring or helping to solicit investment advisory clients and/or investors for Funds for which Mariner, its affiliate or an Associated Adviser serves as investment adviser presents a conflict of interest, as it gives those employees an incentive to recommend investment products based on the compensation received, rather than on a client’s needs. Mariner discloses this conflict to potential clients and potential investors in the relevant offering documents for the Mariner Funds. Prospective clients and prospective Fund investors should note that he/she/it may have the option to purchase investment products recommended by Mariner through other brokers or agents that are not affiliated with Mariner.

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

### Generally

As described in Item 5 above, Mariner’s clients generally pay performance-based fees. All performance-based fees are calculated and paid in accordance with Section 205 and Rule 205-3 under the U.S. Investment Advisers Act of 1940 (the “Advisers Act”). Further, the Mariner Funds will not accept investors who do not satisfy the eligibility criteria of Rule 205-3. As set forth in Item 5, performance-based fees generally range from 0% to 30% of “Net Appreciation” of the Investment Advisory Accounts for the relevant time period, and may be subject to a Performance Measure. Mariner generally advises only clients that are charged both an asset-based and a performance-based fee; however, one Mariner Fund charges only an asset based fee.

### Conflicts

*Mariner’s incentive to favor clients who pay performance-based fees*

Due to the different fee arrangements in place for Mariner's clients, Mariner might have an incentive to favor clients that pay performance-based fees over clients that pay only asset-based fees. This incentive could, for example, affect Mariner's decision to effect securities transactions for some clients and not for others if Mariner believes that the transaction will be profitable (or to allocate a greater portion of a limited investment opportunity to those clients), or to engage in cross trades between Investment Advisory Accounts.

To address these conflicts, Mariner's policies and procedures seek to provide that investment decisions are made without consideration of its financial interests, and instead are made in accordance with Mariner's fiduciary duty to all clients. As discussed further in Item 10 below, this generally means that all Investment Advisory Accounts managed using the same investment strategy will participate *pro rata* (or some other Mariner Compliance team approved allocation statement), in all investment opportunities that Mariner allocates to any other Investment Advisory Account using that strategy.

#### *Performance-based fees might incentivize riskier investment behavior*

Mariner's (or its affiliate's) receipt of performance-based fees might incentivize Mariner to make investments that are riskier or more speculative than Mariner would make if Mariner (or its affiliate) did not receive performance-based fees. Further, "Net Appreciation," which is the basis for most performance-based fees, includes unrealized appreciation of client assets, and could result in Mariner receiving greater performance-based fees than would be the case if net appreciation was based only on realized gains. Mariner discloses this conflict in the relevant offering documents to potential investors in the Mariner Funds and otherwise in other relevant documents (e.g., Form ADV).

### **Item 7 – Types of Clients**

As noted in Item 4 above, Mariner provides discretionary portfolio management and advisory services to institutional clients such as the Mariner Funds (which are primarily privately offered pooled investment vehicles organized as domestic or foreign partnerships, corporate or other incorporated or unincorporated entities), and to a lesser extent, insurance companies, endowments, foundations and plan sponsors via Accounts<sup>5</sup>. The minimum account size that Mariner will accept varies as it is dependent upon the investment strategy. Investors that directly invest in Mariner Funds will generally be subject to minimum investment amounts as described in the Funds' offering documents. Those minimum investment amounts for Fund investors can be modified, depending on the investor relationship and in accordance with the Fund documents.

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

The following is a summary of (i) the strategies and methods Mariner uses in formulating advice or managing assets (and their material risks) and (ii) the material risks associated with the types of

---

<sup>5</sup> Mariner currently advises a few Accounts on a discretionary and non-discretionary basis.

securities that Mariner primarily recommends to its clients. Mariner does not recommend any particular type of security; rather, Mariner recommends securities and other instruments based on the investment objectives and strategies of the Fund or Account. Clients and prospective clients should refer to a separate disclosure document that the client has or will receive that sets out a more detailed explanation of the material risks of investment strategies or methods of analysis that are or will be used to manage the Investment Advisory Accounts.

The investment strategies employed by Mariner subject a Fund or Account to various risks that an investor should be prepared to bear, including the loss of some or all of their investment. Investing in any of the Funds or Accounts involves the risk that the Fund or Account does not achieve its investment objective. An Investment Advisory Accounts value can vary based on market fluctuations caused by such factors as economic and political developments, changes in interest rates, and perceived trends in security prices.

## **Overall Investment Strategy and Investment Risks**

### **Market and Investment Risk**

- **Risks of Investments, Generally.** All investments risk the loss of capital. No guarantee or representation is made that Investment Advisory Accounts or their related investment programs or strategies will be successful. Investment Advisory Accounts' investment programs or strategies involve, without limitation, risks associated with limited diversification and concentration, leverage, investments in speculative assets and the use of speculative investment strategies and techniques, interest rates, currencies, volatility, tracking risks in hedged positions, credit deterioration or default or prepayment risks, systems risks and other inherent risks inherent. Certain investment techniques (e.g., use of direct leverage or indirectly through leveraged investments) can, in certain circumstances, magnify the impact of adverse market moves to which the Investment Advisory Accounts could be subject.

Mariner and its affiliates controlled by Mariner (e.g., GP entities) efforts and methods of seeking to minimize such risks may not accurately predict future risk exposures. Risk management techniques are based in part on the observation of historical market behavior, which may not predict market divergences that are larger than historical indicators. Also, information used to manage risks may not be accurate, complete or current, and such information may be misinterpreted.

- **General Economic and Market Conditions.** The success of the Investment Advisory Accounts' activities can be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the Investment Advisory Accounts' investments), trade barriers, currency exchange controls, national regulation and changes in laws and rules, and international political circumstances (including wars, terrorist acts or security operations). These factors can affect the level and volatility of securities prices and the liquidity of Investment Advisory Accounts' investments. Volatility or illiquidity could impair any Investment Advisory Accounts' profitability or result in losses.

- General Market Risks; Volatility. Mariner's Investment Advisory Accounts' strategies are designed to accomplish the investment objective independent of the general market direction or volatility. However, there can be no guarantee of the success of that strategy and the Investment Advisory Accounts' activities can be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, and national and international political circumstances. In addition, there is a risk of market disruptions resulting from certain events (e.g., power outages, terrorist attacks, military action, or economic and diplomatic sanctions) which could affect the Investment Advisory Accounts' investment activities and performance. The impact of such events is unclear, but could have a material effect on general economic conditions and market liquidity. All of these factors can affect the level and volatility of securities prices and the liquidity of the Investment Advisory Accounts' investments. Unexpected volatility or illiquidity could impair the profitability or result in losses. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies, financial instrument futures and options. Such intervention often is intended directly to influence prices and can, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. The Investment Advisory Accounts are also subject to the risk of the failure of any of the exchanges on which some of its positions trade or of their clearinghouses. Their portfolios are not necessarily designed to benefit from market volatility and can lose value in times of volatility or directly due to market volatility.
- Market Crisis and Governmental Intervention. The global financial markets have undergone pervasive and fundamental disruptions which have led to extensive and unprecedented governmental intervention. Such intervention was in certain cases implemented on an "emergency" basis without much or any notice with the consequence that some market participants' ability to continue to implement certain strategies or manage the risk of their outstanding positions was suddenly and/or substantially eliminated. In addition, as one would expect given the complexities of the global financial markets and the limited time frame within which governments were able to take action, these interventions have sometimes been unclear in scope and application, resulting in confusion and uncertainty which in itself was materially detrimental to the efficient functioning of such markets as well as previously successful investment strategies.

The United States Federal Reserve and non-U.S. governments have taken significant and historic steps to intervene in the financial markets. Future government interventions can lead to a change in valuations of securities that is detrimental to the Investment Advisory Account's investments. Government intervention is subject to inherent uncertainties relating to prevailing economic conditions and political considerations.

Mariner believes that it is possible that emergency intervention will likely take place again in the future and that the regulation of financial markets is likely to be increased in the future. It is impossible to predict the impact of any such intervention and/or increased regulation on the performance of the Investment Advisory Accounts or the fulfillment of their investment objective.

- Market Disruption. The Investment Advisory Accounts could incur major losses in the event of disrupted markets, and other extraordinary events may not be consistent with historical pricing relationships (on which Mariner bases a number of its trading positions). The risk of loss from a disconnect from historical prices 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 financing available from banks, dealers and other counterparties is typically reduced in disrupted markets. Such a reduction could result in substantial losses to the Investment Advisory Accounts. In 1994, in 1998 and again in the so-called “credit crisis” of 2008, a sudden restriction of credit by the dealer community resulted in forced liquidations and major losses for a number of private investment funds. In addition, market disruptions caused by unexpected political, military and terrorist events may from time to time cause dramatic losses, and such events can result in otherwise historically low-risk strategies performing with unprecedented volatility and risk.

- Political, Economic and Other Conditions. The value of the instruments traded by the Investment Advisory Accounts could be adversely affected by changes in economic conditions or political events that are beyond its control. For example, a financial market collapse, continued threats of terrorism, the outbreak of hostilities involving the United States, or the death of a major political figure may have significant adverse effects on the investment results. Additionally, a serious pandemic, such as coronavirus, or a natural disaster, such as a hurricane, could severely disrupt the global, national and regional economies and markets.
- Epidemics, Pandemics and Covid-19. Many countries have been susceptible to epidemics, such as severe acute respiratory syndrome, avian flu, H1N1/09 flu and, currently, the coronavirus “Covid-19” which the World Health Organization has declared to be a pandemic. Countries that already have suffered outbreaks of Covid-19 are likely to suffer a continued increase in recorded cases of the disease. A continued escalation in the Covid-19 outbreak could see a continual decline in global economic growth (some economists have warned that global economic growth could be cut by more than half and that countries and the global economy could be plunged into recession). Many businesses around the world have curtailed their travel and meeting plans. This is likely to slow business activity, including in particular international business activity. The spread of Covid-19 may have an adverse impact on the Investment Advisory Accounts. The impact of a viral pandemic in certain areas with large and crowded cities may be especially severe. In consumer goods, for example, customers may delay discretionary spending and travel plans because of concern about the pandemic. The banking industry, and in particular, the consumer finance sector, may be significantly affected by credit losses resulting from financial difficulties of borrowers impacted by Covid-19. Covid-19 may cause Mariner employees or employees of service providers to the Investment Advisory Accounts to be absent from work or work remotely for prolonged periods of time. The ability of Mariner employees and/or the employees of the service providers to the Investment Advisory Accounts to work effectively on a remote basis may adversely impact the day-to-day operations of the Investment Advisory Accounts. Any similar future outbreak or pandemic could have similar potential adverse effects on the global economy, Mariner, and the Investment Advisory Accounts.
- Institutional Risk. The institutions, including brokerage firms and banks, with which the Investment Advisory Accounts trade or invest, may encounter financial difficulties that impair the operational capabilities or the capital position of the Investment Advisory Accounts. In addition to the risk of a counterparty or broker defaulting, there also is the risk that major institutional investors could be compelled to withdraw from the Investment Advisory Accounts or it’s counterparties or brokers will be required to restrict the amount

of credit previously granted due to their own financial difficulties, resulting in forced liquidation of substantial portions of the portfolios.

- Effects of Environmental, Social and Governance Factors. Mariner will consider ESG factors along with other factors as part of its investment decision-making process in regards to the Investment Advisory Accounts. As a result, Mariner may not make an investment that it would otherwise have made on behalf of the Investment Advisory Accounts, or require the Investment Advisory Accounts to divest an investment it holds, which would have been profitable, and therefore the Investment Advisory Accounts may earn less profit than they otherwise would have earned had such ESG factors not been considered.
- Cybersecurity Risk. As part of its business, Mariner processes, stores and transmits large amounts of electronic information, including information relating to the transactions of the Investment Advisory Accounts, and personally identifiable information of their investors. Similarly, service providers of the Firm or the Investment Advisory Accounts, especially the administrator, may process, store and transmit such information. Mariner has procedures and systems in place to protect such information and prevent data loss and security breaches. However, such measures cannot provide absolute security. The techniques used to obtain unauthorized access to data, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time. Hardware or software acquired from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Network connected services provided by third parties to Mariner may be susceptible to compromise, leading to a breach of the Firm's network. Mariner's systems or facilities may be susceptible to employee error or malfeasance, government surveillance, or other security threats. On-line services provided by the Firm to the Investment Advisory Accounts may also be susceptible to compromise. Breach of Mariner's information systems may cause information relating to the transactions of the Investment Advisory Accounts and personally identifiable information of the investors to be lost or improperly accessed, used or disclosed

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

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

- Service Provider and Data Source Risk. Mariner relies on third party service providers to analyze and review information Mariner provides to them and to produce performance and other data reports (the analysis, review, and reports together are "Data"). If Data supplied by these service providers were to be incorrect or incomplete, our analysis and reports may be incorrect or adversely impacted and our strategies may not perform as expected. Mariner seeks to detect whether Data are inaccurate or incomplete and reports these issues

to its service providers, but cannot always detect problems with Data supplied to it before the Data are used. If Data are discovered to be incorrect or incomplete, Mariner will take all reasonable steps to correct the Data. While Mariner seeks to protect itself contractually when it engages services providers, these contractual provisions may be insufficient to protect Mariner. For example, Mariner service providers may be affected by viruses, power outages, or other acts beyond Mariner's reasonable control. They may not be able to prevent an employee or third party from stealing or affecting Mariner's data. Further, any of our service providers could, without notice to Mariner, cease doing business, file for bankruptcy, or sell all or a part of its business to another company. Any of these actions could adversely affect Mariner and may seriously disrupt its business and the services it provides to its clients.

- **Technology and Licensing Risk.** Mariner relies heavily on the use of proprietary and nonproprietary software, data and intellectual property being licensed to us on a non-exclusive basis by commercial software analytics, research and data supply entities, in particular as it relates to some of the equity investment strategies of and recommendations developed by Mariner. To the extent that an unforeseeable software or hardware malfunction or problem is caused by a defect, virus or other outside force, Mariner's business, including its financial condition, and/or client portfolios may be adversely affected. In addition, if the licensed material is found to be owned by a third party, and not by the licensing company, as represented, Mariner's business, including our financial condition, and/or our client's portfolios could be adversely affected.

## **Regulatory Risk**

- **Regulatory Changes.** The global financial markets have gone through pervasive and fundamental disruptions that have led to extensive governmental intervention. Such intervention was in certain cases implemented on an "emergency" basis, suddenly and substantially eliminating market participants' ability to continue to implement certain strategies or manage the risk of their outstanding positions. In addition, certain of these interventions have been unclear in scope and application, resulting in confusion and uncertainty which in itself has been materially detrimental to the efficient functioning of the markets as well as previously successful investment strategies.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), which aims to reform various aspects of the U.S. financial markets, covers a broad range of market participants including investment advisers (registered and unregistered) such as Mariner. The Dodd-Frank Act has, and may continue to directly affect Mariner by mandating additional new reporting requirements, including, but not limited to, position information, use of leverage and counterparty and credit risk exposure. Until the SEC implements the new reporting requirements, it is unknown how burdensome such new reporting requirements will be.

The Dodd-Frank Act may also affect the Investment Advisory Accounts in a number of other ways. Pursuant to the Dodd-Frank Act, banks and other financial firms (like the Investment Advisory Accounts and Mariner) may be designated as "Systemically Important Financial Institutions" or SIFIs. Any bank or financial firm so designated will be subject to regulation by the Federal Reserve. In the area of derivatives, the Dodd-Frank Act provides for the registration and comprehensive regulation of "major swap participants." Although the Investment Advisory Accounts and Mariner believe they are unlikely to be classified as SIFIs

and are not subject to the requirements for “major swap participants,” the consequences of being so classified could be substantial and adverse. In addition, the cost of derivative transactions may substantially increase as result of the Dodd-Frank Act as additional margin, capital and collateral obligations are implemented.

The Investment Advisory Accounts may incur major losses in the event of disrupted markets 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 financing available to the Investment Advisory Accounts from its banks, dealers and other counterparties will typically be reduced in disrupted markets. Such a reduction may result in substantial losses to the Investment Advisory Accounts. Market disruptions may from time to time cause dramatic losses for the Investment Advisory Accounts, and such events can result in otherwise historically low-risk strategies performing with unprecedented volatility and risk.

Compliance with a new regulatory regime may entail burdensome reporting and registration requirements, minimum capital and variation margin requirements, adherence to business conduct standards, and recordkeeping requirements. The costs associated with such compliance may result in certain investment strategies in which the Investment Advisory Accounts engages or may have otherwise engaged becoming non-viable or noneconomic to implement.

- Changes to Derivatives Regulation. Regulatory developments, including the adoption and implementation of new legislation, may cause changes to the Investment Advisory Account’s operations and profitability. Market participants in the U.S. derivatives markets, and the markets themselves, are subject to comprehensive regulation by the CFTC and self-regulatory organizations, such as the NFA. Future regulatory developments could cause changes to the Investment Advisory Accounts’ ability to implement its investment strategies. It is impossible to predict the impact of any future regulatory change, but a regulatory change could be substantial and adverse.
- Impact of the AIFM Directive. The EU Directive 2011/61/EU on Alternative Investment Fund Managers (the “AIFM Directive”), sets out minimum conditions related to the marketing of interests in alternative investment funds (such as the Interests) in member states of the European Economic Area (the “EEA”) and may impact a Mariner Funds’ ability to attract investors in the EEA and may significantly increase Mariner’s and the Mariner Funds’ compliance costs. Such conditions include requirements to register the Fund as being marketed in the relevant EEA member state, requirements to file periodic reports with the competent authority in the relevant EEA member state and requirements to comply with disclosure and reporting requirements in respect of investors in the relevant EEA member state. Such reports and disclosures may become publicly available.

The AIFM Directive does not, however, prohibit an investor in a relevant EEA member state subscribing for Interests at their own initiative in circumstances where such Interests have not been marketed in such member state and the Fund may issue Interests to such investors, as long as they have provided the Mariner Fund and Mariner with representations that they have done so. Any investor subscribing for Interests at their own initiative in a relevant EEA member state should note that the Fund has not been registered

as being marketed in that EEA member state, no reports will be filed with the competent authority in the relevant EEA member state by or in respect of the Fund and no investor shall be entitled to receive any disclosure or report that is mandated in respect of an alternative investment fund being marketed in any relevant EEA member state.

- Brexit. On January 31, 2020, the United Kingdom (“UK”) formally left the EU. Following its withdrawal from the EU, the UK entered into a transition period, during which EU law continued to apply in the UK while the UK government and the EU negotiated the terms of their future relationship. The transition period expired on December 31, 2020, and EU law no longer applies in the UK. The UK and the EU have agreed to a trade and cooperation agreement pursuant to which there will be no tariffs or quotas on goods traded between the UK and the EU. However, services are not comprehensively covered in the agreement and negotiations are ongoing in relation to provision of financial services in particular. Political and economic uncertainty and periods of exacerbated volatility in both the UK and in wider European markets may continue for some time. It also remains possible that the UK’s withdrawal from the EU may lead to a call for similar referenda in other European jurisdictions, which may cause increased economic volatility in the European and global markets. There may be detrimental implications for the value of certain of the Investment Advisory Accounts’ investments, the ability to enter into transactions or to value or realize such investments or otherwise to implement the investment programs. This may be due to, among other things: (i) increased uncertainty and volatility in the UK and EU financial markets; (ii) fluctuations in the market value of the U.S. dollar, sterling and of UK and EU assets; (iii), fluctuations in exchange rates between sterling, the Euro and other currencies; (iv) increased illiquidity of investments located or listed within the UK or the EU; (v) changes in the willingness or ability of financial and other counterparties to enter into transactions, or the price at which and terms on which they are prepared to transact; and/or (vi) changes in legal and regulatory regimes to which the Mariner Funds, Mariner and/or certain of the Mariner Funds’ assets are or become subject.
- Discontinuation of LIBOR. The London Interbank Offered Rate (“LIBOR”), which has been commonly used as a reference rate within various financial contracts (any such rate, a “Reference Rate”), ceased to be published for certain tenors immediately after December 31, 2021 (the “Cessation Date”). Those tenors that continue to be published will not be published after the year 2023. In anticipation of the end of all tenors of LIBOR, the U.S. and other countries are currently working to replace LIBOR with alternative Reference Rates. As a general matter, the expected discontinuation of LIBOR may significantly impact financial markets; specifically, discontinuation may impact financial contracts to which an Investment Advisory Account is a party. Generally, the transition to alternative Reference Rates may (i) cause the value of a Reference Rate to be uncertain or to be lower or more volatile than it would otherwise be, (ii) result in uncertainty as to the functioning, liquidity or value of certain financial contracts, (iii) involve actions of regulators or rate administrators that adversely affect certain markets or specific financial contracts, and/or (iv) impact the strategy, products, processes, legal positions and information systems of market participants, including Investment Advisory Accounts and their counterparties. With respect to financial contracts to which the Investment Advisory Account is a party, any such contract that has a maturity that extends beyond the Cessation Date and uses LIBOR as a Reference Rate (other than contracts that include curative fallback language or other curative mechanisms) may need to be renegotiated, the process of which will consume resources and may result in disputes among counterparties, the result of which may be adverse to the Investment Advisory Account. Considered in their entirety, the impact of the

discontinuation of LIBOR on financial markets generally and on the specific financial contracts to which the Investment Advisory Account is a party, may adversely affect the performance of the Investment Advisory Account.

- Absence of Regulatory Oversight. While the Mariner Funds may be considered similar to investment companies, they are not required to and will not register as such under the 1940 Act (in reliance upon an exemption available to privately offered investment companies), and, accordingly, the provisions of the 1940 Act (which may provide certain regulatory safeguards to investors) are not applicable. Traders for the Mariner Funds generally maintain their accounts at brokerage firms which do not separately segregate such assets as would be required in the case of registered investment companies. Under the provisions of the Securities Investor Protection Act, the bankruptcy of any such brokerage firms might have a greater adverse effect on the Mariner Funds than would be the case if all traders maintained their accounts to meet the requirements applicable to registered investment companies.
- Speculative Position Limits. The CFTC, certain U.S. futures exchanges and certain non-U.S. regulators have established speculative position limits on the maximum net long or short futures and options positions which any person or group of persons acting in concert may hold or control in particular futures contracts. The CFTC has adopted a rule requiring each U.S. domestic exchange to set speculative position limits, subject to CFTC approval, for all futures contracts and options traded on such exchange which are not already subject to speculative position limits established by the CFTC or such exchange. The CFTC has jurisdiction to establish speculative position limits with respect to all futures contracts and options traded on exchanges located in the United States, and any exchange may impose additional limits on positions on that exchange. In Europe, pursuant to MIFID II, commodity derivative position limits became effective on January 3, 2018. OTC counterparties may limit the size or duration of positions available to clients as a consequence of credit considerations. In October 2020, the CFTC approved new regulations for federal speculative position limits in 25 core physical commodity contracts and their economically equivalent futures, options and swaps. In December 2016, the CFTC adopted speculative position limit aggregation rules and exemptions. The aggregation rules and the federal speculative position limit rules could adversely affect Mariner and/or the Investment Advisory Accounts' ability to maintain positions in certain financial instruments. Generally, no speculative position limits are in effect with respect to the trading of spot currency and forward contracts. All trading accounts owned or managed by Mariner and its trading principals will be combined for speculative position limit purposes. With respect to trading in futures subject to such limits, Mariner may reduce the size of the positions, which would otherwise be taken in such futures and not trade certain futures in order to avoid exceeding such limits. Such modification, if required, could adversely affect the operations and profitability of the Investment Advisory Accounts. There can be no guarantee that additional position-related limits will not be established by the CFTC, and other regulators or exchanges for the markets where the Investment Advisory Accounts trades.

### **Strategy Risks**

- Limited Diversification. In the normal course of making investments on behalf of Investment Advisory Accounts, Mariner may be concentrated in a limited number or type of financial instruments or assets. Such concentration of risk can increase the losses suffered by the Investment Advisory Accounts or reduce their ability to hedge their exposure and to

dispose of depreciating assets. Limited diversity could expose the Investment Advisory Accounts to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in those financial instruments or assets. In the Investment Advisory Accounts that are concentrated in a limited number or type of financial instruments, the overall adverse impact on the Investment Advisory Accounts of adverse movements in the value of their portfolios will be considerably greater than if the Investment Advisory Accounts were not permitted to concentrate their investments in such manner.

- Leverage and Borrowing; Interest Rates; Margin. As a general statement (and where applicable) the Investment Advisory Accounts intend to lever their assets through various types of financings, including seller financing, and through various securitization vehicles. For example, Mariner may borrow funds on behalf of Investment Advisory Accounts, and also may cause those client accounts to issue debt securities, in order to be able to increase the amount of capital available for marketable securities investments. In addition, certain Investment Advisory Accounts may in effect borrow funds through entering into repurchase agreements, and may “leverage” its investment return with options, commodity futures contracts, swaps, forwards and other derivative instruments. The amount of borrowings which Investment Advisory Accounts may have outstanding at any time may be large in relation to its overall capital. Consequently, the level of interest rates, generally, and the rates at which Investment Advisory Accounts can borrow, in particular, will affect the operating results of such accounts. In general, Investment Advisory Accounts’ anticipated use of short-term margin borrowings results in certain additional risks to those applicable client accounts. For example, should the securities pledged to brokers to secure an Investment Advisory Account’s margin accounts decline in value that client account could be subject to a “margin call,” pursuant to which the Investment Advisory Account must either deposit additional funds with the broker, or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden precipitous drop in the value of the Investment Advisory Account’s assets, such client account might not be able to liquidate assets quickly enough to pay off its margin debt.

While leverage presents opportunities for increasing the Investment Advisory Accounts’ 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 Investment Advisory Accounts would be magnified to the extent the Investment Advisory Accounts are leveraged. The cumulative effect of the use of leverage by the Investment Advisory Accounts in a market that moves adversely to the Investment Advisory Accounts’ investments could result in a substantial loss to the Investment Advisory Accounts, which would be greater than if the Investment Advisory Accounts were not leveraged. Leverage will increase the exposure of the Investment Advisory Accounts to adverse economic factors such as significantly rising interest rates, severe economic downturns or deterioration in the condition of the Investment Advisory Accounts’ investments or their corresponding markets.

Investment Advisory Accounts can engage in portfolio financings where several investments are cross-collateralized, pursuant to which multiple investments might be subject to the risk of loss. As a result, Investment Advisory Accounts could lose their interests in performing investments in the event such investments are cross-collateralized with poorly performing or non-performing investments. In addition, recourse debt, which Investment Advisory Accounts reserve the right to obtain, might subject other assets of the Investment Advisory Accounts’ investments to risk of loss.

- Illiquidity. A substantial portion of certain Investment Advisory Account's portfolios may consist of loans, or other financial instruments that are not actively or widely traded and the Investment Advisory Accounts may invest in illiquid securities, or securities that become illiquid after the Investment Advisory Accounts' investments in such securities. For example, mortgage/real-estate-backed loans and asset-backed securities are generally less liquid than are other securities (e.g., stocks or bonds). The reduction in dealer market-making capacity in the fixed income markets that has occurred in recent years has the potential to further reduce liquidity. Certain securities and other investments held by Investment Advisory Accounts may also be illiquid because, for example, they are subject to legal or other restrictions on transfer. Valuation of certain Investment Advisory Account's investments can be difficult or uncertain, including with respect to securities, because there might be limited information available about the issue. In addition, the sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. The Investment Advisory Accounts might not be able to readily dispose of such illiquid investments and, in some cases, might be contractually prohibited from disposing of such investments for a specified period of time. Even those markets which are expected to be liquid can experience periods, possibly extended periods, of illiquidity. Occasions have arisen in the past where previously liquid investments have rapidly become illiquid. Consequently, it can be relatively difficult for certain Investment Advisory Accounts to dispose of certain investments rapidly and at favorable prices in connection with withdrawal requests, adverse market developments or other factors.
- Long/Short. The success of any Investment Advisory Account's long/short investment strategy depends upon Mariner's ability to identify and purchase investments that are undervalued and identify and sell short investments that are overvalued. The identification of investment opportunities in the implementation of Investment Advisory Accounts' long/short investment strategies is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. In the event that the perceived opportunities underlying Investment Advisory Accounts' positions were to fail to converge toward, or were to diverge further from values expected by Mariner, the Investment Advisory Accounts might incur a loss. In the event of market disruptions, significant losses can be incurred which might force certain Investment Advisory Accounts (e.g., specific Mariner Funds or Accounts) to close out one or more positions. Furthermore, the valuation models used to determine whether a position presents an attractive opportunity consistent with the Mariner's long/short strategies can become outdated and inaccurate as market conditions change.
- Long-Term. The success of any Investment Advisory Account's long-term investment strategy depends upon Mariner's ability to identify and purchase investments that are undervalued and hold such investments so as to maximize value on a long-term basis. In pursuing any long-term strategy, certain Investment Advisory Accounts may forego value in the short-term or temporary investments in order to be able to avail themselves of additional and/or longer term opportunities in the future. Consequently, certain Investment Advisory Accounts might not capture maximum available value in the short-term, which can be disadvantageous, for example, for Mariner Fund investors who withdraw all or a portion of their capital accounts before such long-term value may be realized by such Investment Advisory Accounts.

- Investments in Undervalued Instruments. Certain Investment Advisory Accounts may invest in undervalued instruments. The identification of investment opportunities in undervalued instruments is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. While investments in undervalued instruments offer the opportunity for above- average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from the Investment Advisory Accounts' investments might not adequately compensate for the business and financial risks assumed.
- Relative Value. The success of certain Investment Advisory Account's relative value investment strategy depends upon Mariner's ability to identify and exploit perceived inefficiencies in the pricing of securities, financial products, or markets. Identification and exploitation of such inefficiencies involve uncertainty. There can be no assurance that Mariner will be able to locate investment opportunities or to exploit pricing inefficiencies in the securities markets. Mispricings, even if correctly identified, may not be corrected by the market, at least within a timeframe over which it is feasible for Mariner to maintain a position. Even pure arbitrage positions can result in significant losses if Mariner is not able to maintain both sides of the position until expiration/maturity. A reduction in the pricing inefficiency of the markets in which Mariner seeks to invest will reduce the scope for any Investment Advisory Account's investment strategy. In the event that the perceived mispricings underlying the Investment Advisory Accounts' positions were to fail to converge toward, or were to diverge further from, relationships expected by Mariner, the Investment Advisory Accounts might incur losses.
- Short Selling. Short selling involves selling securities which may or may not be owned by the short seller and borrowing them for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from a decline in market price to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. The extent to which the Investment Advisory Accounts engage in short sales will depend upon the Investment Advisory Account's investment strategy and opportunities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Investment Advisory Accounts of buying those securities to cover the short position. There can be no assurance that any Investment Advisory Account will be able to maintain the ability to borrow securities sold short. In such cases, the Investment Advisory Account can be "bought in" (i.e., forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.
- Necessity for Counterparty Trading Relationships; Counterparty Risk in General. As a general statement, many Investment Advisory Accounts expect to establish relationships to obtain financing, derivative intermediation and prime brokerage services that permit the Investment Advisory Accounts to trade in any variety of markets or asset classes over time. There can be no assurance that the Investment Advisory Accounts or Mariner will be able to maintain such relationships or establish such relationships. An inability to establish or maintain such relationships would limit the Investment Advisory Accounts' trading activities and could create losses, preclude the Investment Advisory Accounts and/or

Mariner, as applicable, from engaging in certain transactions, or possibly limit or otherwise negatively effect financing, derivative intermediation and prime brokerage services and prevent the Investment Advisory Accounts and/or Mariner from trading at optimal rates and terms. Moreover, a disruption in the financing, derivative intermediation and prime brokerage services provided by any such relationships before the Investment Advisory Accounts or Mariner establishes additional relationships could have a significant impact on the Investment Advisory Accounts' and/or Mariner's business, as applicable, due to the Investment Advisory Accounts' and/or Mariner's reliance on such counterparties.

Some of the markets in which Investment Advisory Accounts effect transactions are "over-the-counter" or "interdealer" markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of "exchange-based" markets. This exposes Investment Advisory Accounts 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 Investment Advisory Accounts to suffer a loss. In addition, in the case of a default, Investment Advisory Accounts could become subject to adverse market movements while replacement transactions are executed. Such "counterparty risk" is accentuated for contracts with longer maturities where events could intervene to prevent settlement, or where Investment Advisory Accounts have concentrated their transactions with a single counterparty or small group of counterparties.

Furthermore, there is a risk that any of a specific Investment Advisory Account's counterparties could become insolvent and/or the subject of insolvency proceedings. If one or more of an Investment Advisory Account's counterparties were to become insolvent or the subject of insolvency proceedings in the United States (either under the Securities Investor Protection Act or the United States Bankruptcy Code), there exists the risk that the recovery of Investment Advisory Accounts' securities and other assets from Investment Advisory Accounts' prime brokers or broker-dealers will be delayed or be of a value less than the value of the securities or assets originally entrusted to such prime broker or broker-dealer.

In addition, Investment Advisory Accounts might use counterparties located in jurisdictions outside the United States. Such local counterparties are subject to the laws and regulations in foreign 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 Investment Advisory Accounts' 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 Investment Advisory Accounts and their assets.

As a general statement, Investment Advisory Accounts are not restricted from dealing with any particular counterparty or from concentrating any or all of their transactions with one counterparty. Moreover, Mariner and/or an Investment Advisory Account's internal credit function which evaluates the creditworthiness of Investment Advisory Accounts' counterparties could prove insufficient. The ability of an Investment Advisory Account to transact business with any one or more counterparties, the lack of complete and "foolproof" evaluation of the financial capabilities of Investment Advisory Accounts' counterparties and the absence of a regulated market to facilitate settlement may increase the potential for losses by Investment Advisory Accounts.

- Risk of Counterparty Default. The stability and liquidity of repurchase agreements, swap transactions, forwards and other OTC derivative transactions depend in large part on the creditworthiness of the parties to the transactions. It is expected that Mariner will monitor on an ongoing basis the creditworthiness of firms with which it will enter into repurchase agreements, reverse repurchase agreements, interest rate swaps, caps, floors, collars or other OTC derivatives. If there is a default by the counterparty to such a transaction, Mariner will under most normal circumstances have contractual remedies pursuant to the agreements related to the transaction. However, exercising such contractual rights may involve delays or costs, which could result in the net asset value of the investment being less than if Mariner, had not entered into the transaction
- Co-Investments with Third Parties. Certain Investment Advisory Accounts may co-invest with other Investment Advisory Accounts or third parties through joint ventures or other entities (including in certain cases Mariner affiliates). Such investments will involve risks in connection with such third-party involvement, including the possibility that a third-party co-venturer has financial difficulties resulting in a negative impact on such investment; has economic or business interests or goals that are inconsistent with those of Investment Advisory Accounts; or is in a position to take (or block) action in a manner contrary to the Investment Advisory Accounts' investment objectives. In those circumstances where such third parties involve a management group, such third parties could enter into compensation arrangements relating to such investments, including incentive compensation arrangements. Such compensation arrangements will reduce the returns to participants in the investments and create potential conflicts of interest between such parties and the Investment Advisory Accounts.
- Systemic Risk. Credit risk could also arise through a default by one of several large institutions that are dependent on one another to meet their liquidity or operational needs, so that a default by one institution causes a series of defaults by the other institutions. This is sometimes referred to as a "systemic risk" and can adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges, with which the Investment Advisory Accounts interact on a daily basis.
- Volatility Risk. Certain Investment Advisory Accounts' investment programs can involve the purchase and sale of relatively volatile instruments such as derivatives, which are frequently valued based on implied volatilities of such derivatives compared to the historical volatility of underlying financial instruments. Fluctuations or prolonged changes in the volatility of such instruments, therefore, can adversely affect the value of investments held by the Investment Advisory Accounts. In addition, many non-U.S. financial markets are not as developed or as efficient as those in the U.S., and as a result, price volatility might be higher for the Investment Advisory Accounts' investments.
- Interest-Rate and Foreign Exchange-Rate Risks. The prices of assets held by the Investment Advisory Accounts might be sensitive to interest-rate and foreign exchange-rate fluctuations. Such fluctuations could cause the U.S. dollar value of long and short positions to move in unanticipated directions. To the extent that interest-rate and foreign exchange-rate assumptions underpin the hedging of a particular position, fluctuations in rates could invalidate those underlying assumptions and expose the Investment Advisory Accounts to losses. The Investment Advisory Account are not obligated to hedge their exposure to interest-rate and foreign exchange-rate risks, or any other risks.

The value of the fixed rate securities in which the certain of the Investment Advisory Accounts invest generally will have an inverse relationship with interest rates. If interest rates rise the value of the Investment Advisory Accounts' fixed rate securities could decline. Furthermore, the higher a fixed rate security's duration, the greater its price sensitivity to changes in interest rates. In addition, to the extent that the receivables or loans underlying specific securities are prepayable without penalty or premium, the value of such securities might be negatively affected by increasing prepayments, which generally occur when interest rates decline.

In addition, if mortgage loan interest rates fall, an increasing number of homeowners will seek to refinance and prepay their mortgage loans. When a mortgage loan is prepaid, it will no longer produce any MSR-related revenue for the applicable Mariner Funds. Therefore, a sustained decline in mortgage loan interest rates will generally result in a reduction in servicing income. Because the value of MSRs is a function of the anticipated stream of revenues generated by servicing the mortgage loans, the value of MSRs will decline as mortgage loan interest rates fall and more prepayments are anticipated. Conversely, an increase in mortgage loan interest rates is likely to result in a decreased number of refinancings. The Mariner Funds might attempt to hedge against the risks involved from interest rate changes by purchasing and/or selling certain financial instruments. While the Mariner Funds might seek to hedge against any losses of servicing income and loss of value of the MSRs that could be incurred from interest rate fluctuations, there can be no assurance that such actions will be effective. See additional MSR related risk disclosures below under the heading entitled "Additional Risks Related to Investments in Mortgage Servicing Rights".

- Competition; Availability of Investments. The markets in which the Investment Advisory Accounts invest are extremely competitive for attractive investment opportunities and, as a result, there could be reduced expected investment returns. There can be no assurance that the Investment Advisory Accounts will be able to identify or successfully pursue attractive investment opportunities in such environments. Among other factors, competition for suitable investments from other pooled investment vehicles, independent mortgage loan servicers, large financial institutions, the public equity markets and other investors may reduce the availability of investment opportunities. Competitive investment activity by other firms and institutions will reduce the Investment Advisory Accounts' opportunity for profit by generally increasing price pressure on desired assets, reducing mispricings in the market as well as the margins available on those mispricings that can still be identified.
- Equity Securities. Certain Investment Advisory Accounts might invest in equity and equity-related securities of U.S. and non-U.S. companies. Equity securities fluctuate in value in response to many factors, including the activities, results of operations and financial condition of individual companies, the business market in which individual companies compete, industry market conditions, interest rates and general economic environments and movements in the equity markets in general. As a result, the Investment Advisory Accounts might suffer losses if they invest in equity instruments of issuers whose performance diverges from expectations or if equity markets generally move in a single direction and the Investment Advisory Accounts have not hedged against such a general move. In addition, the Investment Advisory Accounts can invest in equity securities of companies that they do not control. Such securities will be subject to the risk that the issuer may make business, financial or management decisions with which the Investment Advisory

Accounts do not agree or that the majority stakeholders or the management of the issuer may take risks or otherwise act in a manner that does not serve the Investment Advisory Accounts' interests, which could have a material adverse effect on the Investment Advisory Accounts. In addition, events such as domestic and international political instability, terrorism and natural disasters are unforeseeable and contribute to market volatility in ways that can adversely affect investments made by the Investment Advisory Accounts.

- Debt Instruments. Certain Investment Advisory Accounts might invest in private and government debt securities and instruments. It is likely that many of the debt instruments in which the Investment Advisory Accounts invests could be unrated, and whether or not rated, the debt instruments may have speculative characteristics. The issuers of such instruments (including sovereign issuers) might face significant ongoing uncertainties and exposure to adverse conditions that could undermine the issuer's ability to make timely payment of interest and principal. Such instruments are regarded as predominantly speculative with respect to the issuer's capacity to pay interest and repay principal in accordance with the terms of the obligations and involve major risk exposure to adverse conditions. In addition, an economic recession could severely disrupt the market for most of these instruments and have an adverse impact on the value of such instruments. It also is likely that any such economic downturn could adversely affect the ability of the issuers of such instruments to repay principal and pay interest thereon and increase the incidence of default for such instruments.
- Hedging. Many Investment Advisory Accounts might invest in various securities, derivatives, indexes and cash equivalents and related instruments both to hedge their portfolio positions and to seek to meet the Investment Advisory Accounts' investment objectives opportunistically as more fully described above. The success of the Investment Advisory Accounts' hedging strategy is subject to the ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments in the portfolios being hedged. Since the characteristics of many instruments change as markets change or time passes, the success of the instances when the Investment Advisory Accounts hedge portfolio positions is also subject to the ability for hedges to be continually recalculated, readjusted and executed in an efficient and timely manner. While the Investment Advisory Accounts may enter into certain hedging transactions to seek to reduce risk, such transactions can result in a poorer overall performance for the Investment Advisory Accounts than if it had not engaged in any such hedging transactions. For a variety of reasons, a perfect correlation may not be established between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation could prevent the Investment Advisory Accounts from achieving the intended hedge or expose the Investment Advisory Accounts to risk of loss. Moreover, the portfolio will always be exposed to certain risks that may not be hedged. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of the Investment Advisory Accounts' portfolio holdings. The Investment Advisory Accounts will not be required to hedge any particular risk in connection with a particular transaction or its portfolio generally.
- Fraud. Of paramount concern in certain types of investments (e.g., loan investments) is the possibility of material misrepresentation or omission on the part of the borrower or loan seller. Such inaccuracy or incompleteness could adversely affect the valuation of the collateral underlying the loans or adversely affect the ability of the Investment Advisory Accounts to perfect or effectuate a lien on the collateral securing the loan. In certain

instances, Mariner and/or the Investment Advisory Accounts will rely upon the accuracy and completeness of representations made by borrowers to the extent reasonable, but cannot guarantee such accuracy or completeness. Under certain circumstances, payments to the Investment Advisory Accounts might be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

- Global Investments. Certain Investment Advisory Accounts might invest a portion of their assets outside the United States. In addition to business uncertainties, such investments may be affected by political, social and economic uncertainty affecting a country or region. Many financial markets are not as developed or as efficient as those in the United States, and as a result, liquidity can be reduced and price volatility may be higher. The legal and regulatory environment might also be different, particularly as to bankruptcy and reorganization. Financial accounting standards and practices may differ, and there may be less publicly available information in respect of such non-U.S. issuers.

The Investment Advisory Accounts might be subject to additional risks, which include possible adverse political and economic developments, possible seizure or nationalization of non-U.S. deposits and possible adoption of governmental restrictions which might adversely affect the payment of principal and interest to investors located outside the country of the issuer, whether from currency blockage or otherwise. Furthermore, some of the assets may be subject to taxes levied by governments, which have the effect of increasing the cost of such investments and reducing the realized gain or increasing the realized loss on such securities at the time of sale. Income realized, and gross sale or disposition proceeds received, by the Investment Advisory Accounts from sources within some countries may be reduced by withholding and other taxes imposed by such countries. Any such taxes paid by the Investment Advisory Accounts will reduce their net income or returns (or increase their net loss) from such investments.

Laws that govern private and non-U.S. investment and transactions in financial instruments in non-U.S. countries may be relatively new and untested. As a result, the Investment Advisory Accounts may be subject to a number of unusual risks, including inadequate investor protection, contradictory legislation, incomplete, unclear and changing laws, ignorance or breaches of regulations on the part of other market participants, lack of established or effective avenues for legal redress, lack of standard practices and lack of enforcement of existing regulations. Furthermore, it may be difficult to obtain and enforce a judgment in certain non-U.S. countries in which assets of the Investment Advisory Accounts may be invested. There can be no assurance that this difficulty in protecting and enforcing rights will not have a material adverse effect on the Investment Advisory Accounts and their operations. Furthermore, it may be difficult to obtain and enforce a judgment in a court outside of the United States.

- Non-U.S. Taxation. With respect to certain countries, there is a possibility of expropriation, confiscatory taxation, imposition of withholding or other taxes on dividends, interest, capital gains, other income or gross sale or disposition proceeds, limitations on the removal of Investment Advisory Accounts or other assets of the Investment Advisory Accounts, political or social instability or diplomatic developments that could affect investments in those countries. An issuer of securities could be domiciled in a country other than the country in whose currency the instrument is denominated. The values and relative yields of investments in the securities markets of different countries, and their associated risks, are expected to change independently of each other.

- Non-performing Nature of Debt. It is anticipated that certain debt instruments the Investment Advisory Accounts might purchase will be non-performing and possibly in default. Furthermore, the obligor or relevant guarantor may also be in bankruptcy or liquidation. There can be no assurance as to the amount and timing of payments, if any, with respect to these instruments.
- Small Companies. Certain Investment Advisory Accounts might invest in small and/or unseasoned public or private companies. While smaller companies generally have potential for rapid growth, they often involve higher risks because they may lack the management experience, operating history, financial resources, product diversification and competitive strength of larger companies. In addition, in many instances, the frequency and volume of their trading may be substantially less than is typical of securities issued by larger companies. As a result, the securities of smaller companies may be subject to wider price fluctuations, reduced liquidity, losses and risks of insolvency or bankruptcy. Research resources, third-party analysis and information relating to smaller companies may be less available than that in respect of larger companies, making it more difficult to research an investment and make an informed investment decision.
- Preferred Stock. Investments in preferred stock involve risks related to priority in the event of bankruptcy, insolvency or liquidation of the issuing company and how dividends are declared. Preferred stock ranks junior to debt securities in an issuer's capital structure and, accordingly, is subordinate to all debt in bankruptcy. Preferred stock generally has a preference as to dividends. Such dividends are generally paid in cash (or additional shares of preferred stock) at a defined rate, but unlike interest payments on debt securities, preferred stock dividends are payable only if declared by the issuer's board of directors. Dividends on preferred stock may be cumulative, meaning that, in the event the issuer fails to make one or more dividend payments on the preferred stock, no dividends may be paid on the issuer's common stock until all unpaid preferred stock dividends have been paid. Preferred stock may also be subject to optional or mandatory redemption provisions.
- Exposure to Material Non-Public Information. From time to time, Mariner could receive material non-public information with respect to an issuer of publicly traded securities. In such circumstances, the Investment Advisory Accounts may be prohibited, by law, policy or contract, for a period of time from (i) unwinding a position in such issuer, (ii) establishing an initial position or taking any greater position in such issuer, and (iii) pursuing other investment opportunities related to such issuer.
- Uncertain Exit Strategies. Due to the illiquid nature of many of the positions which certain Investment Advisory Accounts have or are expected to acquire, as well as the uncertainties of the reorganization and active management process, Mariner is unable to predict with confidence what the exit strategy will ultimately be for any given investment, or that one will definitely be available. Exit strategies which appear to be viable when an investment is initiated can be precluded by the time the investment is ready to be realized due to economic, legal, political or other factors.
- No Material Limitation on Strategies. Mariner on behalf of certain Investment Advisory Accounts, will opportunistically implement whatever strategies or discretionary approaches the Firm believes from time to time may be best suited to prevailing market

conditions. There can be no assurance that Mariner will be successful in applying any strategy or discretionary approach to the Investment Advisory Accounts' trading.

### **Specific Risks Related to Investments in the U.S. Mortgage Market**

- **Conditions in the U.S. Residential Mortgage Market May Adversely Affect the Performance of the Investment Advisory Accounts.** Certain Investment Advisory Accounts intend to invest in assets involving the U.S. residential mortgage market, including in non-agency loans, securities backed directly or indirectly by subprime mortgage loans and MSRs of subprime mortgage loans, securities backed directly or indirectly by subprime mortgage loans and equity, debt or options in real estate-related or mortgage-related companies. The performance of residential mortgage loans and the performance of associated derivative securities (such as mortgage-backed securities ("MBS")) are influenced by a wide variety of economic, geographic, social and other factors, including general economic conditions, the level of prevailing interest rates, the availability of alternative financing and homeowner behavior.
- **Housing Reform.** The structure of the U.S. housing finance market is subject to substantial change and multiple types of reform, ("Housing Reform"). Housing Reform may include, but is not limited to, FNMA and FHLMC exiting conservatorship, changes to the implicit or explicit U.S. government backing of the Agencies, elimination of one or more of the Agencies, merger or combination of multiple Agencies, changes to the guidelines of the Agencies as well as various other forms of legislative or regulatory reform. Housing Reform may result in meaningful changes to the counterparty risk of the Agencies, the value of any past or future credit wraps provided by the Agencies, liquidity of Agency MBS, and other factors that may have a material adverse impact on the Investment Advisory Accounts' investments as well as the nature and attractiveness of the targeted opportunity set.
- **Regulation of the Mortgage Industry and the Dodd-Frank Act.** Securities, futures and credit markets, and originators and servicers of residential mortgage loans are subject to comprehensive statutes and extensive regulation by federal, state and local governmental authorities. Loans, and their related origination and servicing practices, are highly regulated consumer finance products and are subject to federal, state and local laws. Violations or alleged violations of federal, state or local laws could result in a reduction in the amount available from a mortgage loan, and as a result its related MSRs, and could otherwise affect the performance of the Investment Advisory Accounts' other investments. In addition, violations, or even alleged violations, by loan servicers of laws or regulations applicable to mortgage loan origination and servicing, could adversely affect any such entity's ability to continue its performance of its obligations with respect to the mortgage loans.

In addition, the Dodd-Frank Act includes extensive changes to the laws regulating financial services firms, which included the creation of (1) the Consumer Financial Protection Bureau (the "CFPB") within the Federal Reserve to regulate consumer financial services and products and (2) the Financial Stability Oversight Council to identify, monitor and address emerging systemic risks posed by the activities of financial services firms and make recommendations to the Federal Reserve to alleviate those risks. The CFPB has sole rulemaking and interpretive authority under existing and future consumer financial services laws and supervisory, examination and enforcement authority over institutions subject to its jurisdiction. The law also provides for enhanced regulation of derivatives and securitization transactions (including the addition of risk retention requirements, third-

party due diligence disclosure requirements, expanded asset-level data requirements and new standards relating to eligibility of securities as “mortgage-related securities” under the Exchange Act), restrictions on executive compensation and enhanced oversight of credit rating agencies. In addition, the law provides for the elimination of prepayment penalties for mortgage loans and expanded consumer protection in respect of high-cost loans.

The CFPB, U.S. Treasury Department, several regulatory bodies and state attorneys general have increased scrutiny of mortgage servicers and have imposed, or are seeking to impose, requirements on servicers to substantially revise their servicing practices, including the establishment of national servicing standards that would be applicable to all residential mortgage servicers. For example, such regulatory action may require servicers to make several enhancements to their servicing operations, including implementation of a single point of contact model for borrowers throughout the loss mitigation and foreclosure processes; adoption of measures designed to ensure that foreclosure activity is halted once a borrower has been approved for a modification unless the borrower fails to make payments under the modified loan; implementation of enhanced controls over third-party vendors that provide default servicing support services; and retention of an independent consultant to conduct a review of all foreclosure actions pending, or that have occurred within a specified period.

Mariner and any of its subservicers might incur significant ongoing costs to comply with new and existing laws and governmental regulation of their residential mortgage servicing businesses. Further, if any new or more restrictive requirements increase the cost of servicing mortgage loans, then the subservicing fees subservicers will require are likely to increase, which could limit Mariner’s ability to purchase MSRs if it cannot engage subservicers at servicing fee rates that are consistent with the Funds’ investment objectives.

Actions that have been taken and may be taken in the future by the U.S. government or by state or municipal governments may have the effect of encouraging, or may require, that the terms of residential mortgage loans be modified in order to reduce the applicable interest rate, reduce the outstanding principal amount, extend the term to maturity or otherwise benefit the borrower to the detriment of the holder of the mortgage loan and the owner of the MSRs. These loan modifications may affect only residential mortgage loans that are in default or may also affect other loans as to which the borrower has negative equity in the mortgaged property or is otherwise considered to be disadvantaged or deserving of assistance. Investments held by the Investment Advisory Accounts could be adversely affected, resulting in decreased yield or losses to investors. While certain loan modifications may be beneficial to the owner of MSRs (e.g., in the case of certain non-performing agency mortgage loans where owners of the MSRs may not be entitled to servicing fees or modifications in lieu of foreclosure), modifications that facilitate prepayment or reduce principal and interest can have an adverse effect on Mariner’s net cash flows from servicing fees and result in losses. Similarly, programs designed to facilitate refinancings by current borrowers who would not otherwise qualify also could have such an adverse effect.

There can be no assurance that governmental actions and regulations will have a beneficial impact on the financial markets. To the extent the market does not respond favorably to these initiatives or these initiatives do not function as intended, the Investment Advisory Accounts may not receive a positive impact from the legislation. It is also possible that competitors may utilize the programs, which would provide them with attractive debt and equity capital funding from the U.S. government. In addition, the U.S. government, the

Federal Reserve, the U.S. Treasury and other governmental and regulatory bodies may consider taking other actions to address the lingering effects of the financial crisis. Mariner cannot predict whether or when such actions may occur, and such actions could have a dramatic impact on the business, results of operations and financial condition of the Investment Advisory Accounts.

- Risks Associated with Foreclosure and Bankruptcy. In addition to the procedural delays and uncertainties generally incident to the mortgage foreclosure process in various jurisdictions, several courts and state and local governments and their elected or appointed officials also have taken unprecedented steps to slow the foreclosure process or prevent foreclosures altogether. Several laws have been enacted for these purposes, including in California. It has been widely reported that irregularities in foreclosure processes have been discovered with respect to certain servicers of residential mortgage loans. In judicial foreclosure proceedings and in certain non-judicial foreclosure actions and proceedings, affidavits and other legal pleadings establishing the basis for the foreclosure must be submitted to the applicable court. Such filings are required to be based on the personal knowledge of the facts asserted by the person signing the filings. Many servicers attempted to streamline this process by employing individuals whose sole function is to sign such pleadings. Lawsuits have charged that these individuals signed and filed tens of thousands of foreclosure affidavits without following proper procedures, including without examining the related documentation to ensure knowledge of the facts being asserted and signing foreclosure affidavits in the presence of a notary public as required. As a result of the disclosure of these practices, several large servicers temporarily halted all foreclosures to conduct reviews of their procedures.

Certain members of Congress, other political leaders and consumer advocacy groups have called for government-imposed moratoria on foreclosures from time-to-time. There can be no assurance that federal or state governments will not impose such moratoria. Any of these types of laws, regulations, rules, moratoria or proceedings could result in substantial delays in, or prevention of, the foreclosure process, and may lead to reduced payments by borrowers, increased reimbursable servicing expenses, reduced proceeds from further depressed home prices, and additional defaults. In addition, the uncertainty regarding the validity of foreclosures may limit or reduce the potential number of buyers and/or the prices of property for sale after such property is acquired through foreclosure. Any of these consequences may lead to increased losses to the Investment Advisory Accounts.

In addition to the foregoing developments, the existing “right of redemption” in certain states may limit the ability of servicers to sell (or cause the sale of), or prevent a servicer from selling (or causing the sale of), an REO at what would otherwise be an appropriate time for sale. In some states, after sale pursuant to a deed of trust or foreclosure of a mortgage, the borrower and foreclosed junior lienors are given a statutory period in which to redeem the property from the foreclosure sale. In other states, including California, this right of redemption applies only to sales following judicial foreclosure, and not to sales pursuant to a non-judicial power of sale. In most states where the right of redemption is available, statutory redemption may occur upon payment of the foreclosure purchase price, accrued interest and taxes. In other states, redemption may be authorized if the prior borrower pays only a portion of the sums due. The effect of a statutory right of redemption is to diminish the ability of the lender to sell the foreclosed property. The exercise of a right of redemption would defeat the title of any purchaser from the lender subsequent to foreclosure or sale under a deed of trust. Consequently, the practical effect of the

redemption right is to force the lender to retain the property and pay the expenses of ownership until the redemption period has run. Similar to foreclosure considerations, bankruptcy proceedings that involve a mortgage loan could impede the related servicer's ability to take actions that are necessary or appropriate to preserve the value of the mortgage loan. Although mortgage cram-down legislation was not included in the Dodd-Frank Act, no assurance can be made that future efforts by members of Congress to enact such legislation will not succeed in the future. Various proposals would have allowed a bankruptcy judge in a Chapter 13 proceeding, subject to the satisfaction of certain conditions, to modify the terms of a debtor's mortgage loan to:

- Bifurcate the mortgage loan into secured and unsecured portions by allowing the debtor to establish a current market value for the mortgaged property and reducing the amount of the secured mortgage loan to such newly established current market value. The unsecured portion of the mortgage loan would be forgiven if the debtor satisfies the requirements of the bankruptcy plan;
- Modify the interest rate of the mortgage loan by reducing the interest rate or delaying interest rate reset dates for an adjustable-rate loan and reducing the interest rate for a fixed-rate loan; and
- Extend the amortization period of the mortgage loan for up to the longer of 40 years or the remaining term of the original loan.

If a similar legislative proposal were passed in the future, the bifurcation of mortgage loans into secured and unsecured portions and the resulting "cram-down" of secured portions of mortgage loans subject to Chapter 13 proceedings to newly established market values could have a negative impact on the value of mortgage loans if this results in losses on the related mortgage loans higher than those which would have occurred pursuant to traditional loss mitigation and loan modification procedures. Any such cram-down modification by a bankruptcy judge could have a significant impact on the principal and interest collections on the related loans, and therefore may have a significant impact on payments to the owner of the mortgage loans and the Investment Advisory Accounts.

- Risk of Future Legislative, Regulatory or Judicial Action. There can be no assurance as to what actions might be taken by any federal, state or municipal legal authority that could adversely affect investments held by the Investment Advisory Accounts. Such actions could include, by way of example, further restrictions on the ability of the holder of a mortgage loan to foreclose upon default by the borrower or delays in the foreclosure process, encouragement of modification of the terms of mortgage loans in ways that may be adverse to the interests of the holder of the mortgage loans or of related securities, and judicial determinations as to whether particular types of mortgage loans are "unfair" under applicable law.
- Lack of Information Regarding Underwriting Standards; Higher Expected Delinquencies in Payment. Certain Investment Advisory Accounts may acquire mortgage loans or non-agency MSRs. When investing in such mortgage loans and MSRs, from time to time, the seller will not have information available to it as to the underwriting standards that were applied in originating the mortgage loans, and such mortgage loans may have been originated in accordance with standards less strict than those of the agencies. Similarly, when acquiring loans through third-party origination ("TPO"), Mariner might not be underwriting the loan

and could have limited information on the underwriting standards that were applied in originating such loan. As a result, certain mortgage loans underlying MSRs and certain mortgage loans owned by the Investment Advisory Accounts could experience higher than expected rates of delinquency and defaults, which could result in losses to the Investment Advisory Accounts. Changes in the values of mortgaged properties may have a greater effect on the delinquency, default and loss experience of the mortgage loans in the Investment Advisory Accounts than on mortgage loans that were originated under stricter guidelines.

### **Risks Related to Investments in Mortgage Loans**

- **Re-performing Mortgage Loans.** Certain Investment Advisory Accounts might invest in mortgage loans that have previously been in default or delinquent in payment and that, at the time such mortgage loans are acquired by the Investment Advisory Accounts, are in compliance with the terms of the related mortgage loan documents and are no longer delinquent. While these mortgage loans may have been acquired at a price that reflects the fact that the mortgage loans are re-performing at the time of acquisition, there can be no assurance that such mortgage loans will continue to be current and/or in compliance with the terms of the related mortgage loan document during the time period in which the Investment Advisory Accounts own such mortgage loans. It is therefore possible that re-performing loans could become non-performing loans and be subject to the same concomitant risks.
- **Interest-Only Mortgage Loans.** Certain Investment Advisory Accounts might invest in interest-only mortgage loans and MSRs for pools of interest-only mortgage loans. Interest-only mortgage loans permit the borrowers to make monthly payments of only accrued interest for the first 60 or 120 months following origination. After such interest-only period, the borrower's monthly payment will be recalculated to cover both interest and principal so that the mortgage loan will amortize fully prior to its final payment date. If the monthly payment increases, the related borrower may not be able to pay the increased amount and may default or may refinance the related mortgage loan to avoid the higher payment. Such default or refinancing would also reduce servicing fee revenues and increase servicing expenses and therefore adversely affect any related MSRs held by the Mariner Funds. Interest-only mortgage loans reduce the monthly payment required by borrowers during the interest-only period and consequently the monthly housing expense used to qualify borrowers. As a result, the interest-only mortgage loans may allow some borrowers to qualify for a mortgage loan that would not otherwise qualify for a fully amortizing mortgage loan or may allow them to qualify for a larger mortgage loan than otherwise would be the case.
- **Greater Risk Involving Certain Property Types.** Certain Investment Advisory Accounts might invest directly or indirectly in residential, commercial and consumer performing, non-performing and re-performing whole loans. The Mariner Funds might also invest in MSRs for a variety of residential, commercial and consumer performing and non-performing mortgage loans. Mortgage loans secured by multifamily property, mixed use property or commercial property may incur higher losses as a result of delinquency, foreclosure or repossession than mortgage loans secured by single-family residential property. In addition, any such losses could also reduce servicing fees on the related MSRs, increase servicing costs and therefore result in losses.

- Representations and Warranties. The Mariner Funds might have risk associated with loan-level representations and warranties, both as the recipient of such representations and warranties and as the provider of such representations and warranties. Whenever the Mariner Funds purchases non-agency mortgage loans, it will acquire rights to receive a remedy in connection with any material breach of any of the numerous representations and warranties that were made with respect to each asset in the related pool. In the event that the provider of such representations and warranty defaults on its obligation to provide the remedy in the event of a material breach (either because the provider is insolvent or otherwise), the Mariner Funds will bear whatever losses occur with respect to the affected mortgage loan(s); in certain cases, such losses could be substantial. Given the Mariner Funds will specifically invest in the prepayment and credit risk related to the underlying pool of assets, the performance of a provider of representations and warranties to the Fund will reduce the loss on the pool of assets that the Fund would otherwise experience.

The Mariner Funds will also bear the risks associated with the fund being required to provide representations and warranties in connection with the fund's sales of mortgage loans, whether such sales are structured as whole loan sales or securitizations. The Mariner Funds intends to assign, or "pass through" the representations and warranties that the fund received when it initially purchased the mortgage loans being sold but there is no guarantee that the successor purchaser of the loans, including a securitization trust, will accept the pass through and as a result the sale would require the fund to make the related representations and warranties with a "backstop" to the originator, or initial provider of the related representations and warranties to the fund. In the instance that the Mariner Funds, where it is providing the representations and warranties, repurchases or otherwise satisfies its obligations related to an asset, there can be no assurance that the fund will be able to recover the related losses from the original seller. In addition, the fund will likely "bring down" the representations and warranties that the fund received when it initially purchased the mortgage loans (i.e., provide coverage for any interim period between the date on which the fund purchased the mortgage loans and received the representations and warranties and the subsequent date on which the fund resells the mortgage loans). The actual details of where the fund provides any representations and warranties, backstop any representations or warranties or provide gap representations and warranties to a successor buyer, including the securitization trust, the specific details of these obligations will be defined within the related loan sale, including securitization, agreements. This section is a general description of the related representations and warranties. The representations and warranties being provided to investors in such transactions continue to evolve, and no assurance can be given as to the scope of the representations and warranties that the fund might be required to provide in connection with any securitization transactions in which it may engage. The potential liability of the fund for breaches of representations and warranties is difficult to measure, and no assurance can be given that any such liability will not materially and adversely affect the fund's performance, perhaps substantially.

Mariner expects the provision of representations and warranties by the Mariner Funds to be limited to the fund acquiring whole loans, subsequently securitizing the acquired whole loans, and where the requirements of the subsequent buyer, including the securitization trust, require the Mariner Funds to provide the representations and warranties in a full or partial basis. The Mariner Funds will receive substantially the same representations and warranties from the underlying counterparty from whom the fund purchases the related assets, as well as typically performing some level of loan level due diligence, including

sampling to test compliance with the associated representations and warranties and a review of the underlying selling counterparty.

- Securitization. Under certain circumstances, some of the Investment Advisory Accounts may seek to securitize certain of its investments. Any such strategy would likely be in the form of using some of the Investment Advisory Account's assets to create newly-issued securitizations or using some of the Investment Advisory Account's securities investments, including but not limited to both the retained securities following the securitization of the Investment Advisory Account's securities purchased by third party issuers, to create newly-issued securities. Especially in light of the extremely limited market currently existing for these newly-issued investments, it is unclear to what extent a satisfactory market might exist for securitized assets if and when the Investment Advisory Account wishes to execute this strategy. There can be no assurance that a market for any such securities will develop or, if it does, that it will meet the needs of the Investment Advisory Account at such time as the Investment Advisory Account may seek to monetize or lever its securities investments using securitization. Mariner will, where possible, execute these transaction on an entity by entity basis, but it is Mariner's expectation that these transactions will be executed on a pro rata basis with the co-mingled entities contributing a pro rata share of the underlying loans into the transaction and receive an equity interest in the securitization. Additionally, the performance of the Investment Advisory Account's pro rata position in the securitization vehicle's equity may underperform relative to the assets contributed in the securitization transaction.
- Risk Retention. It is anticipated that certain Investment Advisory Accounts (or an affiliated entity) could meet the definition of a "majority-owned affiliate" under the Risk Retention Rules with respect to the sponsors of certain securitization vehicles to which it contributes assets. Whether the fund holds Risk Retention Interests directly, or holds Risk Retention Assets through its ownership of an affiliated entity holding such Required Retention Interests, the fund may be unable to liquidate such Risk Retention Interests or such affiliated entity interests in the normal course upon liquidation of the master fund.

As required by the Dodd-Frank Act, the U.S. Risk Retention Rules generally require "securitizers" to retain not less than 5% of the credit risk of the mortgage loans securitized and generally prohibit securitizers from directly or indirectly eliminating or reducing its credit exposure by hedging or otherwise transferring the credit risk that the securitizer is required to retain. Section 15G of the Securities Exchange Act of 1934, as amended (the "Exchange Act") provides that a securitizer will not be required to retain credit risk for mortgage loans that are "qualified residential mortgages" ("QRMs"), as that term is defined by the Federal Deposit Insurance Corporation (the "FDIC"), the Federal Housing Finance Agency ("FHFA") and the Office of the Comptroller of the Currency (the "OCC"). The Risk Retention Rules generally align the definition of a QRM with that of a "qualified mortgage" under section 129C of the Truth In Lending Act and its implementing regulations, as adopted by the CFPB.

The Risk Retention Rules became effective on December 24, 2015, for residential mortgage-backed securities. From time to time, certain affiliates that are controlled or under common control with the Investment Advisory Account could securitize mortgage loans and become subject to the Risk Retention Rules (each, a "Sponsor"). Accordingly, for purposes of the Risk Retention Rules, the fund, or a qualifying affiliate, could be deemed a majority-owned affiliate of the Sponsor, and eligible to hold (either itself or through another majority-owned

affiliate of the Sponsor) EVIs or EHRIs in satisfaction of the Sponsor's obligation under the Risk Retention Rules, so long as such rules are in effect.

- Higher Risk of Loss on Loans Secured by Non-Owner Occupied Properties. Certain Investment Advisory Accounts might invest directly or indirectly in mortgage loans that are secured by properties, including improved and unimproved land, held by borrowers for investment, or by second homes. The Mariner Funds could also invest in MSRs for mortgage loans that are secured by commercial, multifamily or mixed use properties, or by properties, including improved and unimproved land, held by borrowers for investment, or by second homes. These mortgage loans may present a greater risk of loss, and the unimproved land may present a significantly greater risk of loss, if a borrower experiences financial difficulties, because these borrowers (i) may be more likely to default on a mortgage loan secured by non-owner occupied property than a mortgage loan secured by a primary residence of a borrower and (ii) may not have an incentive to maintain and upkeep a second home or a property held for investment to the same degree as the borrower's primary residence. Any such losses could also reduce servicing fees on the related MSRs, increase servicing costs and result in losses.
- Troubled Origination. The investments chosen by Mariner might have been originated by financial institutions or other entities that are insolvent, in serious financial difficulty or no longer in existence. As a result, the standards by which such investments were originated, the recourse to the selling institution, or the standards by which such investments are being serviced or operated may be adversely affected.
- Geographic Concentration of Mortgage Loans. The mortgage loans and securities backed by mortgage loans in which certain Investment Advisory Accounts might invest may be concentrated in a specific state or states. Similarly, the MSRs in which the Investment Advisory Accounts invest may be related to mortgage loans that are concentrated in a specific state or states. Weak economic conditions in these locations or any other location (which may or may not affect real property values), may affect the ability of borrowers to repay their mortgage loans on time. Such inability of borrowers to repay their mortgage loans on time would also increase rates of loss and delinquency, reduce servicing fee revenues and increase servicing expenses of related MSRs held by the Mariner Funds.

Properties in certain jurisdictions may be more susceptible than properties located in other parts of the country to certain types of uninsurable hazards, such as earthquakes, floods, hurricanes, wildfires, mudslides and other natural disasters. Declines in the residential real estate market of a particular jurisdiction may reduce the values of properties located in that jurisdiction, which would result in an increase in the loan-to-value ratios. Any increase in the market value of properties located in a particular jurisdiction would reduce the loan-to-value ratios of the mortgage loans and could, therefore, make alternative sources of financing available to the borrowers at lower interest rates, which could result in an increased rate of prepayment of the mortgage loans and reduce servicing fee revenues. Natural disasters, such as wildfires, severe storms, tornadoes, hurricanes and flooding affecting regions of the United States from time to time may also result in prepayments of mortgage loans. These factors and others may adversely affect the value of mortgage properties in some geographic regions and affect the performance of the Investment Advisory Accounts.

- Risks Associated with Commercial Mortgage Loans. Certain Investment Advisory Accounts might invest in commercial mortgage loans, mortgage-backed securities on commercial mortgage loans and MSRs for commercial mortgage loans. The value of the Investment Advisory Accounts' commercial mortgage loans, mortgage-backed securities on commercial mortgage loans, and MSRs for commercial mortgage loans will be influenced by the rate of delinquencies and defaults experienced on the commercial mortgage loans and by the severity of loss incurred as result of such defaults. The factors influencing delinquencies, defaults and loss severity include: (i) economic and real estate market conditions by industry sectors (e.g., multifamily, retail, office, etc.); (ii) the terms and structure of the mortgage loans; and (iii) any specific limits to legal and financial recourse upon a default under the terms of the mortgage loan.

Commercial mortgage loans are generally viewed as having a greater risk of loss through delinquency and foreclosure than lending on the security of single family residences. The ability of a borrower to repay a loan secured by income-producing property typically is dependent primarily upon the successful operation and operating income of such property (i.e., the ability of tenants to make lease payments, the ability of a property to attract and retain tenants, and the ability of the owner to maintain the property, minimize operating expenses and comply with applicable zoning and laws) rather than upon the existence of independent income or assets of the borrower. Many commercial mortgage loans provide recourse only to specific assets, such as the property, and not against the borrower's other assets or personal guarantees.

Commercial mortgage loans generally do not fully amortize, which can necessitate a sale of the property or refinancing of the remaining "balloon" amount at or prior to maturity of the mortgage loan. Accordingly, investors in commercial mortgage loans and commercial mortgage-backed securities ("CMBS") bear the risk that the borrower will be unable to refinance or otherwise repay the mortgage at maturity, thereby increasing the likelihood of a default on the borrower's obligation.

Exercise of foreclosure and other remedies could involve lengthy delays and additional legal and other related expenses on top of potentially declining property values. In certain circumstances, the creditors may also become liable upon taking title to an asset for environmental or structural damage existing at the property.

- Repurchases of Loans. Certain Investment Advisory Accounts might sell individual loans or pools of loans. In connection with such transactions, the Investment Advisory Accounts generally expect to enter into agreements customary to the nature and size of the transaction. In those agreements, the Investment Advisory Accounts generally will be required to make certain representations and warranties regarding each loan or pool of loans. In the event of an uncured breach of certain representations or warranties contained in such agreements, the Investment Advisory Accounts could be obligated to repurchase loans or a pool of loans from the purchaser, which may adversely affect the performance of the Investment Advisory Accounts.
- Credit Scores May Not Accurately Predict the Performance of the Mortgage Loans. Mariner will likely rely on credit scores as part of its due diligence process. Credit scores are obtained by many lenders in connection with mortgage loan applications to help them assess a borrower's creditworthiness. Credit scores are generated by models developed by a third party that analyzed data on consumers in order to establish patterns that are

believed to be indicative of the borrower's probability of default over a two-year period. The credit score is based on a borrower's historical credit data, including, among other things, payment history, delinquencies on accounts, levels of outstanding indebtedness, length of credit history, types of credit and bankruptcy experience. Credit scores range from approximately 250 to approximately 900, with higher scores indicating an individual with a more favorable credit history compared to an individual with a lower score. However, a credit score purports only to be a measurement of the relative degree of risk a borrower represents to a lender (i.e., a borrower with a higher score is statistically expected to be less likely to default in payment than a borrower with a lower score). Lenders have varying ways of analyzing credit scores and, as a result, the analysis of credit scores across the industry is not consistent. In addition, it should be noted that credit scores were developed to indicate a level of default probability over a two-year period, which does not correspond to the life of a mortgage loan. Furthermore, credit scores were not developed specifically for use in connection with mortgage loans, but for consumer loans in general, and assess only the borrower's past credit history. Therefore, a credit score does not take into consideration the effect of mortgage loan characteristics (which may differ from consumer loan characteristics) on the probability of repayment by the borrower. There can be no assurance that the credit scores of the mortgagors will be an accurate predictor of the likelihood of repayment of the related mortgage loans. Any delinquencies or defaults on mortgage loans underlying an MSR could reduce servicing fees on the related MSRs, increase servicing costs and therefore result in losses.

- Environmental Risks. Real property pledged as security for a mortgage loan may be subject to certain environmental risks. Under the laws of certain states, contamination of a property might give rise to a lien on the property to ensure payment of the costs of cleanup. In several states, such a lien has priority over the lien of an existing mortgage against the property. In addition, under the laws of some states and under the federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, a lender may be liable, as an "owner" or "operator", for costs of addressing releases or threatened releases of hazardous substances that require remedy at a property if agents or employees of the lender have become sufficiently involved in the operations of the borrower, regardless of whether or not the environmental damage or threat was caused by a prior owner.

A lender also risks such liability on foreclosure of the mortgage. Any such lien arising with respect to a mortgaged property would adversely affect the value of the mortgaged property and could make impracticable foreclosure on the mortgaged property in the event of a default by the related borrower. In addition, certain environmental laws impose liability for releases of asbestos into the air. Third parties can seek recovery from owners or operators of real property for personal injury associated with exposure to asbestos, lead paint, radon or other hazardous substances. Property owners in some areas have recently been subject to liability claims associated with mold.

- Violation of Various Federal, State and Local Laws May Result in Losses on the Mortgage Loans. Violation of certain Federal, state or local laws and regulations relating to the protection of consumers, unfair and deceptive practices and debt collection practices might limit the ability of the Investment Advisory Accounts to collect all or part of the principal of or interest on the mortgage loans and, in addition, could subject the Investment Advisory Accounts to damages and administrative enforcement.

## **Additional Risks Related to Investments in Mortgage Servicing Rights**

- General Risks Associated with Investment in Mortgage Servicing Rights (“MSRs”). Purchasing and holding MSRs as an investment strategy involves multiple risks. MSRs are generally not available to purchase and hold other than by an entity that maintains the relevant approvals necessary from the various U.S. government sponsored enterprises (such as Fannie Mae, Freddie Mac, Ginnie Mae, and the VA) and licenses from the various states that require registration (such licensed entities referred to herein as a “Mortgage Servicer”). To the extent a Mariner Fund pursues investment in MSRs as an investment or hedging strategy, the Fund will purchase and hold its interest in an MSR indirectly through a Mortgage Servicer (which may include a Mortgage Servicer that is affiliated with Mariner). As a result, investors in a Mariner Fund that pursues such strategies will bear certain investment risks due to the nature of the instrument, as well as certain risks associated with indirect exposure to the Mortgage Servicer. These risks are more fully described below. These risks exist whether the Mortgage Servicer is affiliated with Mariner or completely unaffiliated.
- Risks Associated with Assumptions in Determining Purchase Price. The success of the MSR investment strategy in a Mariner Fund will be highly dependent upon accurate acquisition price of MSRs and other assets. In determining the purchase price for MSRs (and MBS in certain instances), Mariner could make assumptions regarding: the rates of prepayment and repayment of the underlying mortgage loans, the amount of future servicing advances; projected rates of delinquencies and defaults; future interest rates; and the costs associated with engaging sub-servicers to service the loans. If any of Mariner’s assumptions regarding the MSRs or other assets acquired are inaccurate or the basis for such assumptions change, the price paid to acquire such MSRs or other assets may prove to be too high, which could result in losses to the Mariner funds.
- Limited Investigation of MSRs. While Mariner will conduct reasonable due diligence of prospective MSRs prior to their purchase, it will not be possible to perform an investigation that is certain to identify all negative factors with respect to the seller or the MSRs due to the number of mortgage loans involved in each portfolio, the cost of conducting such an investigation and limitations on available time. Thus, various negative factors concerning the seller or the MSRs may come to light after the Mariner Funds have acquired the portfolio. The acquisition agreements that the Mariner Funds may use when acquiring MSRs generally do not limit the Mariner Funds’ right to seek indemnification from the seller for defects in the MSRs that the Mariner Funds either discovered or failed to discover during its investigation.
- Origination Defects. The mortgage loans acquired through third party originators or underlying the MSRs may have been originated by financial institutions or other entities that are insolvent, in serious financial difficulty or no longer in existence. As a result, the standards by which such investments were originated, the recourse to the selling institution with respect to negotiated contractual protections or indemnities, or the standards by which such investments are being serviced or operated may be adversely affected.
- Risk of Prepayment and Default. If a mortgage loan is prepaid, the related servicing rights will generate no further income for an MSR investor. If a mortgage loan goes into default, the servicer may not collect a servicing fee for such mortgage loan while it is in default. Following liquidation, the servicing rights on a defaulted mortgage loan will not generate

further income for an MSR investor. In addition, the servicer may incur certain costs in connection with foreclosure proceedings on defaulted mortgage loans for which it may not be fully reimbursed. Rates of mortgage loan defaults and prepayments are determined by numerous factors beyond the control of the Investment Advisory Accounts, including, among others, changes in interest rates, economic trends both nationally and within particular geographical areas, changes in real estate values and changes in federal, state and local laws. The relevant Mariner Funds may attempt to hedge against the risks involved from borrower prepayment and default by purchasing and/or selling certain financial instruments. There can be no assurance that such actions will be effective, and the relevant Mariner Funds will not be required to hedge any particular risk in connection with a particular transaction or its portfolio generally.

- Advance and Credit Risk. Pursuant to its servicing agreements, Mortgage Servicers (or a sub-servicers, to the extent the Mortgage Servicer subcontracts out the servicing obligations under the MSRs) might be obligated to make advances to pay taxes, mortgage and hazard insurance premiums, foreclosure expenses, repair and preservation expenses and other similar items. The Mortgage Servicer expects that it will have multiple subservicing agreements with multiple sub-servicers and these agreements will be highly negotiated with different obligations. Some of the subservicing agreements will provide that the sub-servicers will make all advances and receive reimbursement from the servicer only if the advances are unrecoverable. In other cases, the servicer reimburses sub-servicers for advances made by such sub-servicers on a periodic basis prior to the sub-servicer's attempts to recover such advances. In certain instances, the servicer of mortgage loans will have an obligation to advance funds irrespective of its expectation or ability to be reimbursed, in the case, for example, of property taxes, hazard insurance premiums and principal and interest, if applicable. With respect to certain servicing agreements, primarily relating to MSRs in which the underlying mortgage loans have been pooled and securitized, the servicer may also be required to advance all or part of the scheduled mortgage payments where loan payments are delinquent.

If a mortgagor prepays a mortgage loan, the Mortgage Servicer may be required to pay interest on the related securities until the end of the month to which the prepayment relates. For the most part, the Mortgage Servicer will have the right to be reimbursed for such advances out of any available funds subsequently collected from (i) the resumption of mortgage payments by a delinquent borrower, (ii) in the case of non-agency MSRs, liquidation proceeds realized upon the sale of a mortgaged property following foreclosure or other means of acquiring title, (iii) in the case of Ginnie Mae MSRs, insurance proceeds realized upon the submission of a claim by the Mortgage Servicer on insurance policies maintained on behalf of the mortgage investor, or (iv) in the case of Fannie Mae and Freddie Mac MSRs, reimbursement by the mortgage investor if the other sources prove to be insufficient. Not all advances, however, are reimbursable. Advances to securities holders for interest shortfalls on mortgage loan prepayments may not be recoverable. In the case of mortgage loans insured by the Federal Housing Administration ("FHA"), only two thirds of foreclosure related expenses, or the costs of acquiring title to the mortgaged property, are reimbursable and other fees and expenses are reimbursable only to prescribed limits. In addition, there may be deductions from the reimbursement if the foreclosure of loans in default is not conducted within prescribed time frames.

In addition, Mariner's Funds might be required to absorb the costs of funds advanced during the time an advance is outstanding. Payments to Mortgage Servicers generally

continue during the delinquency of a mortgage loan. Therefore, while certain advances relating to foreclosure proceedings on defaulted mortgage loans may be unrecoverable, the advance risk associated with nonrecourse servicing is primarily a matter of cash flow timing rather than a credit risk. The obligation to make advances and the delay in receipt of reimbursement could have a negative impact on the Mariner Funds' cash flow.

Ginnie Mae servicing, however, involves some recourse features with regard to certain U.S. Department of Veteran Affairs (the "VA") and U.S. Department of Agriculture ("USDA") loans where the Mortgage Servicer is required to share credit losses with the holders of the securities. For VA-guaranteed mortgage loans under the Ginnie Mae program, the Mortgage Servicer may be subject to a credit loss if the underlying mortgaged property is sold in foreclosure or valued by the VA at a price that is insufficient, along with VA guaranty benefits, to satisfy the outstanding indebtedness of a loan. Additionally, as part of the Ginnie Mae program, loans may be repurchased if they are delinquent or modified, which may result in the Mortgage Servicer owning such whole loans.

- Additional Risks Associated with Advances by Sub-servicers. Although the Mortgage Servicer will be responsible for funding servicing advances, the sub-servicers will be responsible for ensuring that servicing advances are made in compliance with the terms of the pooling and servicing agreements relating to the MSRs and its stop loss policy so that the servicing advances with respect to a mortgage loan do not exceed the amount expected to be collected with respect to such mortgage loan. Servicing advances that are improperly made may not be eligible for financing under the advance financing facility relating to the MSRs and may not be reimbursable by the owner of the mortgage loan or the related securitization trust, which would reduce the Mortgage Servicer's liquidity and may result in reduced cash flows to the Mariner Funds. In the event a sub-servicer fails to remit advances, the Mortgage Servicer would be responsible to make such advances, and if the Mortgage Servicer cannot make such payment, it could result in the termination or loss of MSRs and/or other material adverse consequences to the Mariner Funds and their investments. Furthermore, certain interest advanced by a servicer for a FHA loan may not be fully reimbursable by the FHA under its guidelines.
- Sources of Servicing Income. Income related to MSRs is generated principally from three sources. Depending upon the servicing agreement applicable to the MSRs and the agreements that can be negotiated with sub-servicers, either the Mortgage Servicer or sub-servicer may be entitled to additional sources of servicing income. First, Mortgage Servicers are entitled to standard minimum servicing fees, which fees are based on a specified percentage of the mortgagor's interest payments actually collected by the Mortgage Servicer. This fee is payable on a monthly basis, by the Mortgage Servicer retaining a portion of the interest payment collected from the borrower as its servicing fee and forwarding the remainder to the mortgage investor. In most cases, the investor or guarantor on whose behalf the loans are being serviced has no contractual obligation to pay the servicing fee to the Mortgage Servicer. Rather, the fee is contingent entirely on the ability of the Mortgage Servicer to collect either the borrower's monthly payment or sufficient liquidation or insurance proceeds. The Mortgage Servicer may share or split certain fees associated with the servicing of mortgage loans with a sub-servicer. Given the regulatory environment and the changes in servicing and origination laws and regulations, there can be no assurance that such sharing or splitting of fees will not be prohibited or curtailed. Changes to the negotiated fees may have a material adverse impact.

The scheduled amortization of principal payments on the loans will cause a corresponding reduction in the amount of the aggregate servicing fees. This is referred to as the “run-off”. Similarly, full or partial prepayment of a mortgage loan results in a termination of the servicing fee with respect to the prepaid balance of that mortgage loan. This means that the perceived likelihood of prepayment is a significant factor in valuing servicing.

A second source of servicing income is fees and charges imposed on the borrower, generally by the Mortgage Servicer, such as late charges, assumption fees and other fees relating to the performance of specific servicing tasks either at the request of the borrower or as a result of a borrower action or omission to act. These fees may be limited by applicable state and federal law, the mortgage loan documents, the terms of the servicing agreements or the applicable servicing guides.

Third, a Mortgage Servicer can generate interest earnings, or “float,” on their maintenance of the principal and interest account and the escrow accounts between the time of the collection of payments by or on behalf of borrowers and the time of application of such funds. Many states, however, require servicers to pay interest to borrowers on their escrow accounts at a specified rate.

- Sub-servicer and Termination Risk. None of the Mariner Funds or Mariner or any of its affiliates will perform any servicing function or have the capacity to service MSRs. Mariner expects (to the extent that it may invest in whole loans or other instruments that necessitate such expertise), it will typically enter into subservicing agreements with sub-servicers that will undertake to subservice the mortgage loans for [Mariner and] the Mariner Funds for a specified term (e.g., 2 or 5 years). The sub-servicers will be responsible for satisfying most of the legal requirements and agency and loan owner’s guidelines that relate to the activities of collecting on, and enforcing the terms of, mortgage loans. Nevertheless, the Mortgage Servicer will be contractually obligated to service the underlying mortgage loans, the Mortgage Servicer will have the ultimate responsibility to service the mortgage loans underlying the MSRs and to repurchase any loans from the underlying MSR pool in accordance with agency requirements. Therefore, a failure by a sub-servicer to satisfy the legal requirements or agency or mortgage investor’s guidelines may lead to: (i) the Mortgage Servicer’s loss of approved status to service loans; (ii) demands for indemnification; (iii) criminal and civil liability; (iv) fines, penalties and loss of licensing; (v) administrative enforcement actions; and (vi) loan repurchase obligations. If a Mortgage Servicer termination event or event of default has occurred under a pooling and servicing agreement, the Mortgage Servicer could be terminated as servicer without any right to compensation for the loss of such MSRs, other than the right to be reimbursed for any outstanding servicing advances as the related loans are brought current, modified, liquidated or charged off. The sub-servicer will generally provide in its subservicing agreements that sub-servicers will indemnify Mariner and the Mariner Funds for losses incurred from a sub-servicer’s failure to comply with contractual or regulatory requirements. Mariner and the Mariner Funds, however, might incur expenses in attempting to obtain and enforce such indemnification and, in certain circumstances (such as the bankruptcy of the sub-servicer), might not obtain full indemnification for its losses.

In addition, servicing contracts may provide mortgage investors (or agencies) with the authority to terminate servicing rights without cause. In such a circumstance, the Mortgage Servicer could be provided the right to sell the applicable MSRs to another servicer within a certain time frame. If the mortgage investor (or agency) does not provide the Mortgage

Servicer with such right, or the Mortgage Servicer is unable to arrange a transfer of the MSRs in the time period provided, the Mortgage Servicer might be paid a termination fee. The termination fee may be insufficient to cover the value of the Mariner Funds' investment in the MSRs. The Mariner Funds' loss of the MSRs would have a material adverse impact on investors. If (i) a subservicing agreement is terminated with respect to MSRs or (ii) a sub-servicer is permanently suspended as a servicer of mortgage loans by a regulatory agency or mortgage investor, there is no assurance that THE Mortgage Servicer will be able to find a suitable replacement sub-servicer at a cost acceptable to the Mariner Fund. Mariner believes that any contractual arrangements with any sub-servicers could be replicated given the competitive state of the market and the availability of qualified alternate vendors. However, the inability to procure a suitable replacement sub-servicer at an acceptable cost would have a materially adverse effect on the Mariner Fund's MSR investments.

- Risks Associated with Mortgage Servicer Ratings. Moody's, Standard & Poor's and Fitch rate many mortgage servicers. These ratings are subject to change in the future without notice. Servicer ratings are important to any Mortgage Servicer's ability to finance servicing advances. For example, the amount of debt that is permitted to be outstanding under any advance financing facility may decrease with downgrades in the servicer ratings of the sub-servicers. Downgrades in the servicer ratings of sub-servicers could also affect the terms of financing facilities that the Mortgage Servicer may enter into, as lenders may require higher interest rates or may limit the amount of money that the Mortgage Servicer can borrow to finance servicing advances if sub-servicers' ratings are deemed by the lenders to be too low. In addition, certain pooling and servicing agreements may also require that the Mortgage Servicer maintain specified servicer ratings. The failure of a sub-servicer to maintain the specified rating may result in the Mortgage Servicer's termination as servicer. Accordingly, any such downgrade could have an adverse effect on the Mortgage Servicer's business, financing activities, financial condition and result in losses to the Mariner Funds.
- Loan Origination. Investment Advisory Accounts might participate in certain activities that could ultimately result in a Mariner Fund being deemed to be a loan originator. If the Mariner Funds were deemed an originator, the regulatory burden of such classification may adversely affect the returns to investors. For example, if the Mariner Fund is unable to sell, assign or successfully close transactions for participations in the loans that it is deemed to originate, the Mariner Fund will be forced to hold its excess interest in such loans for an indeterminate period of time. Additionally, originators may be subject to special rules, disclosure and licensing requirements and other provisions of federal and state consumer protection laws, including, among others, the U.S. Truth-in-Lending Act, Regulation Z, the Real Estate Settlement Procedures Act, the Equal Credit Opportunity Act, the Fair Credit Billing Act, the Fair Credit Reporting Act and related statutes. Failure to comply with these U.S. federal or state consumer protection laws and related statutes could subject originators to specific statutory liabilities. In some cases, this liability may affect the subsequent assignees of such obligations, including the issuer of such securities. In particular, an originator's failure to comply with the federal Truth-in-Lending Act could subject such originator and its assignees to monetary penalties and could result in rescission. Numerous class action lawsuits have been filed in multiple states alleging violations of these statutes and seeking damages, rescission and other remedies. These suits have named the originators and current and former holders, including the issuers of related asset-backed securities. If the Mariner Fund is deemed to be an originator and it or any debt originated by the Mariner Fund were to be named as a defendant in a class action lawsuit, the costs of defending or settling such lawsuit or a judgment could reduce the amount available for

distribution on the related securities and could negatively impact the returns to the investors. Further, being deemed an originator could result in the Mariner Fund being deemed to engage in a trade or business in the U.S., and related income may be treated as “unrelated business taxable income” in the hands of U.S. tax-exempt investors and as income effectively connected with the conduct of a U.S. trade or business in the case of non-U.S. investors.

- Foreclosure and Bankruptcy. When delinquent mortgage loans are resolved through foreclosure, the unpaid balance of such loans may cease to be a part of the aggregate unpaid principal balance. Also, delinquent mortgage loans resolved through foreclosure generally require more servicing advances over a longer time horizon prior to reimbursement as compared with servicing advances made with respect to delinquent mortgage loans that are resolved through repayment or permitted loan modifications. Accordingly, foreclosures could reduce the return to Investment Advisory Accounts and amount of servicing fees to which the Mortgage Servicer or other controlled affiliates are entitled and increase servicing costs, which could result in losses to Mariner Funds. Further, some legislatures have instituted stringent proof of ownership requirements that a Mortgage Servicer must satisfy before commencing a foreclosure action, which could increase costs or provide delays in foreclosure.
- Legal Proceedings. Legal proceedings, state or federal governmental examinations or enforcement actions and related costs could have a material adverse effect on the Mortgage Servicer and the value of an MSR underlying an instrument by a Mariner Fund. Mortgage Servicers (and sub-servicers) may become involved in legal proceedings concerning matters that arise in the ordinary course of business. These legal proceedings range from actions involving a single plaintiff to class action lawsuits. An adverse result in governmental investigations or examinations or private lawsuits, including purported class action lawsuits, could adversely affect the value of MSRs underlying an investment by a Mariner Fund.
- United States Military Operations may Increase Risk of Service Members Civil Relief Act Shortfalls. The U.S. Service Members Civil Relief Act provides certain relief to borrowers who enter active military service after the origination of the borrower’s mortgage loan. These borrowers may not be required to pay interest in excess of 6% per annum. The note holder is also restricted from exercising certain enforcement remedies during the period of the borrower’s active duty status. Several states have enacted or are considering similar laws. As a result of military operations abroad, the United States has placed a substantial number of armed forces reservists and members of the U.S. National Guard on active duty status. It is possible that the number of reservists and members of the U.S. National Guard placed on active duty status might remain at high levels for an extended time. To the extent service members are borrowers on loans underlying MSRs the Mariner Funds purchase, the interest rate limitation of the U.S. Service Members Civil Relief Act, and corollary state laws, will apply to the loans. An increase in the number of borrowers taking advantage of those laws may increase servicing expenses, and may also reduce cash flow and the interest payments collected from those borrowers. In the event of default, some of these laws result in delaying or preventing the Mortgage Servicer from exercising remedies for default. If these events occur, they might result in interest shortfalls on the loans to which the MSRs relate, increase servicing costs, and reduce the value of the MSRs.

- Violations of Federal, State and Local Laws that may Result in Losses on Mortgage Loans, Rescission of the Loans or Penalties that may Adversely Impact the Investment Advisory Accounts' Income. A loan seller's failure to comply with certain requirements of federal and state laws could subject the seller (and any subsequent holders of the mortgage loans) or servicer to monetary penalties or may limit the ability of the Investment Advisory Accounts to collect all or part of the principal of or interest on the mortgage loans, even if the subsequent holder or servicer was not responsible for and was unaware of those violations. These adverse consequences vary depending on the applicable law and may vary depending on the type or severity of the violation, but they can include:
  - the inability of the holder of the loan to collect all of the principal and interest otherwise due on the loan;
  - the right of the homeowner to a refund of amounts previously paid (which may include amounts financed by the loan), or to set off those amounts against his or her future loan obligations;
  - the liability of the servicer and the mortgage investor for actual damages, statutory damages and punitive damages, civil or criminal penalties, costs and attorneys' fees; and
  - in limited circumstances, the ability of the homeowner to rescind, or cancel, the loan.

The terms of the documents under which the Mortgage Servicer intends to purchase MSRs may entitle the holders of the loans to contractual indemnification against these liabilities. For example, the sellers of loans typically represent that each mortgage loan was made in compliance with applicable federal and state laws and regulations at the time it was made. If there is a material breach of that representation, the seller may be contractually obligated to cure the breach or repurchase or replace the affected mortgage loan. If the seller is unable or otherwise fails to satisfy these obligations, the value of the MSRs might be materially and adversely affected. Due to the latest deterioration in the housing markets, many of the sellers that issued these indemnifications are no longer in business or are unable to financially respond to their indemnification obligations. Consequently, holders of interests of the MSRs might ultimately have to absorb the losses arising from the sellers' violations. While Mariner will attempt to take these factors into account in the prices to be paid for MSRs, there can be no assurances concerning the validity of the assumptions used in pricing decisions. Similar risks apply to the loans that serve as security for MBS and the documentation governing those loans and the MBS.

- Successor in Interest to the Representations and Warranties of the Originator. In many instances, servicing contracts may require that the Mortgage Servicer assume the original sales representations and warranties relating to the mortgage loans underlying the MSRs that were made by the seller of such mortgage loans. If those representations and warranties have been breached, the Mortgage Servicer may be required to repurchase such mortgage loans. Any subsequent loss on such repurchased mortgage loans on their resale or foreclosure by the Mortgage Servicer may be borne by the MSR owner, subject to any indemnification rights the Mortgage Servicer might have in its contract with the seller of the MSRs. The Mortgage Servicers perform due diligence investigations on MSRs that the Mortgage Servicer purchases (and the Mariner Funds may gain exposure to), but there can be no assurance that such investigations will uncover all such breaches and if so, the value of the MSR investment purchased by the Mariner Fund may be negatively impacted.

## **Additional Risks Related to Investments in Mortgage-Backed and Asset-Backed Securities**

- Mortgage-Backed and Asset-Backed Securities Generally. Certain Investment Advisory Accounts might invest in MBS and asset-backed securities (“ABS”), including subordinated tranches of such securities. The value of MBS and ABS will be influenced by factors affecting the value of the underlying assets, and by the terms and payment histories of such MBS and ABS.

Some or all of the MBS and ABS contemplated to be acquired by the Investment Advisory Accounts might not be rated, or might be rated lower than investment-grade securities, by one or more nationally recognized statistical rating organizations. Lower-rated or unrated MBS and ABS, or “B-pieces”, in which the Investment Advisory Accounts intend to invest have speculative characteristics and can involve substantial financial risks as a result. The prices of lower credit quality securities have been found to be less sensitive to interest rate changes than more highly rated investments, but more sensitive to adverse economic or real estate market conditions or individual issuer concerns. Securities rated lower than “B” by the rating organizations can be regarded as having extremely poor prospects of ever attaining any real investment standing and may be in default. Existing credit support and the owner’s equity in the property may be insufficient to protect the Investment Advisory Accounts from loss. As an investor in subordinated MBS and ABS in particular, the Investment Advisory Accounts will be first in line among debt holders to bear the risk of loss from delinquencies and defaults experienced on the collateral.

Certain Investment Advisory Accounts might acquire subordinated tranches of MBS and ABS issuances. In general, subordinated tranches of MBS and ABS are entitled to receive repayment of principal only after all principal payments have been made on more senior tranches and also have subordinated rights as to receipt of interest distributions. Such subordinated tranches are subject to a greater risk of non-payment than are senior tranches of MBS and ABS or MBS and ABS backed by third-party credit enhancement. In addition, an active secondary market for such subordinated securities is not as well developed as the market for certain other mortgage-backed securities. Accordingly, such subordinated MBS and ABS may have limited marketability and there can be no assurance that a more efficient secondary market will develop.

Some investment characteristics of MBS and ABS differ from traditional debt securities. Among the major differences are that interest and principal payments are made more frequently, usually monthly, and that the principal may be prepaid at any time because the underlying mortgages (or other assets) generally may be prepaid at any time. The frequency with which prepayments (including voluntary prepayments by the obligors and liquidations due to defaults and foreclosures) occur on loans and other assets underlying MBS and ABS will be affected by a variety of factors including the prevailing level of interest rates as well as economic, demographic, tax, social, legal and other factors. Generally, mortgage obligors tend to prepay their mortgage loans when prevailing mortgage rates fall below the interest rates on their mortgage loans. Although ABS are generally less likely to experience substantial prepayments than are residential MBS, certain of the factors that affect the rate of prepayments on residential MBS also affect the rate of prepayments on ABS. Typically, commercial mortgage loans are not prepayable or are subject to prepayment penalties or interest rate adjustments, while the principal on most residential mortgage loans generally may be prepaid at any time without penalty. Particular investments may experience outright losses, as in the case of an interest only security in an environment of

accelerated actual or anticipated prepayments. Particular investments will be affected by the credit quality of their underlying loan and the creditworthiness of the borrower. Also, particular investments may underperform relative to hedges that the Investment Advisory Accounts may have constructed in these investments, resulting in a loss.

- Residential MBS. Certain Investment Advisory Accounts might invest in residential MBS (“RMBS”) including subordinated tranches of RMBS. RMBS represent interests in pools of residential mortgage loans secured by one- to four-family residential mortgage loans. The value of RMBS will therefore be influenced by factors affecting the value of the underlying portfolio or mortgage loans, as discussed below, and by the terms and payment histories of such RMBS. These risks, which are discussed below in the context of the underlying mortgage loans and the mortgage market in general, include, without limitation, default, delinquencies, prepayment and modification risks, as well as interest rate and general market risks.

In addition, residential mortgage loans underlying RMBS may be subject to various federal and state laws, public policies and principles of equity that protect consumers, delay foreclosures or permit or encourage modifications, which could have an adverse effect on the value of a mortgage loan and the corresponding RMBS. Violation of such laws, public policies and principles may limit the servicer’s ability to collect all or part of the principal or interest on a residential mortgage loan, entitle the borrower to a refund of amounts previously paid by it, or subject the servicer to damages and sanctions. Any such violation could also result in cash flow delays and losses on the related issue of RMBS.

The value of RMBS and other mortgage-backed securities in which the Investment Advisory Accounts might invest generally will have an inverse relationship with interest rates. Accordingly, if interest rates rise, the value of such securities will decline. In addition, to the extent that the mortgage loans which underlie specific mortgage-backed securities are prepayable, the value of such mortgage securities may be negatively affected by increasing prepayments, which generally occur when interest rates decline.

In addition, it is not expected that RMBS will be guaranteed or insured by any governmental agency or instrumentality or by any other person. Distributions on RMBS will depend solely upon the amount and timing of payments and other collections on the related underlying mortgage loans.

- Servicing Advances. Most RMBS transactions will have provided for the servicers to make certain monthly advances (of principal and interest) and servicing advances pursuant to the applicable servicing agreements. As indicated above, the costs of servicing an increasingly delinquent mortgage loan portfolio may be rising without a corresponding increase in servicing compensation. Any regulatory oversight, proposed legislation and/or governmental intervention designed to protect consumers or otherwise may have an adverse impact on servicers and, as a result, may have an adverse impact on mortgage loans and on RMBS. These factors, among others, may have the overall effect of increasing costs and expenses of servicers while at the same time decreasing servicing cash flow. Such financial difficulties may have a negative effect on the ability of servicers to pursue collections on mortgage loans that are experiencing increased delinquencies and defaults and to maximize recoveries on the sale of underlying properties following foreclosure. Increased levels of delinquencies and defaults on subprime, Alt-A, other non-prime and prime mortgage loans also have resulted in increases in the amounts of advances by

servicers of pooled mortgage loans. Many servicers are experiencing advance requirements that are significantly higher in total dollar amount than was anticipated and this can create liquidity or capacity pressures for these servicers. In addition, a servicer may generally stop advancing on a mortgage loan when, in the good faith exercise of its servicing judgment, it believes the proposed advance would not ultimately be recoverable from the related mortgagor, related liquidation proceeds or other recoveries in respect of the mortgage loan. There can be no assurance as to the current or continuing financial condition of any mortgage servicer or its ability to access markets for financing such advances.

When home values depreciate, servicers have to reconsider their assumptions regarding when to make monthly advances and servicing advances to avoid making such advances beyond the time that reimbursement for such advances would be unlikely. Falling home prices result in higher loan-to-value ratios and combined loan-to-value ratios which yield lower recoveries in foreclosure, and an increase in loss severities above those that would have been realized had property values remained the same or continued to increase. If servicers make advances that are not recoverable from the proceeds of the related foreclosure, the Investment Advisory Accounts' investments in RMBS could suffer losses. In addition, in the event an RMBS servicer determines not to advance, the related RMBS trust will suffer an interest rate shortfall which may result in bond interest shortfalls and may result in lower available credit protection provided that this interest serves as a form of credit enhancement ("excess interest"). This combined with the existence of modification programs, including the Home Affordable Modification Program ("HAMP"), and potentially any bankruptcy cramdown legislation or equivalent change based on industry settlements or regulatory requirements, where the servicer can recoup prior advances upon modification and reduce the mortgage interest rate or forbear principal of the underlying mortgage loans, there is the risk that the interest available to the underlying securitization will be reduced in some instances, increasing bond interest rate shortfalls and decreasing the overall credit protection of the bond. In addition, this modification of interest rates, specifically by changing adjustable rate loans into a modified loan with a fixed rate, will potentially increase the mismatch between the bond interest adjustment features and the underlying loans. This potential decline in RMBS bond interest may increase the risk of leverage and the basis mismatch between the underlying bonds and the financing.

Although RMBS transactions may provide that the loan servicer is required to make advances in respect of delinquent mortgage loans, servicers experiencing financial difficulties, including those resulting from or exacerbated by servicing-related settlements with governmental entities, regulators or as a result of various civil lawsuits, may not be able to perform these obligations. Servicers who have sought bankruptcy protection may, due to application of the provisions of bankruptcy law, not be required to advance such amounts. Even if a servicer were able to advance amounts in respect of delinquent mortgage loans, its obligation to make such advances may be limited to the extent that it does not expect to recover such advances due to the deteriorating credit of the delinquent mortgage loans. In addition, a servicer's obligation to make such advances may be limited to the amount of its servicing fee. There may be contractual differences related to the requirement of the servicer to advance delinquent principal and interest.

- Commercial MBS. Mortgage loans on commercial properties underlying MBS often are structured so that a substantial portion of the loan principal is not amortized over the loan term and is instead payable at maturity. Repayment of the loan principal therefore often depends upon the future availability of real estate financing from the existing or an

alternative lender and/or upon the current value and salability of the real estate. Therefore, the unavailability of real estate financing may lead to default. Many commercial mortgage loans underlying MBS are effectively nonrecourse obligations of the borrower, meaning that there is no recourse against the borrower's assets other than the collateral. If borrowers are not able or willing to refinance or dispose of encumbered property to pay the principal and interest owed on such mortgage loans, payments on the subordinated classes of the related MBS are likely to be adversely affected. The ultimate extent of the loss, if any, to the subordinated classes of MBS may only be determined after a negotiated discounted settlement, restructuring or sale of the mortgage note, or the foreclosure (or deed in lieu of foreclosure) of the mortgage encumbering the property and subsequent liquidation of the property. Foreclosure can be costly and delayed by litigation and/or bankruptcy. Factors such as the property's location, the legal status of title to the property, its physical condition and financial performance, environmental risks, and governmental disclosure requirements with respect to the condition of the property may make a third party unwilling to purchase the property at a foreclosure sale or to pay a price sufficient to satisfy the obligations with respect to the related MBS. Revenues from the assets underlying such MBS may be retained by the borrower and the return on investment may be used to make payments to others, maintain insurance coverage, pay taxes or pay maintenance costs. Such diverted revenue is generally not recoverable without a court appointed receiver to control collateral cash flow.

- Asset-Backed Securities. Through the use of trusts and special purpose corporations, various types of assets, primarily automobile and credit card receivables, are securitized in pass through structures. The Investment Advisory Accounts might invest either directly or indirectly, through collateralized debt obligations ("CDOs"), in these and other types of ABS that may be developed in the future.

ABS presents certain risks that are not presented by MBS. Primarily, these financial instruments do not have the benefit of the same security interest in the related collateral. Credit card receivables, for example, are generally unsecured and the debtors are entitled to the protection of a number of state and federal consumer loan laws, many of which give such debtors the right to set off certain amounts owed on the credit cards, thereby reducing the balance due. Most issuers of ABS backed by automobile receivables permit the servicers to retain possession of the underlying obligations. If the servicer were to sell these obligations to another party, there is a risk that the purchaser would acquire an interest superior to that of the holders of the related ABS. In addition, because of the large number of vehicles involved in a typical issuance and technical requirements under state laws, the trustee for the holders of the ABS may not have a proper security interest in all of the obligations backing such ABS. Therefore, there is a possibility that recoveries on repossessed collateral may not, in some cases, be available to support payments on these securities. The risk of investing in ABS is ultimately dependent upon payment of consumer loans by the debtor.

The collateral supporting ABS is of shorter maturity than mortgage loans and is less likely to experience substantial prepayments. As with MBS, ABS are often backed by a pool of assets representing the obligations of a number of different parties and use credit enhancement techniques such as letters of credit, guarantees or preference rights. The value of an ABS is affected by changes in the market's perception of the asset backing the security and the creditworthiness of the servicing agent for the loan pool, the originator of the loans or the financial institution providing any credit enhancement, as well as by the expiration or removal of any credit enhancement.

“Widening” Risk. For reasons not necessarily attributable to any of the risks enumerated above (for example, supply/demand imbalances or other market forces), the prices of the securities in which the Investment Advisory Accounts invest may decline substantially. In particular, purchasing assets at what may appear to be “undervalued” levels is no guarantee that these assets will not be trading at even more “undervalued” levels at a time of valuation or at the time of sale. It may not be possible to predict, or to hedge against, such “spread widening” risk.

- **Securities Ratings.** Investment grade debt ratings are generally assigned to Agency and non-Agency MBS bonds whose underlying collateral and enhancement are sufficient to meet its financial commitment on the obligation. The debt issued is judged to be of the best quality and considered to carry the smallest degree of investment risk. Non-investment grade debt ratings denote speculative investments which are vulnerable to the nonpayment of interest and risk the inability to repay principal. Bond ratings are the opinion of the agency issuing them, are subject to change, and are not a guarantee of the ability of the underlying mortgagors or securitized asset to pay. Historical experience related to the ratings of structured products, RMBS, ABS, CMBS, issuers and other deal parties clearly indicates the potential for a significant amount of downgrade activity despite the initial and recent assessment of higher ratings. No assurance can be made that current ratings will indicate actual timely interest or ultimate principal payments.

#### **Additional Risks Related to Investments in Commodities, Derivatives and Distressed and High-Yield Securities**

- **Trading in Commodities and Derivatives.** Certain Investment Advisory Accounts might utilize derivative instruments such as options, futures, forward contracts, total return swaps, credit default swaps, and interest rate swaps, caps and floors, both for investment purposes and to hedge against fluctuations in the relative values of its positions. These are instruments whose values are based upon underlying assets, indices or reference rates or a combination of these, and generally represent future commitments to exchange cash flows or to purchase or sell other financial instruments (or make an equivalent cash payment) at specified future dates. Certain derivatives (options and credit default swaps in particular) may have intrinsic value separate from the value of underlying assets based upon market perception of creditworthiness or expected volatility in the value of the asset. The use of derivatives involves a variety of material risks, including the possibility of counterparty non-performance as well as of deviations between the actual and theoretical value of the derivatives. Derivatives also are inherently subject to two sources of risk: risk of loss due to adverse changes in the value of the underlying asset and risk of loss due to the insolvency or creditworthiness of the counterparty. In addition, the markets for certain derivatives may be illiquid.

Derivatives are typically intrinsically leveraged investments that may entail investment exposures that are greater than the initial amount of collateral required to enter into the derivative, meaning that an investment in a derivative could ultimately incur losses many times greater than the initial collateral requirements and could therefore have a disproportionate effect on the performance of such Investment Advisory Accounts. Investment Advisory Accounts could also experience losses if the derivatives that are acquired or sold as a hedge are poorly correlated with the investment to be hedged, or if such Investment Advisory Accounts are unable to liquidate a position because of an illiquid

secondary market. Changes in liquidity may result in significant, rapid and unpredictable changes in the prices for derivatives.

Certain Investment Advisory Accounts might trade commodities, futures and options, and enter into swap agreements. The prices of commodities contracts and all derivative instruments, including futures and options, may depend upon a number of factors, including the prices of the underlying assets and may be highly volatile. Price movements of commodities, futures and options contracts and payments pursuant to swap agreements are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, the Investment Advisory Accounts are subject to the risk of failure of any of the exchanges on which they trade, their clearinghouses or the clearing brokers through which their trades clear. In the case of commodity contracts traded on non-U.S. exchanges and certain derivative instruments, the Investment Advisory Accounts may be subject to the risk of the inability of, or refusal by, the counterparty to perform. In addition, profits realized in non-U.S. markets could be eliminated by adverse changes in the applicable currency exchange-rate, or the Investment Advisory Accounts could incur losses as a result of those changes.

- General Risks of CDO and CLO Investments. The value of the CDOs and CLOs owned by the Investment Advisory Accounts generally will fluctuate with, among other things, the financial condition of the obligors or issuers of the underlying portfolio of assets of the related CDO or CLO ("CDO/CLO Collateral"), general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. Consequently, holders of CDOs and/or CLOs must rely solely on distributions on the CDO/CLO Collateral (as applicable) or proceeds thereof for payment in respect thereof.

CDO/CLO Collateral may consist of high yield debt securities, loans, ABS and other instruments, which often are rated below investment grade (or of equivalent credit quality). The lower ratings of high yield securities and below investment grade loans reflect a greater possibility that adverse changes in the financial condition of an issuer or in general economic conditions or both may impair the ability of the related issuer or obligor to make payments of principal or interest. In addition, the lack of an established, liquid secondary market for some CDOs and CLOs (CDO and CLO equity securities in particular) may have an adverse effect on the market value of those CDOs or CLOs (as applicable) and will in most cases make it difficult to dispose of such CDOs or CLOs at market or near-market prices.

- Total Return Swaps and Index Swaps. Certain Investment Advisory Accounts might enter into total return and index swaps. Total return and index swaps are used as substitutes for owning or shorting the physical securities that comprise a given market index, or to obtain long or short exposure in markets where no physical securities are available, such as an interest rate index. Total return refers to the payment (or receipt) of an index's total return, which is then exchanged for the receipt (or payment) of a floating interest rate. Total return swaps provide the Investment Advisory Accounts with the additional flexibility of gaining or shedding exposure to a market or sector index by using the most cost-effective vehicle available. There can be no assurance that the price relationship between the cash-market security or index and the total return or index swap will remain constant, and events unrelated to the underlying securities or index (such as those affecting availability of

borrowed money and liquidity, or the creditworthiness of a counterparty) can cause the price relationship to change. This risk is known as “basis risk.” Basis risk could cause the Investment Advisory Accounts to realize a greater loss on an investment in synthetic form than might otherwise be the case with cash-market securities. To the extent the Investment Advisory Accounts use total return or index swaps to hedge risk, basis risk might cause the hedge to be less effective or ineffective.

- Structured Investment Products. Certain Investment Advisory Accounts might invest in, or otherwise participate in a variety of different structured investment products; for example, total return swaps, participating notes, options, credit default swaps and collateralized debt obligations. These structured products involve not only the risks of the underlying “reference asset,” but also other risks including, without limitation, acceleration of the financing embedded in the structure, counterparty credit risk, and/or restrictions imposed on the management and nature of the permissible reference assets and costs of creating the structured products.
- Credit Default Swaps. Certain Investment Advisory Accounts might enter into credit derivative contracts such as credit default swaps (“CDS”), LCDS, CDX and LCDX contracts. The typical CDS and LCDS contract requires the seller to pay to the buyer, in the event that a particular reference entity experiences specified credit events, the difference between the notional amount of the contract and the value of a portfolio of securities or loans issued by the reference entity that the buyer delivers to the seller. In return, the buyer agrees to make periodic and/or upfront payments equal to a fixed percentage of the notional amount of the contract. The Investment Advisory Accounts might also purchase or sell credit default swaps on a basket of reference entities or an index that is CDX and LCDX contracts. In circumstances in which the Investment Advisory Accounts do not own the debt or loans that are deliverable under a credit default swap, the Investment Advisory Accounts will be exposed to the risk that deliverable securities or loans will not be available in the market, or will be available only at unfavorable prices, as would be the case in a so-called “short squeeze”. In certain instances of issuer defaults or restructurings, it has been unclear under the standard industry documentation for credit default swaps whether or not a “credit event” triggering the seller’s payment obligation had occurred. In either of these cases, the Investment Advisory Accounts would not be able to realize the full value of the credit default swap upon a default by the reference entity. As a seller of credit default swaps, the Investment Advisory Accounts incur leveraged exposure to the credit of the reference entity and are subject to many of the same risks they would incur if they were holding debt securities or loans issued by the reference entity. However, the Investment Advisory Accounts will not have any legal recourse against the reference entity and will not benefit from any collateral securing the reference entity’s debt obligations. In addition, the credit default swap buyer will have broad discretion to select which of the reference entity’s debt obligations to deliver to the Investment Advisory Accounts following a credit event and will likely choose the obligations with the lowest market value in order to maximize the payment obligations of the Investment Advisory Accounts. Given the recent sharp increases in volume of credit derivatives trading in the market, settlement of such contracts may also be delayed beyond the time frame originally anticipated by counterparties. Such delays may adversely impact the Investment Advisory Accounts’ ability to otherwise productively deploy any capital that is committed with respect to such contracts.
- Synthetics. Certain Investment Advisory Accounts might invest in various securities, derivatives, indexes and cash equivalents and related instruments both to hedge their

portfolio positions and to seek to meet the Investment Advisory Accounts' investment objectives opportunistically, including (i) futures and forward contracts; (ii) swaps, including, credit default swaps, baskets of credit default swaps, total return swaps and index swaps, interest rate swaps; (iii) options, warrants, caps, collars, floors, swaptions and forward rate agreements; (iv) other synthetic opportunities (e.g., ABX, IOS, and CMBX); (v) other securities (including equities), indexes and exchange traded funds; and (vi) cash (including U.S. treasuries and RMBS). Investments in the agency market can take the form of derivatives such as interest only or inverse interest only securities, specified pools, TBAs, other structured bonds such as CMOs, as well as synthetic indices such as IOS, POS, and MBX. Synthetic indices can be used to express outright longs and shorts or as hedging tools against cash positions. The Investment Advisory Accounts could use such financial instruments for risk management purposes to: (i) protect against possible changes in the market value of the Investment Advisory Accounts' investment portfolio resulting from fluctuations in the markets and changes in interest rates; (ii) enhance or preserve returns, spreads or gains on investments; (iii) protect against any increase in the price of any investment the Investment Advisory Accounts anticipate purchasing at a later date; or (iv) act for any other reason that the Registrant deems appropriate. The Investment Advisory Accounts will not be required to hedge any particular risk in connection with a particular transaction or their portfolio generally. While the Investment Advisory Accounts might enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Investment Advisory Accounts than if they had not engaged in any such hedging transaction. Moreover, the portfolio will always be exposed to certain risks that may not be hedged.

- Hedging with Derivative Instruments. The Investment Advisory Accounts intend to use derivative financial instruments, including without limitation, futures, swaps, options, floors, total return swaps, and CDS, IOS, POS, LCDS, CDX, LCDX, ABX and CMBX contracts, primarily for leveraging and hedging purposes. The use of derivative instruments involves a variety of material risks, including the high degree of leverage often embedded in such instruments and the possibility of counterparty non-performance, as well as of material and prolonged deviations between the actual and the theoretical value of a derivative (i.e., non-conformance to anticipated or historical correlation patterns). In addition, the markets for certain derivatives are frequently characterized by limited liquidity, which can make it difficult as well as costly to the Investment Advisory Accounts to close out positions in order either to realize gains or to limit losses.

Many of the derivatives which the Investment Advisory Accounts trade in will be principal to principal or "over the counter" contracts between the Investment Advisory Accounts and third parties entered into privately, rather than on an exchange. As a result, the Investment Advisory Accounts are not afforded the regulatory and financial protections of an exchange or its clearinghouse (or of the government regulator that oversees such exchange and clearinghouse). In privately negotiated transactions, the risk of the negotiated price deviating materially from fair value is substantial, particularly when there is no active market available from which to derive benchmark prices.

Many derivatives are valued on the basis of dealers' pricing of these instruments. However, the price at which dealers value a particular derivative and the price that the same dealers would actually be willing to pay for such derivative should the Investment Advisory Accounts wish or be forced to sell may be materially different. Such differences can result in an overstatement of the Investment Advisory Accounts' net assets and could materially

adversely affect the Investment Advisory Accounts in situations in which the Investment Advisory Accounts are required to sell derivative instruments.

Interest-only securities (“IOS”) may be utilized by the Investment Advisory Accounts for hedging or other investment purposes. An IOS is a synthetic total return swap index that references the interest component of various coupons of 30-year fixed rate agency pools of loans. Indices are generally categorized by net coupon and yearly vintage. IOS provide exposure to agency pool coupon cashflows via synthetic total return swap (“TRS”) contracts. Net cashflow exchanges are a function of the change in market value of the reference pool interest component and standard monthly exchanges of coupon and financing. Corresponding POS tranches represent the principal component and corresponding MBX tranches represent the entire cashflow stream. The Investment Advisory Accounts might make long or short investments in various tranches for hedging or other investment purposes.

- **Distressed and High-Yield Securities.** Certain Investment Advisory Accounts might invest in securities issued by, or other indebtedness of, companies in weak and/or deteriorating financial condition, experiencing poor operating results, needing substantial capital investment, having negative net worth, facing special competitive or product obsolescence problems or involved in bankruptcy or reorganization proceedings. Investments of this type are generally not exchange-traded and, as a result, these instruments trade in the over-the-counter marketplace, which is less transparent than the exchange-traded marketplace, and further, may involve substantial financial and business risks, which are often heightened by an inability to obtain reliable information about the issuers. The investments can result in significant or even total losses. In addition, the markets for distressed and high-yield securities are frequently illiquid. The market prices of distressed and high-yield assets are subject to abrupt and erratic market movements and above-average price volatility, and the spreads between the bid and asked prices of such assets may be greater than those prevailing in other markets. It may take a number of years before the market price of the assets reflects their perceived intrinsic value, if they ever do. Distressed assets also may be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments and lender liability, as well as bankruptcy and other judicial courts’ power to disallow, reduce, subordinate or disenfranchise particular claims.

### **Additional Risks Associated with Cryptocurrency Strategies**

- **Risks Particular to Trading Cryptocurrency Futures.** Cryptocurrency futures trading commenced on exchanges in the United States in December 2017. Therefore, relatively speaking, there is a very limited price history for these contracts which Mariner may use as inputs into its trading signals. There is no fundamental market supply and demand affecting cryptocurrency futures. Rather, the underlying spot market is predominantly composed of speculators. Therefore, cryptocurrency futures may experience significant price volatility. The rules of certain designated contract markets impose trading halts that may restrict the ability of a Mariner Fund to exit a position during a period of high volatility. The margin rates set by brokers and exchanges for cryptocurrency futures are significantly higher than for other futures contracts due to their novelty and volatility and may be set as a percentage of the value of a particular contract, which means that margin requirements for long positions can increase if the price of the contract rises. Many FCMs currently do not permit their customers to trade in cryptocurrency futures or only allow certain customers to trade cryptocurrency futures. If a Mariner Fund’s FCMs were to impose restrictions on or

prohibit the Fund from trading cryptocurrency futures, the Fund could incur significant losses. FCMs may charge higher commissions on cryptocurrency futures than they do on other futures contracts.

- Price Volatility of Crypto Assets. A principal risk in trading cryptocurrency is the rapid fluctuation of its market price. The price of cryptocurrency may be affected generally by a wide variety of complex and difficult to predict factors such as cryptocurrency supply and demand; rewards and transaction fees; availability and access to virtual currency service providers (such as payment processors), exchanges, miners or other cryptocurrency users and market participants; perceived or actual cryptocurrency network or cryptocurrency security vulnerability; inflation levels; fiscal policy; interest rates; regulatory and political, natural and economic events. Thus, the value of cryptocurrency held by an Investment Advisory Account could be subject to significant volatility.
- Valuation and Liquidity of Cryptocurrencies. Virtual currencies can be traded through privately negotiated transactions and through numerous virtual currency exchanges and intermediaries around the world. The lack of a centralized pricing source poses a variety of valuation challenges. In addition, the dispersed liquidity may pose challenges for market participants trying to exit a position, particularly during periods of stress.
- Virtual Currency Exchanges and Cybersecurity Risks. The virtual currency exchanges on which cryptocurrency trade and related “wallets” are relatively new and generally unregulated and may therefore be more exposed to theft, fraud and failure than established, regulated exchanges for other products. A cybersecurity event could result in a substantial, immediate and irreversible loss for market participants that trade virtual currencies. Virtual currency exchanges may be start-up businesses with no institutional backing, limited operating history and no publicly available financial information. Exchanges generally require cash to be deposited in advance in order to purchase cryptocurrency, and no assurance can be given that those deposit funds can be recovered. Additionally, upon sale of cryptocurrency, cash proceeds may not be received from the exchange for several business days. The Investment Advisory Account will take credit risk of an exchange every time it transacts. Virtual currency exchanges may impose daily, weekly, monthly or customer-specific transaction or distribution limits or suspend withdrawals entirely, rendering the exchange of virtual currency for fiat currency difficult or impossible. Additionally, cryptocurrency prices and valuations on virtual currency exchanges have been volatile and subject to influence by many factors including the levels of liquidity on exchanges and operational interruptions and disruptions. In addition, virtual currency exchanges are appealing targets for cybercrime, hackers and malware and any such exchange may cease operations due to theft, fraud, security breach, liquidity issues, or government investigation and the Investment Advisory Account could be exposed to significant loss of value.
- Opaque Spot Market in Cryptocurrency. Virtual currency balances are generally maintained as an address on the blockchain and are accessed through private keys, which may be held by a market participant or a custodian. Although virtual currency transactions are typically publicly available on a blockchain or distributed ledger, the public address does not identify the controller, owner or holder of the private key. Unlike bank and brokerage accounts, virtual currency exchanges and custodians that hold virtual currencies do not always identify the owner. The opaque underlying or spot market poses asset verification challenges for market participants, regulators and auditors and gives rise to an increased

risk of manipulation and fraud, including the potential for Ponzi schemes, bucket shops and pump and dump schemes. Moreover, a few large holders collectively could hold a significant percentage of the outstanding open interest in one or more cryptocurrencies. This risk may be especially prevalent in newly issued cryptocurrencies. As a result of this concentration of ownership, cryptocurrency exchanges can more easily lend itself to fraud, which can have an adverse effect on the market price of cryptocurrencies. Additionally a large holder can have an outsized impact on the market and one trade can move a cryptocurrency's price significantly.

- **Regulatory Landscape of Cryptocurrency.** Virtual currencies are not legal tender in the United States and many question whether they have intrinsic value. The price of many virtual currencies is based on the agreement of the parties to a transaction. Virtual currencies currently face an uncertain regulatory landscape in the United States and many foreign jurisdictions. In the United States, virtual currencies are not subject to federal regulatory oversight but may be regulated by one or more state regulatory bodies. In addition, many virtual currency derivatives are regulated by the CFTC, and the SEC has cautioned that many initial coin offerings are likely to fall within the definition of a security and subject to U.S. securities laws. One or more jurisdictions may, in the future, adopt laws, regulations or directives that affect virtual currency networks and their users. Such laws, regulations or directives may impact the price of virtual currencies and their acceptance by users, merchants and service providers. The SEC has indicated its intention to increase regulation of cryptocurrency transactions and market participants. In addition, the regulatory status of certain cryptocurrency exchanges is evolving and such exchanges are subject to possible regulatory inquiries. Any such increased regulation or regulatory scrutiny of cryptocurrencies and market participants may adversely affect the Fund's ability to access these markets or trade profitably in such instruments.
- **Technology of Cryptocurrency.** The relatively new and rapidly evolving technology underlying virtual currencies introduces unique risks. For example, a unique private key is required to access, use or transfer a virtual currency on a blockchain or distributed ledger. The loss, theft or destruction of a private key may result in an irreversible loss. A technology that is prominent in the market today can become obsolete in the near future, becoming devalued, replaced or merged with newer competitors in the cryptocurrency space. FCMs may charge higher commissions on cryptocurrency futures than they do on other futures contracts.

#### **Additional Risks Related to Investments in Blockchain and Digital Assets**

- **Risks Associated with Block Chain Investments.** Blockchain-based financial transactions are entirely novel from a legal, tax, and regulatory perspective, and they create uncertainties, and therefore risks, as to compliance with a wide variety of laws, including those relating to the offer, sale, and trading of securities, commodities, derivatives, and other financial instruments; anti-money laundering; currency regulation; regulation of banks and other financial institutions; and taxes, tax withholding, and tax reporting. Participants in the blockchain marketplace are expected to face increasing scrutiny from regulators and tax authorities, both in the United States and abroad, particularly if, as blockchain markets grow (as Mariner hopes they will), incidents of misconduct, including fraud and theft, involving blockchain-based transactions also increase.

- Risks of Investments in Blockchain Technology Companies. The legal uncertainties associated with the blockchain marketplace, as well as the novel nature of blockchain technology itself, also present special risks that could materially and adversely affect the Investment Advisory Accounts. For example: (i) blockchain technology companies are generally young, private technology companies with insufficient historical financial or operating performance information to predict the profitability and returns of the company; (ii) compared with start-up companies in other more traditional industries, the blockchain technology companies, may be more likely to face investigations, claims, or findings that their involvement in the development or use of the blockchain technologies, or their participation in the blockchain marketplace, violates applicable law; (iii) compared with other companies, the blockchain technology companies may be more attractive targets for malicious hacking or other cyberattacks, and thus be subject to greater cybersecurity risks (including misappropriation of personal data or other property or technological sabotage); and (iv) blockchain technologies are premised on theoretical conjectures as to the impossibility, in practice, of solving certain mathematical problems quickly. Those conjectures remain unproven, however, and mathematical or technological advances could conceivably show them to be incorrect. Blockchain technology companies may also be negatively affected by cryptography or other technological advances, such as the development of quantum computing, that undermine or vitiate the cryptographic consensus mechanism underpinning blockchain and distributed ledger protocols. If either of these events were to happen, the blockchain technologies companies and marketplaces that rely on blockchain technologies could quickly collapse.
- Risks Associated with Digital Assets. The investment characteristics of “Digital Assets” (e.g., a digital representation of value that will or can be digitally traded) generally differ from those of traditional fiat currencies, commodities or securities. Importantly, Digital Assets are typically not backed by a central bank or a national, supra-national or quasi-national organization, any hard assets, human capital, or other form of credit. Rather, Digital Assets are market-based: a Digital Asset’s value is determined by (and fluctuates often, according to) supply and demand factors, the number of merchants that accept it, and the value that various market participants place on it through their mutual agreement, barter or transactions. The term “Digital Assets” includes, without limitation, virtual currencies, digital currencies, crypto assets, cryptocurrencies, digital coins and tokens. While the Investment Advisory Accounts expect that most of its portfolio investments will be made in the form of traditional investments in the securities of portfolio companies (e.g., common or preferred stock, warrants, or other equity-like instruments, including convertible notes), the Investment Advisory Accounts may also make “digital” investments by participating in offerings, sales or presales of Digital Assets (e.g., initial, subsequent or secondary “coin offerings” and offerings of agreements for future delivery of Digital Assets (collectively, “Digital Asset Offerings”)) facilitated by blockchain marketplaces. The growth of this industry is subject to a high degree of uncertainty.
- Risks Relating to Custody of Digital Assets. Custody and security services for Digital Assets, depending on the asset in question, will be provided by third party wallet providers, exchanges, trust companies and other custodial or security service providers or, if a third party is not available, by Mariner or its affiliates. A single type of Digital Asset may be custodied or secured in different ways (for example, with respect to a particular Digital Assets, a portion may be custodied by one third-party custodian and another portion by another third-party custodian), and different types of the Digital Assets may have different custody or security arrangements. Over time, a client may choose to change a custody or

security arrangement for a particular Digital Asset. Mariner has limited operating experience in choosing security or custody arrangements for Digital Assets. In addition, Digital Assets represent a relatively new asset class. As such, there is considerable uncertainty as to how to attach and perfect a security interest over Digital Assets; if not properly perfected, a client's claim over such assets could be unsecured, increasing a client's risk of loss in the event of default. Additionally, Mariner has limited experience establishing appropriate arrangements and protocols for any digital assets over which the client has a security interest. Mariner will decide the appropriate security and custody arrangements for a particular Digital Asset based on, among other factors, the availability of licensed and experienced custodians and a client's ability to securely safeguard the assets; however, with respect to collateral, Mariner may be reliant on security arrangements put in place by the portfolio company that owns the collateral. To the extent that the Firm has custody of client funds and securities that are Digital Assets, Mariner will hold such interests in a manner intended to satisfy applicable regulatory requirements. Mariner may provide security services for some or all of its Digital Assets, and in certain circumstances may be deemed to have custody of its Digital Assets. Mariner has a limited operating history providing such services for Digital Assets. Mariner currently does not intend to obtain insurance to cover such activities. A loss of confidence or breach in a client's security and technology policies may adversely affect clients and investors. Mariner will endeavor to keep in place procedures to reduce risk of loss or theft of Digital Assets, and Mariner is focused on maintaining a high level of security, and, as custody and security technologies and practices in respect of Digital Assets are evolving areas, the Firm closely monitors the advances and best practices within the Digital Asset ecosystem regarding Digital Asset custody and security.

- Risks Related to Custodians and Security Vendors. A client may use custodians and/or security vendors to hold custody of some types of Digital Assets or a portion of some types of its Digital Assets. A client may have a high concentration of its Digital Assets in one location or with one custodian, which may be prone to losses arising out of hacking, loss of passwords, compromised access credentials, malware, or cyberattacks as described herein. A client is not required to maintain a client's Digital Assets with a minimum number of custodians. Custodians and security vendors of Digital Assets may have limited liability, impairing the ability of a client to recover losses relating to its Digital Assets and any recovery may be limited, even in the event of fraud. In addition, a custodian or security vendor may not be liable for any delay in performance of any of its custodial or security vendor obligations by reason of any cause beyond its reasonable control, including acts of God, war or terrorism, and may not be liable for any system failure or third-party penetration of its systems, unless such system failure or third-party penetration is the result of gross negligence, bad faith or willful misconduct on the part of the custodian or security vendor. Similarly, investors have limited recourse against the Mariner for any losses sustained when such party or its affiliates had custody of any assets. As a result, the recourse of a client or the investor to such custodians or security vendors may be limited. A loss of confidence or breach in Mariner's security and technology policies may adversely affect clients and investors.
- Risk of Loss Under a Multi-Factor Security System. The ability to recover losses related to a client's Digital Assets secured through a multi-factor security system may be limited. For some types of Digital Assets or a portion of some types of its Digital Assets, a client may make use of a multi-factor security system under which neither Mariner nor a designated security vendor has the unilateral ability to transfer a client's Digital Assets. Such an

arrangement may be used with respect to collateral. In these situations, lack of a custodian or a party that holds exclusive access to a client's Digital Assets on a client's behalf, as well as limited liability of designated security vendors, may impair the ability of a client to recover losses relating to its Digital Assets. In addition, because the security of a client's Digital Assets may be facilitated by multiple parties, it may be difficult for a client to prove that any particular party caused a loss, which could limit a client's ability to recover losses relating to its Digital Assets. In addition, designated security vendors may have limited liability, impairing the ability of a client to recover losses relating to its Digital Assets and any recovery may be limited, even in the event of fraud. Furthermore, designated security vendors may not be liable for any delay in performance of any of their obligations by reason of any cause beyond its reasonable control, including acts of God, war or terrorism, and may not be liable for any system failure or third-party penetration of its systems, unless such system failure or third-party penetration is the result of gross negligence, bad faith or willful misconduct on the part of the designated security vendor. As a result, the recourse of a client or the investor may be limited. A loss of confidence or breach in Mariner's security and technology policies may adversely affect clients and investors. Changing Security Needs. A client's custodians' and security vendors' ability to adopt technology in response to changing security needs or trends poses a challenge to the safekeeping of a client's Digital Assets. Digital Asset exchanges and large holders of Digital Assets must adapt to technological change in order to secure and safeguard client accounts. The ability of the custodians and security vendors that are or will be employed by a client (including, potentially, a client itself, Mariner, or its affiliates) to safeguard the Digital Assets that a client holds from theft, loss, destruction or other issues relating to hackers and technological attack, is based upon known technology and threats. As technological change occurs, the security threats to the custodial Digital Assets will likely adapt and previously unknown threats may emerge. Furthermore, Mariner believes that a client may become a more appealing target of security threats as the size of a client's assets grows. If a custodian or security vendor is unable to identify and mitigate or stop new security threats, the custodial Digital Assets may be subject to theft, loss, destruction or other attack, which could have a negative impact on the performance of a client or result in loss of a client's assets.

- Risks Relating to Delayed Delivery of Digital Assets. Many Digital Asset Offerings involve a purchase of Digital Assets for future delivery. In these Digital Asset Offerings, the Investment Advisory Accounts will not receive Digital Assets immediately, and there is no guarantee the Digital Assets will ultimately be delivered. To the extent the Investment Advisory Accounts invest in a Digital Asset Offering for future delivery of Digital Assets, the Investment Advisory Accounts may not receive Digital Assets until a certain time period has lapsed or the associated network for the Digital Assets is fully or further developed by the developer (each, a "Delivery Event") or may never receive the Digital Assets. Many factors influence the occurrence of a Delivery Event, including factors that are entirely uncontrollable generally and/or by the Investment Advisory Accounts. Some Digital Asset Offerings could abandon their plans to develop and/or deliver Digital Assets, resulting, in most cases, in a dissolution event and no Delivery Event. There can be no guarantee that the Investment Advisory Accounts' investments will be fully reimbursed upon a dissolution event experienced by the issuer. Alternatively, some Digital Asset Offerings could advance their plans to generate Digital Assets and effect a Delivery Event in reliance on advanced technologies in such a manner that neither the Investment Advisory Account nor Mariner would have the technological capability to even receive those Digital Assets from the issuer if the systems of each had not advanced to the same extent as the issuer of the Digital

Assets, in which case it is uncertain how the Investment Advisory Accounts could monetize its right to receive Digital Assets that it cannot itself receive. The Investment Advisory Accounts may also be further restricted, whether through a vesting or lockup period, from reselling Digital Assets it receives on a delayed basis from an issuer, which could prevent the Investment Advisory Accounts from selling the Digital Assets at a favorable price.

- Volatility Risks Related to Digital Assets. Digital Assets are a new and relatively untested product. Perhaps in part because of their youth, Digital Assets have experienced sharp fluctuations in value. If such volatility continues, it may have an adverse effect on the willingness of parties, other than speculators, to receive Digital Assets in a transaction. There is considerable uncertainty about the long-term viability of Digital Assets, which could be affected by a variety of factors, including many market-based factors such as economic growth, inflation, and others. In addition, the success of Digital Assets will depend on the long-term utility and economic viability of blockchain and other new technologies related to Digital Assets. Due in part to these uncertainties, prices of Digital Assets remain volatile, and Digital Assets may be hard to sell. Some market participants believe that there is a Digital Asset speculative bubble that could burst, leading to a dramatic fall in prices. If such a collapse occurs, the net asset value of the Investment Advisory Accounts' investments in Digital Assets would also fall, and the resulting loss of confidence could lead to a lack of interest in and eventual demise of the Investment Advisory Accounts. Prices of Digital Assets have fluctuated widely for a variety of reasons including uncertainties in government regulation and may continue to experience significant price fluctuations. Several factors may affect the price of the Digital Assets, including, without limitation: Total Digital Assets in existence and global Digital Asset supply and demand; Investors' expectations with respect to the rate of inflation of fiat currencies, currency exchange rates, or interest rates; Fiat currency withdrawal/deposit policies, liquidity levels, interruptions in service from or failure of Digital Asset Exchanges (as defined below); Cyber theft of Digital Assets from Digital Asset wallet providers, or news of such theft from such providers, or theft from individual Digital Asset wallets; Investment and trading activities of hedge funds and other large Digital Asset investors; Monetary policies of governments, trade restrictions, currency devaluations and revaluations; Regulatory measures, if any, that restrict or facilitate the ability to buy, sell or hold the Digital Assets or use the Digital Assets as a form of payment; Availability and popularity of businesses that provide Digital Asset related services; Maintenance and development of the open-source software protocol of the Digital Asset network; Increased competition from other forms of Digital Assets or payments services; and Global or regional political, economic or financial events and uncertainty. The Investment Advisory Accounts and Mariner do not control any of these factors, and therefore may not be able to control the ability of any Digital Assets to retain or maintain value. If the Digital Asset market continues to be subject to high volatility, the Investment Advisory Accounts may experience losses as the value of its investments in Digital Assets declines. Even if the Investment Advisory Accounts are able to hold Digital Assets long-term, the Investment Advisory Accounts' investments in Digital Assets may never generate profits.
- Recent Deployment of Certain Digital Assets: The Networks for Digital Assets are new and being rapidly developed. The Ethereum network and the Ethereum network software, for instance, are in their early stages. The production version of the blockchain on the Ethereum network was launched in March 2016. As a result, the Ethereum network has undergone less testing than the older, more established Bitcoin network. Bitcoin was created in 2009, and XRP and the Ripple network were released in 2012.

- Risk of Open-Source of Third-Party Structure: The open-source or third-party structure of many of the Digital Asset network protocols, blockchains and other blockchain and decentralized data storage systems (collectively, the “Networks”), means that certain core developers and other contributors may not be directly compensated for their contributions in maintaining and developing the Networks. A failure to properly monitor and upgrade the structure could damage the Digital Asset Networks. Certain Networks operate based on open-source protocol maintained by the groups of core developers. These groups of core developers may disagree about upgrades to the network and could choose to “fork” the network (in other words, modify the underlying code of the network so that it is framed off of the original code but ultimately diverges or forks from the original code), and the Investment Advisory Accounts make no guarantees about, and have no control over, any of these actions and directions relating to the network. In addition, as these Networks are not sold and their use does not generate revenues for development teams, core developers may not be directly compensated for maintaining and updating the Networks. Consequently, developers may lack a financial incentive to maintain or develop the network, and the core developers may lack the resources to adequately address emerging issues with the network. There can be no guarantee that developer support will continue or be sufficient in the future or that any of these Networks or their developers will continue to exist or be successful. Additionally, some development and developers are funded by companies whose interests may be at odds with other participants in the network or with investors’ interests. To the extent that material issues arise with certain Networks and the core developers and open-source contributors are unable or unwilling to address the issues adequately or in a timely manner, the networks and an investment in the Investment Advisory Accounts may be adversely affected. Because some Digital Assets are based on open-source or third-party software, there is a risk that a third party, the Investment Advisory Accounts or its affiliates may intentionally or unintentionally introduce weaknesses into the core infrastructure of a Digital Asset, which could negatively affect the Investment Advisory Accounts’ investment. Recently, other platforms that sponsor and engage in transactions in Digital Assets have been the subject of cyberattacks that have resulted in a loss of Digital Assets. As discussed below and among other things, the Investment Advisory Accounts could experience a loss of Digital Assets in its own digital wallet, which would undermine core operations of the Investment Advisory Accounts and put them at financial risk.
- Cybersecurity Risks Related to Digital Assets. Any “digital” investments by the Investment Advisory Accounts may be more susceptible to theft or loss from cyberattacks, hacking, or technological failures. Any such digital investments will also be subject to the risks inherent to the blockchain marketplace described herein. These risks could be significant, and the nature of Digital Assets may lead to an increased risk of fraud or cyberattack. Hackers or other malicious groups or organizations may attempt to interfere with Digital Assets or the Investment Advisory Accounts in a variety of ways, including, but not limited to, smurfing, spoofing, social engineering, phishing emails, man-in-the-middle, phone hijacking, ransomware, malware, denial-of-service, consensus-based, Sybil and other attacks. Digital Assets may be permanently lost because of, among other things, unsecure local storage sites, malware attacks and data loss (for example, through destruction of the physical media housing a Digital Asset). While the Investment Advisory Accounts will take all steps that are commercially reasonable and customary to prevent or mitigate the impact of cyberattacks, there can be no guarantee that the Investment Advisory Accounts will be successful in preventing all cyberattacks on its Networks and systems.

- Risks Relating to Public/Private Key Loss: Public and private keys are susceptible to loss which can, among other things, impede the ability of an investor to receive distributions from or contribute Digital Assets to the Investment Advisory Accounts or restrict an investor or the Investment Advisory Accounts from being able to access its own holdings of Digital Assets. The balance of Digital Assets held by the Investment Advisory Accounts are associated with its applicable blockchain public key address, which is in turn associated with its applicable blockchain private key address. Mariner is responsible for knowing the Investment Advisors Accounts' blockchain private key address and keeping it secret. Because a private key, or a combination of private keys, is necessary to control and dispose of Digital Assets stored in the digital wallet or vault of the Investment Advisory Accounts, the loss of one or more of the private keys of the Investment Advisory Accounts associated with its digital wallet or vault will result in a loss of Digital Assets. Moreover, any third party that gains access to one or more private keys of the Investment Advisory Accounts, including by gaining access to login credentials of a hosted wallet service used by the Investment Advisory Accounts, may be able to misappropriate the Digital Assets held by the Investment Advisory Accounts. While traditional financial products have strong consumer protections, there is no intermediary that can limit consumer loss in connection with Digital Assets, which may be stolen, lost or destroyed permanently.
- Legal and Regulatory Risks Associated with Digital Assets: The regulation of Digital Assets is in its infancy, and the regulatory status of Digital Assets, as well as the regulatory status of investment vehicles that may materially invest in Digital Assets like the Investment Advisory Accounts, is unclear or unsettled in many jurisdictions. Regulators are concerned, among other things, that such a large unregulated and decentralized, peer-to-peer economy that crosses national borders could potentially enable criminals to evade taxes and launder money. Legislative and regulatory changes or actions at the state, federal, foreign or international level may adversely affect the use, transfer, exchange, and value of Digital Assets. It is difficult to predict how or whether regulatory agencies may apply existing or new regulation with respect to such technology and its applications, including the use of Digital Assets as an asset class in which to invest. It is also difficult to predict how or whether legislatures or regulatory agencies may implement changes to laws and regulations affecting distributed ledger technology and its applications, including Digital Assets. As the Digital Asset market has grown in popularity and size, the U.S. Congress and a number of U.S. federal and state agencies have begun to develop regulations governing the Digital Asset market. Federal regulators in the United States, including without limitation the Securities and Exchange Commission, the Commodity Futures Trading Commission, the Financial Crimes Enforcement Network, the Office of Foreign Assets Control and the IRS, have released interpretive guidance on Digital Assets and Digital Asset businesses, but there remain numerous questions about the application of U.S. federal regulations to Digital Assets, Digital Asset businesses and Digital Asset Offerings. In addition to federal regulation, regulation of Digital Assets in the United States varies by state, and the regulations of certain states may limit the ability of the Fund to operate within those states. Certain states require persons to obtain a license to conduct a Digital Asset business. Accordingly, the Investment Advisory Accounts may not operate in states that require a license to conduct a Digital Asset business. If a prospective investor (e.g., limited partner) is a resident of a state that requires a license to conduct a Digital Asset business, certain Investment Advisory Accounts (e.g., Hedge Funds) may not grant that prospective limited partner in-kind distributions of Digital Assets. Currently, only the State of New York has this type of requirement, but other states may adopt similar requirements. If the Investment Advisory Accounts were deemed to be conducting an unlicensed Digital Asset business it would be

subject to significant additional regulation and/or regulatory consequences. This could lead to significant changes with respect to the Investment Advisory Account, in-kind distributions of Digital Assets and other issues, and would be likely to greatly increase the operating costs or lead to the termination of the Investment Advisory Account. Various foreign jurisdictions may adopt laws, regulations or directives that affect Digital Assets, and their users. Such laws, regulations or directives may conflict with those of the United States and may negatively impact the acceptance of Digital Assets by users, merchants and service providers outside the United States and may therefore impede the growth or sustainability of the Digital Asset market in the European Union, China, Japan, Russia and the United States and globally, or otherwise negatively affect the value of Digital Assets. The effect of any future regulatory change on the Investment Advisory Accounts or Digital Assets in general is impossible to predict, but any such change could be substantial and adverse to the Investment Advisory Accounts and the value of the investment of the Investment Advisory Accounts in the Digital Assets. To the extent that future regulatory actions or policies limit the ability of the Investment Advisory Accounts to exchange Digital Assets or utilize them for payments, the demand for Digital Assets will be reduced. Furthermore, regulatory actions may limit the ability of end-users to convert Digital Assets into fiat currency (e.g., U.S. dollars) or use Digital Assets to pay for goods and services. Such regulatory actions or policies would result in a reduction of demand, and in turn, a decline in the per unit price of Digital Assets. Legislatures or regulatory agencies could prohibit the use of current or future cryptographic protocols which could limit the use of certain (or all) Digital Assets, resulting in a significant loss of value or the termination of the Investment Advisory Accounts. Digital Asset Offerings are also more likely to be subject to legal challenges (including allegations of fraud) by regulators, investors, counterparties, or others than traditional offerings of securities or debt. Because of their novelty, the legal rights of holders of Digital Assets against their issuers are untested and are of uncertain value. If the Investment Advisory Accounts are unable to exercise legal rights with respect to any Digital Assets that it holds, or if prospective purchasers of the Investment Advisory Accounts' Digital Assets do not believe that they provide holders with valuable legal rights, the Investment Advisory Accounts may not be able to monetize those investments, resulting in losses.

- Business Risks Relating to Digital Asset-Related Business: Because of legal and regulatory uncertainty relating to Digital Assets and Digital Asset Businesses, many banks may not provide banking services, or may cut off banking services, to Digital Asset businesses or businesses that accept Digital Assets as payment. The inability or difficulty of securing banking services could damage the public perception of Digital Assets and the utility of Digital Assets as a payment system. It could also decrease the price of Digital Assets and adversely affect an investment in the Investment Advisory Accounts or the Investment Advisory Accounts' ability to secure banking services. A number of companies that provide Digital Asset-related services have been unable to find banks that are willing to provide them with bank accounts and banking services. Similarly, a number of such companies have had their existing bank accounts closed by their banks. Banks may refuse to provide bank accounts and other banking services to Digital Asset businesses or companies that accept Digital Assets for a number of reasons, such as perceived compliance risks or costs. If the Investment Advisory Accounts are unable to secure bank accounts or banking services, it could have a material adverse effect on the ability of the Mariner to manage the Investment Advisory Accounts and the ability of the Investment Advisory Accounts to continue operations.

- Geopolitical and Economic Risks Associated with Digital Assets: The impact of geopolitical events on the supply and demand for Digital Assets is uncertain. As an alternative to fiat currencies that are backed by central governments, Digital Assets, which are relatively new, are subject to supply-and demand forces based upon the desirability of an alternative, decentralized means of buying and selling goods and services, and it is unclear how such supply and demand will be impacted by geopolitical events. Nevertheless, political or economic crises may motivate large-scale acquisitions or sales of Digital Assets either globally or locally. Large-scale sales of Digital Assets would result in a reduction in the value of Digital Assets and adversely affect an investment in the Investment Advisory Accounts. The development and acceptance of the cryptographic and algorithmic protocols governing the issuance of and transactions in Digital Assets, which represents a new and rapidly changing industry, is subject to a variety of factors that are difficult to evaluate. The use of Digital Assets to, among other things, buy and sell goods and services, is part of a new and rapidly evolving commercial practice that employs Digital Assets based upon a computer-generated mathematical and/or cryptographic protocol. The growth of this commercial practice generally and the use of Digital Assets particularly is subject to a high degree of uncertainty. The factors affecting the further development of the industry include, without limitation: Continued worldwide growth in the adoption and use of Digital Assets; Governmental and quasi-governmental regulation of Digital Assets and their use, or restrictions on or regulation of access to and operation of Digital Asset Exchanges (as defined below); Changes in consumer demographics and public tastes and preferences; The maintenance and development of the open-source software protocol of Digital Asset Exchanges (as defined below); The availability and popularity of other forms or methods of buying and selling goods and services, including new means of using fiat currencies; General economic conditions and the regulatory environment relating to Digital Assets; and Negative consumer sentiment and perception of Digital Assets generally. The slowing or stopping of the development or acceptance of Digital Assets or their underlying Networks may adversely affect an investment in the Investment Advisory Accounts.
- Digital Asset Tax Risks: The Investment Advisory Accounts' participation in "digital" investments, like its holdings in Bitcoin or other Digital Assets, may present novel tax risks, which (for example if that client account is organized as a tax partnership), could directly impact that comingled investment vehicle's investors. The taxation of Digital Assets, interests in Digital Assets and other instruments convertible into Digital Assets is uncertain. An investment pursuant to a delayed delivery agreement and the purchase of Digital Assets pursuant thereto, for example, may result in adverse tax consequences to the Investment Advisory Accounts, including withholding taxes, income taxes and tax reporting requirements. In addition, potential Firm clients and Hedge Fund investors are encouraged to review IRS Notice 2014-21 which sets forth published guidance from the IRS concerning the consequences of transacting in Digital Assets. The tax characterization of Digital Assets is uncertain as are the consequences of transactions in Digital Assets. If any Digital Asset is characterized as a "virtual currency" for income purposes, then, under the IRS Notice 2014-12, the general rules applicable to property transaction would apply. See Notice 2014-21, 2014-16 I.R.B. 938. Potential Hedge Fund investors must seek their own tax advice in connection with purchasing LP or other interests in any collective investment vehicle (e.g., onshore Hedge Fund), whether in the form of a blockchain-based Digital Asset or otherwise, and whether such interests will be purchased with sovereign fiat currency or with Digital Assets, which may result in adverse tax consequences to such an investor. Accordingly, potential Hedge Fund and other investors are strongly encouraged to seek independent

legal and tax advice regarding their individual circumstances and objectives in determining whether to purchase LP Interests

- Risks Associated with Digital Asset Exchanges: Digital Asset exchanges, alternative trading systems and other alternative trading venues (collectively, “Digital Asset Exchanges”) allow users to buy or sell Digital Assets for fiat currency or transfer Digital Assets to other wallets. Digital Asset Exchanges on which Digital Assets trade are relatively new and, in many cases, largely unregulated and, therefore, may be more exposed to fraud and failure than established, regulated exchanges for other assets. Each of the following factors and others may reduce investor confidence in Digital Assets, increase pricing volatility in the Digital Asset market or result in the closure or temporary shutdown of one or more Digital Asset Exchanges: operational limits; regulatory changes; market manipulation and fraud; cybersecurity attacks; and other factors increasing volatility. A number of Digital Asset Exchanges have previously been closed due to some of these factors, and, in many instances, the customers of the Digital Asset Exchange were not compensated or made whole for partial or complete losses of account balances. Any one of these factors may increase volatility in the Digital Asset market and have adverse consequences on an investment in the Investment Advisory Accounts.
- Operational Risks Associated with Digital Asset Exchanges: Digital Asset Exchanges may impose certain operational limits (including regulatory, exchange policy or technical limitations) on the size or settlement speed of fiat currency transactions, which may reduce: (1) demand, resulting in a reduction in the Digital Asset price; or (2) supply, potentially resulting in a temporary increase in the Digital Asset price. These operational limits may result in Digital Asset Exchanges quoting different prices for the same Digital Asset at the same time. This also encourages “exchange shopping” and presents potential arbitrage opportunities. To the extent that users are able or willing to utilize or arbitrage prices between more than one Digital Asset Exchange, “exchange shopping” may mitigate the short-term impact on and volatility of Digital Asset prices due to operational limits on fiat currency transactions on certain Digital Asset Exchanges.
- New and Unregulated Digital Asset Exchanges: As noted above, the Digital Asset Exchanges are relatively new and often largely unregulated and, therefore, may be more exposed to fraud and failure than established, regulated exchanges for other assets. The value of Digital Assets on Digital Asset Exchanges that are largely unregulated may be inaccurate and the rules or regulations that apply to Digital Asset Exchanges are subject to change, which may result in the listing of Digital Assets held by the Fund to be removed from certain Digital Asset Exchanges. Many Digital Asset Exchanges do not provide the public with significant information regarding their ownership structure, management teams, corporate practices or regulatory compliance. As a result, the marketplace may lose confidence in, or may experience problems relating to, Digital Asset Exchanges, including prominent exchanges handling a significant portion of the volume of trading. Digital Asset Exchanges may impose daily, weekly, monthly or customer-specific transaction or distribution limits or suspend withdrawals entirely, rendering the exchange of Digital Assets for fiat currency difficult or impossible. The participation in Digital Asset Exchanges requires users to take on credit risk by transferring Digital Assets from a personal account to a third-party account. Digital Asset Exchanges that are regulated typically must comply with minimum net worth, cybersecurity, and anti-money laundering requirements, but are not typically required to protect customers or their markets to the same extent that regulated securities exchanges

or futures exchanges are required to do so. For example, U.S. state and federal regulatory regimes for Digital Asset Exchanges have no specific requirements that Digital Asset Exchanges detect, report or prevent manipulative trading activity, such as spoofing. Any fraud, security failure or operational problems experienced by the Digital Asset Exchanges could result in a reduction in the value of the Digital Asset and adversely affect an investment in the Fund. Digital Asset Exchanges may also become subject to new rules and regulations that may limit the ability of the Digital Asset Exchange to list the Digital Asset held by the Fund. The qualifications for which Digital Assets may be listed on a Digital Asset Exchange at that point in time are unclear and outside the control of the Fund.

- Digital Asset Market Manipulation and Fraud Risk: Much of the daily trading volume of Digital Assets is conducted on poorly capitalized, unregulated, unaudited and unaccountable Digital Asset Exchanges located outside of the United States where there is little to no regulation governing trading or listing requirements. These Digital Asset Exchanges may engage in unethical practices that may have a significant impact on the pricing of Digital Assets, such as front-running, wash trades and trading with insufficient funds. To the extent that Digital Asset Exchanges are manipulated, the market prices for Digital Assets may as a result decline, which may have an adverse effect on the Fund's portfolio companies. There exists shallow trade volume, extreme hoarding and low liquidity on Digital Asset Exchanges and high bankruptcy risk in the Digital Asset market. The trade volume on Digital Asset Exchanges tends to be shallow. Many Digital Assets are hoarded by a few owners or are entirely out of circulation. Ownership concentration is high, which increases liquidity risk because large blocks of Digital Assets are difficult to sell in a timely and efficient manner. In addition, not all Digital Asset Exchanges treat all customers equally. The daily trade volume of the Digital Assets is only a small fraction of total Digital Assets mined. The lack of a robust and regulated derivatives market for Digital Assets means that market participants do not have a broad basket of tools at their disposal, making hedging difficult and keeping away many market makers that provide significant liquidity to traditional capital markets. The Digital Asset market currently lacks institutional-grade infrastructure participants which would help stabilize the market. The value of Digital Assets may be subject to momentum pricing and therefore, an inaccurate valuation. Momentum pricing typically is associated with growth stocks and other assets whose valuation, as determined by the investing public, accounts for anticipated future appreciation in value. The price of a Digital Asset is determined primarily using data from Digital Asset Exchanges and other over-the-counter markets or derivative platforms. Momentum pricing of Digital Assets has resulted, and may continue to result, in speculation regarding future appreciation in the value of the Digital Assets, inflating and making more volatile the price of Digital Assets. Digital Assets that lead the market may be subject to even more speculation. In early 2017, the SEC stated that Digital Asset Exchanges currently lack the ability to enter into surveillance-sharing agreements with significant, regulated markets for trading in Digital Assets, effectively meaning that Digital Asset Exchanges lack the ability to detect and deter price manipulation.
- Cybersecurity Risks Relating to Digital Asset Exchanges: While smaller Digital Asset Exchanges are less likely to have the infrastructure and capitalization that make larger currency exchanges more stable, larger Digital Asset Exchanges are more likely to be appealing targets for hackers and "malware" (i.e., software used or programmed by attackers to disrupt computer operation, gather sensitive information or gain access to private computer systems). Even the largest Digital Asset Exchanges have been subject to operational interruption (e.g., thefts of Digital Assets from operational or "hot" wallets,

suspension of trading on Digital Asset Exchanges due to distributed denial of service attacks by hackers, malware, bankruptcy proceedings and cessation of services). In 2014, for example, the largest Bitcoin exchange at the time, Mt. Gox, filed for bankruptcy in Japan amid reports the exchange lost up to 850,000 Bitcoins, valued then at over \$450 million.

- **Volatility Risks Relating to Digital Asset Exchanges:** Digital Asset prices on Digital Asset Exchanges have been volatile, subject to influence by many factors including the levels of liquidity on Digital Asset Exchanges and in the Digital Asset market generally. Such disruptions limit the liquidity of Digital Assets on the affected Digital Asset Exchange, and tend to result in higher volatility and reduced confidence in the broader Digital Asset market. Pricing on Digital Asset Exchanges may also be impacted by policies, regulations, or interruptions in the ability to transfer fiat currency into or out of larger Digital Asset Exchanges. The Investment Advisory Accounts are designed to have limited exposure to individual trading venue interruptions by using multiple data sources and liquidity providers. Despite efforts to ensure accurate pricing, the Investment Advisory Accounts, and the price of Digital Assets generally, remains subject to volatility experienced by Digital Asset Exchanges. Such volatility can adversely affect an investment in the Investment Advisory Accounts. The value of Digital Assets is also dependent on the availability of Digital Asset Exchanges on which to buy and sell such Digital Assets. A decrease in the number of available Digital Asset Exchanges would negatively impact the value of Digital Assets and an investment in the Investment Advisory Accounts.

## **Mariner Funds**

### **I. Concordia G-10 Fixed Income Relative Value, L.P. (master fund); Concordia G-10 Fixed Income Relative Value I, L.P., Concordia G-10 Fixed Income Relative Value, Ltd (feeder funds)**

#### **Fund Strategy and related risks: G-10 Fixed Income Relative Value**

*Description:* This fund primarily invests in a global fixed income relative value strategy. Fixed income arbitrage investment involves the purchase of one asset and sale of another whose price movements have a correlation. Trades are entered when price relationships are out of line and closed when they realign. The strategy employs the purchase and sale of global fixed income securities and their derivatives as well as related foreign exchange futures and options. The strategy will not exclude any market or investment vehicle in an effort to identify the best risk-reward situations. However, it is anticipated that the majority of fixed income securities trading will involve government securities of the major industrialized nations of the world. Diversifying the investments offers a greater chance of overall success. At times, the opportunities for low risk profits may induce a high concentration of certain types of securities positions.

The following is a more detailed explanation of some of the investment techniques to be used as part of the Investment Strategy. Such explanations do not purport to be a complete explanation of such investment techniques. Other techniques could be used.

- ***Cash/Futures.*** Cash/future trading, also referred to as basis trading, includes the purchase or sale of a deliverable security and an opposite position in the underlying futures. This strategy generates profits if the price relationship widens when one is long cash/short futures or narrows when one is short cash/long futures. Many factors, such as yield curve

changes, short-term interest rate changes, volatility changes and market level changes affect the basis.

- *Swap Spread Trading:* The spread between the yield on government bonds and interest rate swaps of similar maturities tend to trade at different levels depending upon a number of factors. Examples of these factors are the amount of government debt issued during a particular period, the activity of corporate bond issuers in the swap market, and the relationship between United States federal funds and LIBOR. The strategy employed is trying to buy government debt and pay fixed on swaps when spread are narrow and reverse these positions when spreads widen, or vice versa. Alternatively, one can structure swap spread boxes, where one goes long on the spread at one point of the curve and shorts it at another point of the curve. The box trades attempt to profit from a change in the slope of the swap spread curve without expressing an opinion on overall spread narrowing or widening.
- *Yield Curve Trading.* Changes in the slope of a yield curve rarely occur continuously along the curve, resulting in a somewhat uneven yield curve. As time passes, investors looking to optimize their risk/return patterns will buy securities at the "cheap" parts and sell securities at the "rich" parts of the curve smoothing out its slope. A butterfly trade is one that combines two offsetting yield curve trades (e.g., buy two years sell five years and sell five years buy ten years) by arbitraging the cheap parts of the yield curve against the rich parts of the yield curve while limiting risk to the overall slope of the yield curve.
- *Volatility Trading.* Volatility trading in the fixed income market takes several forms. The underlying theme is to identify situations in which one can position cheap options, then either sell a fairly priced option against the long position or look for the market to exhibit greater volatility than what was implied in the cheap option construction. The inverse of this can also be employed to create short volatility positions.

#### *Risks*

- The success of the relative value strategy will depend on Mariner's ability to identify and exploit price discrepancies in the capital markets. Identification and exploitation of market opportunities involve uncertainty. No assurance can be given that Mariner will be able to locate investment opportunities or to correctly exploit price discrepancies in the capital markets. In the event that the perceived mispricings underlying the fund's positions were to fail to converge toward, or were to diverge further from, relationships expected by Mariner, the fund might incur a loss.
- Although relative value trading strategies, which are a principal focus of the fund's strategy, might tend to incorporate investments that mitigate impact of absolute (i.e., directional) market price movements, the investments utilized in implementing such strategies will include derivatives, such as futures and options, that are themselves inherently volatile in the context of specific market movements.
- Mariner may leverage investment positions by borrowing funds, which will typically be secured by the fund's securities and other assets, from securities broker-dealers, banks, or others. Borrowing money to purchase securities can provide the fund with the opportunity for greater capital appreciation but, at the same time, will increase the exposure to capital risk and higher current expenses. Moreover, if the assets under management are not sufficient to pay the principal of, and interest on, the debt when due, the fund could sustain a total loss of investment. Mariner anticipates utilizing leverage in the investments. As

such, the fund's exposure to capital risk is increased. Accordingly, a relatively small movement in the spread relationship between the futures and securities the fund owns and those which it has sold short could result in substantial losses.

#### **Types of investments and related risks:**

- Fixed-Income Securities. The majority of fixed income securities will involve government securities of the major industrialized nations of the world. The value of fixed-income securities in which the Fund invests will change in response to fluctuations in interest rates. Except to the extent that values are independently affected by currency exchange rate fluctuations, when interest rates decline, the value of fixed-income securities generally can be expected to rise. Conversely, when interest rates rise, the value of fixed-income securities generally can be expected to decline. Mariner has no control over the future direction of interest rates and this strategy is largely independent of its ability to determine accurately such interest rate movements.
- Derivative Products. The Fund might utilize various derivative instruments, such as swaps (e.g., credit default swaps), futures, warrants, options and convertible securities. The use of derivative instruments involves a variety of material risks, reflecting the often extremely high degree of leverage embedded in such instruments. The derivatives markets are frequently characterized by limited liquidity, which can make it difficult as well as costly to close out open positions in order either to realize gains or to limit losses. Many derivatives are valued on the basis of dealers' pricing of these instruments. However, the price at which dealers value a particular derivative and the price which the same dealers would actually be willing to pay for such derivative, should the Fund wish or be forced to sell such position, may be materially different. Such differences can result in an overstatement of the net asset value of the Fund, and could have a materially adverse effect on the Fund in situations in which the Fund is required to sell derivative instruments in order to raise funds for margin purposes or to pay redemptions. The pricing relationships between derivatives and the underlying instruments on which they are based may not conform to anticipated or historical correlation patterns, resulting in unanticipated losses.

Based upon current legislative and regulatory requirements, a substantial portion of derivatives transactions that were historically executed on a bi-lateral basis in the over-the-counter (OTC) markets are currently required to be executed through a regulated securities, futures or swap exchange or execution facility and/or to be submitted for clearing to regulated clearinghouses. OTC derivatives trades submitted for clearing are subject to initial and variation margin requirements set by the relevant clearinghouse, as well as possible SEC- or CFTC-mandated margin requirements. The regulators also have broad discretion to impose margin requirements on non-cleared OTC derivatives. Although there are current limited exemptions from such clearing and margin requirements, the Fund will not be able to rely on such exemptions. In addition, the OTC derivative dealers with which the Fund executes the majority of its OTC derivatives will also not be able to rely on such exemptions and, therefore, are also be subject to clearing and margin requirements notwithstanding the Fund's requirements. OTC derivative dealers also are or will be required to post margin to the clearinghouses through which they clear their customers' trades instead of using such margin in their operations; as a result, this may increase the OTC derivative dealers' costs, which are expected to be passed through to other market participants in the form of higher upfront and mark-to-market margin, less favorable trade pricing and the possible imposition of new or increased fees.

Clearing and trading requirements could make it more difficult and costly for investment funds, including the Fund, to enter into OTC transactions. Additionally, the clearing requirement will centralize risk in a small number of clearing counterparties; while the derivatives clearing organizations' margin requirements will reduce the risk of default on contracts, the mere fact of centralizing and pooling risks at a small number of clearing organizations may increase the impact of the failure of a centralized counterparty.

The Fund might enter into one or more swap agreements which are neither executed in regulated markets nor submitted for clearing to regulated clearinghouses. These transactions are typically two party contracts entered into primarily by institutional investors for periods ranging from a few weeks to more than a year. In a standard swap transaction, two parties agree to exchange the returns earned on specific assets, such as the return on, or increase in value of, a particular dollar amount invested at a particular interest rate, in a particular foreign currency, or in a "basket" of securities representing a particular index. A swap contract may not be assigned without the consent of the counter-party, may be considered illiquid, and may result in losses in the event of a default or bankruptcy of the counterparty.

- **Futures Trading.** Futures contracts are usually made on a futures exchange which call for the future delivery of a specified "commodity" at a specified time and place. These contractual obligations, depending on whether one is a buyer or a seller, may be satisfied either by taking or making physical delivery of the "commodity" or by cash settlement or by making an offsetting sale or purchase of an equivalent futures contract on the same exchange prior to the end of trading in the contract month. Futures prices are highly volatile. Financial instrument and foreign currency futures prices are influenced by, among other things, interest rates, changes in balances of payments and trade, domestic and international rates of inflation, international trade restrictions and currency devaluations and revaluations. Because low margin deposits are normally required, an extremely high degree of leverage is obtainable in futures trading. A relatively small price movement in a futures contract, consequently, may result in large losses. Thus, like other highly leveraged investments, any purchase or sale of a futures contract may result in losses which exceed the amount invested.
- **Options Trading.** The fund may engage in the trading of options. Purchasing put and call options, as well as writing such options, are highly specialized activities and entail greater than ordinary investment risks. Mariner may buy or sell (write) both call options and put options on behalf of the Fund, and when it writes options, they may do so on a "covered" or an "uncovered" basis. A call option is "covered" when the writer owns securities of the same class and amount as those to which the call option applies. A put option is covered when the writer has an open short position in securities of the relevant class and amount. Mariner's option transactions may be part of a hedging strategy (i.e., offsetting the risk involved in another securities position) or a form of leverage, in which the Fund has the right to benefit from price movements in a large number of securities with a small commitment of capital. These activities involve risks that can be substantial, depending on the circumstances.

Because option premiums paid or received by an investor are small in relation to the market value of the investments underlying the options, buying and selling put and call options can result in large amounts of leverage. As a result, the leverage offered by trading

in options could cause the value of a client account or its beneficial owner (e.g., Limited Partner Capital Account) to be subject to more frequent and wider fluctuations than would be the case if the Fund did not invest in options. Mariner could mitigate these losses by selling short, or buying puts on, the securities for which it holds call options, or by taking a long position (e.g., by buying the securities or buying calls on them) in securities underlying put options.

When the Mariner sells (writes) an option, the risk can be substantially greater than when it buys an option. The seller of an uncovered call option bears the risk of an increase in the market price of the underlying security above the exercise price. The risk is theoretically unlimited unless the option is covered. If it is covered, the Fund would forego the opportunity for profit on the underlying security should the market price of the security rise above the exercise price. If the price of the underlying security were to drop below the exercise price, the premium received on the option (after transaction costs) would provide profit that would reduce or offset any loss the Fund might suffer as a result of owning the security.

Options may be cash settled, settled by physical delivery or by entering into a closing purchase transaction. In entering into a closing purchase transaction, the Fund may be subject to the risk of loss to the extent that the premium paid for entering into such closing purchase transaction exceeds the premium received when the option was written.

Each option on a futures contract, physical commodity, security, or foreign exchange is a right, purchased for a certain price, to either buy or sell a futures contract, physical commodity, security, swap, interest rate yield curve position or foreign exchange during a certain period of time for a fixed price. Although successful options trading requires many of the same skills as does successful futures trading, the risks involved are somewhat different. For example, if the fund buys an option (either to sell or purchase a futures contract, commodity, security or foreign exchange), it will pay a "premium" representing the market value of the option. Unless the price of the instrument underlying the option changes and it becomes profitable to exercise or offset the option before it expires, the fund may lose the entire amount of such premium. Conversely, if the fund sells an option, it will be credited with the premium but will have to deposit margin due to its contingent liability to take or deliver the instrument underlying the option in the event that the option is exercised. Sellers of options are subject to the entire loss which occurs in the underlying futures position or commodity, security or foreign exchange, (less any premium received). The ability to trade in or exercise options may be restricted in the event that trading on an exchange is restricted.

- Repurchase Agreements. These agreements involve the simultaneous purchase of agreement to resell government securities. At the same time the fund buys a security, it agrees to resell it to the original seller and is obligated to deliver the security to such seller at a fixed price and time, thereby determining the yield during its holding period. The agreements are either executed for a one day term or, if for a longer term, the collateral is repriced and adjusted daily. The repurchase price is in excess of the sale price and reflects an agreed upon market price unrelated to the coupon date on the purchased security. Such transactions afford an opportunity for the fund to invest temporarily available cash. There is a risk of the ability of the original seller to pay the agreed upon sum on the delivery date; in the event of default the repurchase agreement provides that the fund is entitled to sell the underlying collateral and the value of the collateral at the time the transaction is entered

into always exceeds the agreed upon sum to be paid to the fund. However, if the value of the collateral declines after the agreement is entered into and if the seller defaults under a repurchase agreement when the value of the underlying collateral is less than the repurchase price, then the fund will incur a loss. Also, securities positions held by dealers in repurchase transactions that are transferred to others by such dealers are subject to the risk of such dealers' default or bankruptcy.

- Reverse Purchase Agreements. The entering into of reverse purchase agreements by the fund will involve certain risks. For example, if the seller of securities under a reverse purchase agreement defaults on its obligation to repurchase the underlying securities, as a result of bankruptcy or otherwise, the fund will seek to dispose of such securities, which action could involve costs or delays. If the seller becomes insolvent and subject to liquidation or reorganization under applicable bankruptcy or other laws, the fund's ability to dispose of the underlying securities may be restricted. If the seller fails to repurchase the securities, the fund may suffer a loss to the extent proceeds from the sale of the underlying securities are less than the repurchase price. Securities positions of the fund held by dealers on repurchase transactions can also be transferred to others by such dealers and, therefore, are subject to risk of such dealers' default or insolvency.
- Leverage. Mariner may leverage investment positions by borrowing funds, which will typically be secured by the Fund's securities and other assets, from securities broker-dealers, banks, or others. Borrowing money to purchase securities may provide the Fund with the opportunity for greater capital appreciation but, at the same time, will increase the exposure to capital risk and higher current expenses. Moreover, if the assets under management are not sufficient to pay the principal of, and interest on, the debt when due, the Interests could sustain a total loss of investment. Mariner anticipates utilizing leverage in its investments with respect to the Assets. As such, the Interests' exposure to capital risk is increased. Accordingly, a relatively small movement in the spread relationship between the futures and securities the Fund owns and those which it has sold short may result in substantial losses.
- Hedging Transactions. The fund might utilize a variety of financial instruments such as derivatives, options, interest rate swaps, caps and floors and forward contracts, both for investment purposes and for risk management purposes (*i.e.*, currency risk exposure). Hedging also involves special risks including the possible default by the other party to the transaction, illiquidity and, to the extent Mariner's assessment of certain market movements is incorrect, the risk that the use of hedging could result in losses greater than if hedging had not been used. The fund is subject to the risk of the failure or default of any counterparty to its transactions. If there is a failure or default by the counterparty to such a transaction, the fund will have contractual remedies pursuant to the agreements related to the transaction (which may or may not be meaningful depending on the financial position of the defaulting counterparty). Mariner seeks to minimize the fund's counterparty risk through the selection of financial institutions and types of transactions employed.
- Short Sales. Short sales of securities may at certain times constitute a material part of the fund's strategy. Short sales can, in certain circumstances, substantially increase the impact of adverse price movements on an investment portfolio. A short sale of a security involves the risk of a theoretically unlimited increase in the market price of a security which could result in an inability to cover a short position or a theoretically unlimited loss. There can be

no assurance that the securities necessary to cover a short position will be available for purchase.

## **II. Concordia Institutional Multi-Strategy Ltd.**

**Fund Strategy and related risks:** Global Fixed Income Trading and Arbitrage Investment Strategies.

*Description.* This fund is a custom investment vehicle which currently engages in a global fixed income trading and arbitrage investment strategies. More specifically, the Investment Strategy is likely to be comprised primarily of a global fixed income arbitrage strategy, a municipal bond arbitrage trading strategy and a U.S. agency MBS trading strategy. Each investment strategy is accounted for separately on the books of the fund.

- Municipal Relative Value. Please see strategies, types of investment and related risks for Concordia Municipal Opportunities Master Fund, L.P. (Section 8-III below)
- G-10 Fixed Income Relative Value. Please see strategies, types of investment and related risks for Concordia G-10 Fixed Income Relative Value I, L.P. (Section 8-I above)
- U.S. Agency MBS. Please see strategies, types of investment and related risks for Galton Agency MBS Master Fund, LP (Section 8-IV)

### **Types of investments and related risks:**

- Multiple Strategies. The Fund assets will be allocated among separate accounts as described herein. Each separate account will be managed by a separate trader that will make its own trading decisions and have discretion in managing the portion of the assets allocated to that separate account. Accordingly, it is possible that one or more of the traders may, at any time, invest the assets allocated to its separate account in positions that may be opposite of positions taken by one or more other traders. It is also possible that different traders may on occasion invest the assets of their separate accounts in substantial positions in the same security or group of securities at the same time and traders may at times incorporate ideas in the investment strategy of their separate accounts from other traders. Although diversification is an objective and a component of Mariner's risk management process, Mariner is not restricted as to the percentage of any separate account assets that may be invested in any particular asset class or sector. The separate accounts themselves also generally do not maintain any fixed requirements for diversifying their portfolios. The possible lack of diversification caused by these factors may subject the overall portfolio of the Fund to more rapid change in value than would be the case if the assets of the separate accounts were required to be more widely diversified.

## **III. Concordia Municipal Opportunities Master Fund, L.P.**

**Fund Strategy and related risks:** Municipal Relative Value

*Description:* This fund's assets are primarily invested in an effort to take advantage of perceived mispricings both within the U.S. municipal and related derivative market and between the U.S.

municipal and related derivative markets and other fixed income and derivative markets. The investment thesis or strategy is designed with a view that while the long run equilibrium between the U.S. municipal bond market and other U.S. fixed income markets is driven by marginal tax rates and credit concerns, short-term factors regularly cause the market to trade at levels which deviate significantly from equilibrium. Certain of these same short-term factors also cause dislocations within the U.S. municipal market. As such, Mariner believes that profitable trade opportunities exist with favorable risk/reward characteristics

*Risks:*

- The fund invests in fixed income securities which may be unrated by a recognized credit-rating agency or below investment grade and which are subject to greater risk of loss of principal and interest than higher-rated debt securities. The fund may invest in debt securities which are not protected by financial covenants or limitations on additional indebtedness. The fund will therefore be subject to credit and liquidity risks. In addition, the market for credit spreads is often inefficient and illiquid, making it difficult to accurately calculate discounting spreads for valuing financial instruments. Investment in a debt instrument will normally involve the assumption of interest rate risk. The fund will, however, attempt to hedge such risk.
- The fund invests in municipal bonds, and changes in federal income tax policy can have an adverse effect on the price of municipal bonds which are owned if such tax changes alter the tax advantaged status of municipal bonds which the fund may own.
- The fund might take positions in municipal market related equities, options on equities, or derivatives which proxy either the equity or general credit markets as one side or a “leg” of any relative value trade. The fund will therefore be subject to general and idiosyncratic liquidity and credit risks that differ from the risks inherent solely by investing in municipal bonds.
- The fund may engage in margin borrowing. Margin borrowing increases returns to investors if the fund earns a greater return on leveraged investments than its cost of such leverage. However, the use of margin borrowing exposes the fund to additional levels of risk including (i) greater losses from investments than would otherwise have been the case had the fund not borrowed to make the investments, (ii) margin calls or changes in margin requirements may force premature liquidations of investment positions and (iii) losses on investments where the investment fails to earn a return that equals or exceeds the fund’s cost of leverage related to such investments. In case of a sudden, precipitous drop in value of the fund’s assets, the fund might not be able to liquidate assets quickly enough to repay its borrowings, further magnifying losses.
- Two or more buy or sell orders may not be able to be executed simultaneously at the desired prices, resulting in a loss being incurred on both sides of a multiple trade transaction.
- The transaction costs of “relative value” transactions can be especially significant because separate costs are incurred on each component of the transaction. Consequently, a substantial favorable price movement may be required before a profit can be realized.
- Even if a “relative value” strategy correctly identifies a mispricing, the ability of the strategy to capture such mispricing depends on Mariner’s (or its affiliate’s) ability to maintain the relative value position until the market returns to fair value. Mariner (or its affiliate) might not be able to do so for a number of reasons (including, without limitation, financing costs, stop-loss limits and market disruptions) and may, accordingly, incur substantial losses on a position which would otherwise have been profitable.

## Types of investments and related risks:

- Debt Securities. Like all fixed income securities, municipal bonds, treasury bonds, corporate bonds and other types of fixed income securities are susceptible to fluctuations in interest rates. If interest rates rise, market prices of existing bonds will decline, despite the lack of change in both the coupon rate and maturity. Long-term bonds are generally more susceptible to this than shorter-term bonds. The fund will attempt to hedge this risk.

There is a risk that the rate of the yield to call or maturity of the investment may not provide a positive return over the rate of inflation for the period of the investment.

Credit risk is the risk that the issuer will default or be unable to make required principal or interest payments. Despite the fact that many municipal bonds have high credit ratings, there is a risk of default in any bond investment.

- Municipal Bonds versus Taxable Fixed Income. When the U.S. municipal bond market seems to be pricing at an unusually low implied future tax rate (i.e., municipal bonds appear “cheap”), Mariner may purchase U.S. tax-exempt assets (directly or via trust certificates commonly referred to as “inverse floaters”) with the most attractive relative value relationship versus taxable markets. To hedge the interest rate risk associated with these assets, they will sell short a given taxable instrument or by entering into an interest rate derivative transaction. When the relationship returns to its normal level the trade will be reversed.

When the U.S. tax-exempt market appears to be pricing at an unusually high implied future tax rate (municipal bonds appear “rich”), Mariner will take a short position in the municipal bond market via forward rate agreements (“Rate Locks”), municipal futures or swaps. It is not possible to “short” municipal cash bonds. In these situations, Mariner will attempt to hedge via an offsetting long position or an interest rate derivative transaction.

- Municipal Bonds versus Municipal Indices. Mariner may buy the bonds of particular states that they deem to be temporarily undervalued by the market. They will in turn hedge the interest rate risk by selling municipal bond futures or entering into rate lock agreements.
- Derivatives. The fund utilizes both exchange-traded and over-the-counter derivatives, including, but not limited to, futures, forwards, swaps and options, as part of its investment policy. These instruments can be highly volatile and expose investors to a high risk of loss. The low initial margin deposits normally required to establish a position in such instruments permit a high degree of leverage. As a result, depending on the type of instrument, a relatively small movement in the price of a contract may result in a profit or a loss which is high in proportion to the amount of funds actually placed as initial margin and may result in unquantifiable further loss exceeding any margin deposited. In addition, daily limits on price fluctuations and speculative position limits on exchanges may prevent prompt liquidation of positions resulting in potentially greater losses. Transactions in over-the-counter contracts may involve additional risk as there is no exchange market on which to close out an open position. It may be impossible to liquidate an existing position, to assess the value of a position or to assess the exposure to risk. Contractual asymmetries and inefficiencies can also increase risk, such as break clauses, whereby a counterparty can terminate a transaction on the basis of a certain reduction in net asset value, incorrect collateral calls or delays in collateral recovery. The fund may also buy or sell covered and

uncovered options on securities. To the extent that options are uncovered, the fund could incur an unlimited loss.

- Equities. Equity securities fluctuate in value in response to many factors, including, among others, the activities and financial condition of individual companies, the business market in which individual companies compete, industry market conditions, interest rates and general economic environments.

A short sale involves the sale of a borrowed security in the expectation of purchasing the same security (or a security exchangeable therefore) at a later date at a lower price. When the short seller makes a short sale in the United States, it must leave the proceeds thereof with the broker and it must also deposit with the broker an amount of cash or U.S. Government or other securities sufficient under current margin regulations to collateralize its obligation to replace the borrowed securities that have been sold. If short sales are affected on a foreign exchange, local law will govern such transactions. A short sale involves the risk of a theoretically unlimited increase in the market price of the security.

#### **IV. Galton Agency MBS Master Fund, LP (master fund), Galton Agency MBS Offshore Fund, Ltd. and Galton Agency MBS Onshore Fund, LP (feeder funds)**

**Fund Strategy and related risks:** Agency Mortgage Backed Securities ("Agency MBS") Relative Value

*Description:* The Fund intends to maintain a portfolio that achieves a high level of current income based on interest and principal process from investments in mortgage backed securities wrapped by U.S. government agencies or sponsored entities including Government National Mortgage Association ("GNMA"), Federal Home Loan Mortgage Corporation ("FHLMC"), Federal National Mortgage Association ("FNMA"), the Federal Housing Administration ("FHA") or other U.S. government sponsored entity (together, the "Agencies"). Although Agency MBS is expected to be the Fund's dominant focus, the Fund will also make tactical investments in Non-Agency or private label structured products across the residential mortgage backed securities ("RMBS"), commercial mortgage backed securities ("CMBS"), asset backed securities ("ABS") and other structured product markets as well as other related fixed income and equity assets classes (collectively referred to as "Structured Products").

*Risks:*

- Housing Reform. The structure of the U.S. housing finance market is subject to substantial change and multiple types of reform, ("Housing Reform"). Housing Reform may include, but is not limited to, FNMA and FHLMC exiting conservatorship, changes to the implicit or explicit U.S. government backing of the Agencies, elimination of one or more of the Agencies, merger or combination of multiple Agencies, changes to the guidelines of the Agencies as well as various other forms of legislative or regulatory reform. Housing Reform may result in meaningful changes to the counterparty risk of the Agencies, the value of any past or future credit wraps provided by the Agencies, liquidity of Agency MBS, and other factors that may have a material adverse impact on the Fund's investments as well as the nature and attractiveness of the Fund's targeted opportunity set.
- Systemic Flows and Technicals. The investor base for U.S. mortgage and structured products traditionally includes a wide range of global investors with vastly different economic and non-economic motivations. This diversity of investor base and motivation is

especially impactful in the Agency MBS market which has historically comprised a majority of the securitized component of this marketplace. The evolution of the CMO market and securitization technology has allowed the market to more effectively accommodate the differing needs of various investors and we believe this also creates additional opportunities. Through active management and opportunistic trading focused on relative value, we believe this creates an opportunity for assuming risks or purchasing bonds with profiles that may fall outside the purview of the other larger investors in the marketplace.

- Reliance on Industry Data Sources and Structuring Models. The strategies often rely on the financial information made available (on a non-confidential basis) by the Agencies, the issuers, servicers, third-party modeling firms, third-party data providers including mortgage loan, housing and macro-economic data, and trustees of securities in which the Fund will invest. Recent events in the United States and around the world have demonstrated the material losses that investors can incur as a result of the difficulty in creating useable data to create adequate models.
- Quantitative Model Risks. Mariner will employ quantitatively-based financial/analytical internal and third party models to aid in the selection of investments for the Fund, to allocate investments across various asset classes and types, including but not limited to sector, style, size and risks, and to determine the risk profile of the Fund. The success of the Fund's investment and trading activities will depend, to some degree, on the viability of these analytical models. There can be no assurance that the models are currently viable or, if the models are currently viable, that they will remain viable during the existence of the Fund. In fact, these models are based upon historical performance data and there is no guarantee that this historical performance will be similar to future performance. As such, Mariner utilizes this data and creates internal models based upon their best estimate of the impact of the current mortgage, macroeconomic and other market conditions. Furthermore as it relates to third party models, Mariner may not have control over or complete insight into the assumption sets and underlying parameters of the model. These third party models may include models from paid vendor sources as well as models provided by broker dealers or other market participants. Also, there can be no assurance that the investment professionals utilizing the models will be able to (i) determine that any model is or will become not viable, or not completely viable, (ii) ensure that the models will accurately capture these relationships between asset classes and types and continue to do so over time or (iii) notice, predict or adequately react to any change in the viability of a model. The use of a model that is not viable or not completely viable could, at any time, have a material adverse effect on the performance of the Fund.

#### **Types of investments and related risks:**

- Agency MBS. The Fund will invest primarily in Agency MBS that are guaranteed or issued by the Agencies and such other U.S. governmental agencies that may issue or guarantee MBS in the future. Agency MBS are subject to all risks generally applicable to MBS, but protection from credit losses is generally subject to a guarantee from the issuing or guaranteeing Agency. Although the Agencies have, from time to time, had their liabilities implicitly or explicitly guaranteed by the U.S. government, there is no guarantee that such credit support will exist in the future. Importantly, the Agency wrap is not intended to protect against non-credit related investment losses, including but not limited to the impact of loan prepayment behavior, interest rate movements, reduction in interest proceeds, changes in the timing of principal repayment and other factors not explicitly related to a

credit loss. Additionally, depending on their placement within the capital structure and the nature of specific securitization structures, certain securities issued by an Agency or backed by Agency related collateral, may not receive a guarantee against credit losses, including but not limited to Agency credit risk transfer securitizations, certain commercial loan securitizations and other structures where the Agency wrap is either non-existent, limited in scope or is not intended to protect bond holders against the entirety of credit related losses on the underlying loans. No Agency guarantee should be viewed as a complete protection against capital depreciation.

The Fund might invest in mortgage pass-through securities representing participation interests in pools of residential mortgage loans originated or wrapped by the Agencies. Any guarantee of such securities runs only to principal and interest payments on the securities and not to the market value of such securities or the timing of principal and interest payments on the underlying mortgages. In addition, the guarantee only runs to the applicable portfolio securities held by the Fund and not to the Shares. Such securities, which are ownership interests in the underlying mortgage loans, differ from conventional debt securities, which provide for periodic payment of interest in fixed amounts (usually semi-annually) and principal payments at maturity or on specified call dates. Mortgage pass-through securities provide for monthly payments that are a “pass-through” of the monthly interest and principal payments (including any prepayments) made by the individual borrowers on the pooled mortgage loans, net of any fees paid to the guarantor of such securities and the servicer of the underlying mortgage loans. Guaranteed mortgage pass-through securities are often sold on a to-be-announced or “TBA” basis (known as TBA securities and referred to herein as TBA). Such securities are typically sold one to three months in advance of issuance, prior to the identification of the underlying pools of mortgage securities but with the interest payment provisions fixed in advance. The underlying pools of mortgage securities are identified shortly before settlement and must meet certain parameters. In the period between trade and settlement date, the portfolio will be exposed to counterparty credit risk, fluctuations in the valuation of the TBA assets and other risk factors. Additionally, the margin and other collateral posting requirements associated with TBA assets means that investing in these assets may effectively represent substantial additional off-balance sheet leverage for the Fund exhibiting many of the increase risk factors associated with mark-to-market, recourse, non-term financial leverage.

In addition to IO and PO stripped bonds, Agency MBS may be structured in many different ways using REMIC securitizations, CMOs and other securitization vehicles. These securitization structures may result in Agency MBS assets that are highly complex, more difficult to value, demonstrate higher cash flow volatility and more highly exposed to modeling and assumption set errors. Additionally, the securitization structures may add substantial structural leverage to certain Agency MBS assets and therefore substantially increase the risk of loss to bond holders. The structure of certain Agency MBS assets and the resultant structural leverage may materially increase the risks embedded in the underlying mortgage loans and mortgage pass-through securities. Importantly, this may significantly amplify the negative impact of changes in interest rates, prepayment speeds, model error and other factors. Due to the potentially higher volatility, risk, complexity and other factors, Agency MBS may exhibit materially decreased liquidity compared to other fixed income assets and in particular compared to other interest rate sensitive and government guaranteed assets. In previous periods of market distress the combination of these factors resulted in significant realized and mark to market losses for holders of Agency MBS assets.

- Non-Agency Residential Mortgage-Backed Securities (“Non-Agency RMBS”). Non-Agency RMBS are a form of asset-backed security and are general obligations of the issuer, which are typically secured exclusively by residential mortgages or residential mortgage-backed collateral. RMBS are not issued by U.S. government agencies or instrumentalities, but by private entities such as banks, savings and loans, mortgage bankers and other nongovernmental issuers, and are not guaranteed by the U.S. government or any Agency. Accordingly, Non-Agency RMBS are generally viewed as being subject to heightened risk of loss, including but not limited to the loss of principal or credit risk, relative to Agency MBS.

Non-Agency RMBS typically represent interests in pools of residential mortgage loans. Such loans may be prepaid at any time. Residential mortgage loans are obligations of the borrowers thereunder only and are not typically insured or guaranteed by any other person or entity. If a residential mortgage loan is in default, foreclosure of such residential mortgage loan may be a lengthy and difficult process, and may involve significant expenses. The performance of the underlying pool of residential mortgage loans is impacted by the ability of counterparties, including the originators, servicers, bond insurers and mortgage insurers, to satisfy their contractual obligations, including repurchase requests of the originators, servicing advances, loss mitigation, mortgage insurance payments and bond insurance payments. Furthermore, the market for defaulted residential mortgage loans or foreclosed properties may be very limited. Given the lack of securitization markets for legacy and new issue loans, the liquidity of the underlying loans is significantly less than historical levels. There can be no assurances that the liquidity for whole loans and as a result the value of the RMBS backed by mortgage loans will improve.

- Commercial Mortgage-Backed Securities (“CMBS”). CMBS are securities backed by obligations (including participation interests in obligations) that are principally secured by mortgages on real property or interests therein having a multifamily or commercial use, such as regional malls, other retail space, office buildings, land, industrial or warehouse properties, hotels, apartments, cooperatives, nursing homes and senior living centers. CMBS may be collateralized by one asset, a portfolio of assets, related assets or a portfolio of loans to unrelated borrowers. CMBS have been issued in public and private transactions by a variety of public and private issuers using a variety of structures, including senior and subordinated classes. CMBS securities may be fixed or floating, rated or unrated and domestic or foreign based, whether by issuer, properties, collateral or otherwise. As the total broader market is smaller than the RMBS and ABS markets, CMBS securities values may be materially influenced by changes in larger and unrelated markets.

Risks affecting commercial real estate investments include general economic conditions, the condition of financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. The cyclicity and leverage associated with commercial real estate-related investments have historically resulted in periods, including significant periods, of adverse performance, including performance that may be materially more adverse than the performance associated with other investments. In addition, commercial mortgage loans generally are nonrecourse loans, lack standardized terms, tend to have shorter maturities than residential mortgage loans and may provide for the payment of all or substantially all of the principal only at maturity. In some cases, the properties securing commercial mortgage loans may be subject to additional debt, either senior, pari passu or subordinate, that may affect the related borrower’s ability to refinance the loan or result in reduced cash flow and deferred maintenance. Additional risks may be

presented by the type and use of a particular commercial property. For instance, commercial properties that operate as hotels may present special risks to lenders and CMBS securities holders because they are often operated pursuant to franchise, management or operating agreements which may be terminable by the franchisor or operator. In addition, the transferability of a hotel's operating, liquor and other licenses upon transfer of a hotel, whether through purchase or foreclosure, is subject to local law requirements. As another example, retail properties are affected by retail trends, including e-commerce. Multifamily properties are affected by demographic trends of new housing supply and the availability of governmental financing. Senior housing has significant governmental regulations which affects ownership, licensing, operations, maintenance and financing. These examples are illustrative of the factors and circumstances that increase the risks involved with commercial real estate investing and lending but is in no way intended to represent a complete list of risks related to commercial real estate sub-sectors or the CMBS market as a whole. Commercial properties tend to be unique and are more difficult to value than single-family residential properties. Commercial lending is generally viewed as exposing an investor to a greater risk of loss than residential lending since it typically involves larger loans to a single borrower or related borrowers than residential lending.

- Asset-Backed Securities ("ABS"). The Fund's investment strategy may include a variety of ABS, including ABS backed by assets other than those for which risks are specific to the underlying collateral, such as credit card receivables, automobile loans, home equity loans, student loans and other asset receivables, including those that may develop in the future, with different credit risk, yield and maturity characteristics and risks corresponding to such assets. Unlike traditional debt securities, which may pay a fixed rate of interest until maturity when the entire principal amount comes due, payments on certain ABS include both interest and a partial payment of principal. This partial payment of principal may be comprised of a scheduled principal payment as well as an unscheduled payment from the voluntary prepayment, refinancing or foreclosure of the underlying loans. As a result of these unscheduled payments of principal, or prepayments on the underlying securities, the price and yield of ABS can be adversely affected. For example, during periods of declining interest rates, prepayments can be expected to accelerate, and Mariner would be required to reinvest the proceeds at the lower interest rates then available. Prepayments of loans that underlie securities purchased at a premium could result in capital losses because the premium may not have been fully amortized at the time the obligation is prepaid. In addition, like other interest-bearing securities, the values of ABS generally fall when interest rates rise, but when interest rates fall, their potential for capital appreciation is limited due to the existence of the prepayment option.
- Leverage. The Fund expects to employ financial and structural leverage throughout the life of the Fund. The amount of leverage which might be employed by the Fund at a given time will be determined by Mariner

The rights of any lenders making loans directly to the Fund to receive payments of interest or repayments of principal will be senior to those of the Shareholders; in addition, credit providers will have certain enforcement rights (including compulsory prepayment in the event of default) and rights to the assets of the Fund which might negatively affect an investor's interest. In addition, the lenders have no obligation to enter into new lending transactions when current transactions mature. The Fund has limited liquidity to meet margin calls, enter into new lending transactions and leverage interest payment shortfalls resulting from underlying bond interest shortfalls. In the event that the Fund is unable to

meet either margin or interest payment requirements, the credit providers will be able to force the sale of underlying assets or have the ability to seize the assets at the current lender-provided marks. Payments of interest and fees incurred in connection with the borrowings will reduce any income the Fund would otherwise have available, which may reduce the Fund's profitability and may prevent the Fund from taking advantage of attractive investment opportunities. The effect of leverage will amplify the performance of the Fund on both the upside performance and downside performance. The use of leverage may result in a loss of principal.

During market dislocations, there have been periods during which the majority of market participants have been partially or entirely unwilling to lend capital for the types of financial leverage transactions which the Fund is expected to be reliant on. During these periods, lenders may be unwilling to provide leverage on new positions, may not roll financing on existing positions and may also effectively terminate existing leverage through mark-to-market or other mechanisms inherent in financial leverage agreements. These actions may severely impact the ability of the Fund to secure and or maintain existing leverage which may force the Fund to liquidate positions during times of extreme stress and severely reduced liquidity.

- Interest Rate Risk. The Fund is subject to several risks associated with changes in interest rates on its financings and investments which can affect profitability. The interest payments on the Fund's financings may increase relative to the interest earned on the Fund's investments. In a period of rising interest rates, interest payments by the Fund could increase while the interest earned on certain investments (e.g., fixed-rate RMBS) would not change. The Fund may rely on short-term financings to acquire investments with long-term maturities. Similarly, the Fund may acquire investments with short-term maturities which are secured by long-dated assets. Certain of the Fund's investments may be adjustable-rate instruments in which interest rates vary over time, based upon changes in an objective index (e.g., LIBOR) which generally reflect short-term interest rates. The interest rates on the Fund's financings similarly vary with changes in an objective index but may adjust more frequently than the interest rates of the Fund's investments. Many of the borrowers with respect to underlying mortgage loans which secure RMBS bonds and other securitized investments of the Fund may have fixed interest rates, or variable rates which do not adjust until the loan has been outstanding for several years. Even when rates are adjusted they may only adjust on an annual basis and increases are typically subject to a cap. The interest rates payable to the Fund on the RMBS or other securitized assets it acquires may adjust more frequently, may not be tied to the same index and may not be subject to a cap. As a result, the interest income received in respect of the underlying collateral may not be sufficient to permit the RMBS issuer to make scheduled interest payments to the Fund and in turn from the Fund to the financing counterparty thereby increasing the default risk on the lending vehicles.

The Fund's focus on Agency MBS and the potential for concentrated exposure to Notional Bonds including IO and IIO bonds may substantially increase the Fund's exposure to interest rate risk and changes in the behavior of borrowers in the underlying loans. Changes in actual or expected interest rates may have a meaningful impact on the performance of borrowers related to underlying loans including among other impacts, changes to voluntary and involuntary prepayment speeds. These changes may have a material impact on the performance of Fund assets including changes to the timing and aggregate amount of cash flow related to specific assets. Investments in notional bonds may

exacerbate the impact of such risks and changes in interest rates and borrower behavior, including the partial or complete loss of invested capital. Additionally, investments in assets whose coupons move inversely relative to prevailing market interest rates, such as IIO, non-Agency IIO and other inverse assets, may have structurally levered exposure to changes in interest rates and may exhibit higher cash flow and price volatility as well as having complex profiles with further reduced liquidity in times of interest rate volatility.

- Derivatives Risk and Short Selling. Derivatives are financial contracts in which the value depends on, or is derived from, the value of an underlying asset, reference rate or index. The Fund may use derivatives for any purpose including, among other things, as a substitute for taking a position in the underlying asset or as part of a strategy designed to reduce or increase exposure to other risks, such as interest rate, credit, prepayment speed, housing or other Agency and non-Agency MBS-related risks. The Fund's use of derivative instruments involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional investments. Derivatives are subject to a number of risks described elsewhere in this section, such as interest rate risk, market risk, counterparty risk, liquidity and credit risk. They also involve the risk of mispricing or improper valuation and the risk that changes in the value of the derivative may not correlate perfectly with the underlying asset, rate or index. If the Fund invests in a derivative instrument it could lose more than the principal amount invested. Also, suitable derivative transactions may not be available in all circumstances and there can be no assurance that the Fund will engage in these transactions to reduce exposure to other risks when that would be beneficial.

Short selling might be employed as a part of the Fund's investment strategy, in particular through the use of credit default swaps and total return swaps. Synthetically-created short positions will involve both hedging situations, where the position is intended to wholly or partially offset risk associated with another position in a related security, and speculative situations, where Mariner uses shorting techniques to take advantage of the decline in the price of particular assets. The Fund will generally realize a profit or a loss as a result of a synthetically-created short position if the value of the underlying asset decreases or increases, respectively, during the relevant term of the short position. In addition, the Fund will be required to post collateral on such positions as required pursuant to the agreement with the relevant transaction counterparty. The use of short selling through credit default swaps and total return swaps will subject the Fund to counterparty credit risk in the event of a default by the counterparty which could result in the loss of collateral posted with such counterparty and gains to which the Fund would otherwise be entitled absent the default of the counterparty. In addition, depending on the nature of the synthetic instrument used to create short exposure, the Fund could be subject to the risk of unlimited losses and materially decreased liquidity.

- Currency Risks and Hedging. Investments in non-U.S. Dollar denominated Series will generally be exposed to a significant currency risk. Substantially all of the master fund's investments will be U.S. Dollar-denominated. To the extent that the operational currency in which a non-U.S. Dollar denominated Series is denominated appreciates relative to the U.S. Dollar, the value of the master fund's investments in the relevant operational currency will be adversely affected.

Mariner intends to employ certain currency-related transactions in connection with the Series B Shares. Hedging against a reduction in the value of the Japanese Yen resulting from

a decline in the value of the U.S. Dollar relative to the Japanese Yen does not prevent losses in the value of the Fund, but it establishes other positions designed to gain from such a decline. Such hedging transactions limit the opportunity for gain if the U.S. Dollar should appreciate against the Japanese Yen. Furthermore, the Fund will be subject to the risk that the value of the Japanese Yen may depreciate against the U.S. Dollar, causing losses on the Fund's hedging transactions. Accordingly, the hedging program may or may not achieve its intended results and/or materially impair and investment in the Series B Shares.

**V. Galton Mortgage Basis Master Fund, LP (master fund), Galton Mortgage Basis Offshore Fund, Ltd. (feeder fund)**

**Fund Strategy and related risks:** Short Agency MBS-UST Basis

*Description:* The Fund will have concentrated and levered exposure expressed primarily through various Mortgage TBA positions and synthetic interest rate instruments with a particular emphasis on an actively managed short exposure to the MBS Basis. Mariner intends to achieve this short MBS Basis exposure by taking net short positions with respect to Mortgage TBA while taking long positions with respect to similar duration U.S. interest rate products. The resultant net exposure in the Fund is expected to often, but not necessarily always, be short spread exposure in the Mortgage TBA market and long interest rate volatility. Mariner intends to actively manage trade construction (i.e. the combination of MBS coupons and hedges) as well as appropriate position sizing. In addition to directional positioning in the MBS Basis, Mariner expects the focus on relative value and tactical trading to be key components of the Fund's overall total return.

*Risks:*

- Lack of Asset Diversification. The Fund is a specialized strategy fund investing primarily in agency mortgage-related assets and is therefore subject to limited diversification requirements and may invest a significant portion of its assets in the securities of a small number of issuers or indirectly in similar assets. Additionally, the underlying properties to which such mortgage-related assets relate may be in a limited number of geographical areas or may have similar characteristics, profiles and behavior. As a result, the Fund may be more susceptible to risks associated with a single economic, housing, contract law, political or regulatory occurrence than a more diversified portfolio might be. As a central component of the Fund's investment strategy the Fund may take significant risk that is intentionally highly concentrated, directional and not fully hedged for all risk factors for which hedging tools may be available. In particular, it is expected that the Fund will have levered, concentrated and directional exposure to the MBS Basis, including but not limited to levered short exposure to the MBS Basis.
- Spread and Credit Term Trading Risks. The Fund may purchase one asset and short another asset in the same or differing securitizations or components of the Agency MBS market including relative value exposure in Mortgage TBA. To the extent the price relationships between such positions remain constant, no gain or loss on the positions will occur. Such positions do, however, entail a substantial risk that the price differential could change unfavorably. Especially with respect to the Mortgage TBA market, it is expected that the Fund will take substantial risk to spreads between various Mortgage TBA instruments and between Mortgage TBA and other sectors including the MBS Basis. There is no assurance that these relationships or spreads will move as expected and such spreads may

move in a way that is substantially negative to Fund performance including resulting in a complete loss of a Shareholder's investment in the Fund

#### **Types of investments and related risks:**

- **Mortgage TBA.** Agency guaranteed mortgage pass-through securities, which are securities providing monthly payments that are a “pass-through” of the monthly interest and principal payments (including any prepayments) made by the individual borrowers on the pooled mortgage loans, net of any fees paid to the guarantor of such securities and the servicer of the underlying mortgage loans, are often sold on a to-be-announced or “TBA” basis. Such Mortgage TBA securities are typically sold one to three or more months in advance of issuance, prior to the identification of the underlying pools of mortgage securities but with the interest payment provisions fixed in advance. The underlying pools of mortgage securities are identified shortly before settlement and must meet certain parameters. In the period between trade and settlement date, the portfolio will be exposed to counterparty credit risk, margin requirements based on fluctuations in the valuation of the Mortgage TBA assets and other risk factors. Additionally, investing in Mortgage TBA subjects the Fund to liquidity risk given the initial margin requirements and daily variation margin requirements based on mark to market movements as determined by counter party or related exchange. Investing in Mortgage TBA implies notional leverage so the impact of liquidity requirements and mark to market changes will be amplified based on the leverage applied to these positions in the Fund. Mortgage TBA exposure in the Fund may vary considerably throughout the life of the Fund although at various points it is expected that exposure to Mortgage TBA in the Fund may be many times greater than the net asset value of the Fund.

In addition to fundamental factors such as interest rates, pre-payment speeds, volatility and other factors, the Mortgage TBA can be highly influenced by technical supply and demand factors in the global marketplace for Agency MBS. Central Banks, U.S. Banks, REITS, Non-US Banks and other large global investors are often heavily involved in the Mortgage TBA market having a meaningful impact on valuations across the sector. The Federal Reserve has been heavily involved in purchasing Agency MBS through the Mortgage TBA market, especially following the 2008 financial crisis and more recently with the quantitative easing initiatives enacted or increased in response to the COVID-19 global pandemic. Especially following March-2020, the Federal Reserve has been a very significant buyer of Agency MBS and along with other large institutional participants has had a significant impact on valuations in the current environment. As such, the flows from these large institutional market participants, and especially any changes in purchasing by the Federal Reserve is expected to have a meaningful impact on the Agency MBS market and Mortgage TBA spreads and valuations. Continued or increased demand from the Federal Reserve and other meaningful investors may have a significantly negative impact on the performance of a short MBS Basis position and therefore on the performance of the Fund.

Mortgage TBA valuations are further influenced by carry and implied funding costs reflected in the market to roll Mortgage TBA exposure from one month to the next (“TBA Dollar Roll”). Changes in the TBA Dollar Roll market present a meaningful risk to the Fund. Increases in TBA Dollar Rolls tend to benefit holders of long Mortgage TBA exposure through increased positive carry and be detrimental to holders of short Mortgage TBA exposure given the increased cost of rolling the short exposure.

- Short MBS Basis. If mortgage spreads and interest rates remain static, a short MBS Basis position is often a negative carry position and is expected to be negative carry under this scenario in the current environment. The carry of a short MBS Basis position will be influenced, both positively and negatively, by TBA Dollar Rolls as well as the carry of the related long position in interest rates. In the absence of Mortgage TBA spread widening or increased rate volatility, the Fund stands to generate performance over-time reflective of the carrying cost of the trade. In the current environment, the cost to maintain short MBS Basis exposure is negative. The impact of carry will be increased based on the holding period prior to the occurrence of (or lack thereof) of a catalyst that widens the MBS Basis or increases interest rate volatility.

The relationship of mortgage spreads relative to prevailing interest rates is the primary performance catalyst for a short MBS Basis position. Such a short position is intended to benefit if this spread relationship widens; however, tightening of this relationship could result in a material negative impact on the performance of short MBS Basis exposure and the performance of the Fund. Additionally, short MBS Basis exposure typically incorporates long exposure to interest rate volatility meaning increases in volatility are typically beneficial while decreases in volatility will have a detrimental impact on the performance of a short MBS Basis position and therefore negative for the Fund. All of these impacts will have an amplified impact on Fund performance based on leverage applied to the exposure, which may be considerable. The Short MBS Basis exposure in the Fund may vary considerably through-out the life of the Fund although at various points it is expected that the short notional exposure of Mortgage TBA in the Fund may be many times greater than the net asset value of the Fund.

All of these impacts will have an amplified impact on Fund performance based on leverage applied to the exposure, which may be considerable. The Short MBS Basis exposure in the Fund may vary considerably through-out the life of the Fund although at various points it is expected that the short notional exposure of Mortgage TBA in the Fund may be many times greater than the net asset value of the Fund.

In addition to the above, please see strategies, types of investment and related risks for Galton Agency MBS Master Fund, LP (Section 8-IV)

**VI. Galton Mortgage Strategies Master Fund, L.P. (master fund), Galton Mortgage Strategies Onshore Fund, L.P. and Galton Mortgage Strategies Offshore Fund, Ltd. (feeder funds)**

**Fund Strategy and related risks: Agency and Non-Agency Mortgage Backed Securities**

*Description:* The Fund invests across the entire capital structure and will have exposure to interest rate and credit sensitive assets. The Fund is expected to invest across the capital structure in non-Agency or private label structured products across residential mortgage backed securities ("RMBS"), commercial mortgage backed securities ("CMBS"), asset backed securities ("ABS"), collateralized loan obligations ("CLO") and other structured product markets as well as other related fixed income and equity asset classes (collectively "Credit Assets"). Investments in interest rate and prepayment sensitive assets may, among other things, include assets wrapped or issued by U.S. government agencies or sponsored entities including the Government National Mortgage Association ("GNMA"), Federal Home Loan Mortgage Corporation ("FHLMC"), Federal National Mortgage Association ("FNMA"), the Federal Housing Administration ("FHA") or other U.S.

government sponsored entity (together, the “Agencies”) and assets issued by non-governmental agencies or sponsored entities (“Interest Rate Assets”).

*Risks:*

- Quantitative Model Risks. Mariner will employ quantitatively-based financial/analytical internal and third party models to aid in the selection of investments, to allocate investments across various asset classes and types, including but not limited to sector, style, size and risks, and to determine the risk profile of the Fund. The success of the Fund’s investment and trading activities will depend, to some degree, on the viability of these analytical models. There can be no assurance that the models are currently viable or, if the models are currently viable, that they will remain viable during the existence of the Fund. In fact, these models are based upon historical performance data and there is no guarantee that this historical performance will be similar to future performance. As such, the Firm utilizes this data and creates internal models based upon their best estimate of the impact of the current mortgage, macroeconomic and other market conditions. Furthermore, as it relates to third party models, Mariner may not have control over or complete insight into the assumption sets and underlying parameters of the model. These third party models may include models from paid vendor sources as well as models provided by broker dealers or other market participants. Also, there can be no assurance that the investment professionals utilizing the models will be able to (i) determine that any model is or will become not viable, or not completely viable, (ii) ensure that the models will accurately capture these relationships between asset classes and types and continue to do so over time or (iii) notice, predict or adequately react to any change in the viability of a model. The use of a model that is not viable or not completely viable could, at any time, have a material adverse effect on the performance of the Fund.
- Risk Retention Rules Are Unknown. The U.S. Risk Retention Rules governing credit risk retention by a securitization transaction’s “securitizer” and/or “originator” with respect to residential mortgage securitization transactions became effective on December 24, 2015, and with respect to securitizations of all other asset classes became effective on December 24, 2016. While it is anticipated that all securitization transactions in which the Fund may invest will be structured so as to comply with the U.S. Risk Retention Rules, an unintended failure by the sponsor of a securitization transaction to comply with the U.S. Risk Retention Rules may arise. For instance, a lender may provide secured full-recourse financing of the securities issued by a securitization transaction that are retained by the related sponsor or its majority-owned affiliate in a manner intended to comply with the restrictions on transfer and hedging that are contained within the U.S. Risk Retention Rules; however, in the event there were to be an event of default under such secured financing, the retained securities themselves may be subject to foreclosure by the lender and the related sponsor may as a result become out of compliance with the U.S. Risk Retention Rules. No assurance can be given as to what effect, if any, a failure to comply with the U.S. Risk Retention Rules may have on the liquidity or market value of any MBS or ABS investments undertaken by the Fund.

**Types of investments and related risks:**

- Generally. Structured Finance securities including Agency MBS, Non-Agency RMBS, CMBS, including both Agency and Non-Agency, and other mortgage related assets (collectively “MBS”) and Asset Backed Securities (referred to as “ABS”) are securitized pools of underlying loans, which may have unique attributes, including but not limited to,

amortization features, uncertainty of prepayment timing, changing coupon payments, loan underwriting standards, underlying borrower credit quality, collateral type, loan covenants as well as other idiosyncratic behavior as a result of underlying loan characteristics, borrower behavior and market conditions. As a result, MBS and ABS differs materially from traditional fixed income securities, especially those with bullet maturities and less inherent variability to the cash flow profiles. This results in significant differences in the yield and risk characteristics of mortgage-backed securities compared to those of traditional debt securities. The major differences typically include exposure to consumer and mortgage credit risk, idiosyncratic credit behavior, more frequent interest and principal payments (usually monthly), the adjustability of coupons paid on underlying loans and resulting securities, and the possibility that prepayments of principal may be made rapidly or slowly and may vary dramatically over the life of a security. These differences can result in significantly greater risk of credit losses as well as price and yield volatility than is the case with traditional debt securities. In some cases, price and yield volatility in MBS and ABS can be substantial. In addition to the profile of the underlying collateral, MBS and ABS often incorporate structural features, which further influence the cash flows, yield, risk volatility and overall profile of the assets. For example, the cash flow components of mortgage-backed securities may be stripped apart where a pool(s) of mortgage-backed pass-through securities may be stripped to create an interest only ("IO") security and principal only ("PO") security. While the aggregated risk/return characteristics of the IO and PO securities will generally resemble that of the underlying mortgage pass-through security, the price and yield sensitivity of the individual components may be much greater than that of the underlying pass-through security with respect to unanticipated changes in prepayments, interest rates and other factors.

Prepayment rates for underlying borrowers are a key determinant of the cash flow behavior of MBS and ABS investments and are influenced by changes in current interest rates and a variety of other factors including but not limited to economic, geographic, social, and other factors, which cannot be predicted with certainty. Both adjustable rate mortgage loans and fixed rate mortgage loans may be subject to a greater rate of principal prepayments in a declining interest rate environment and to a lower rate of principal prepayments in an increasing interest rate environment. Changes in prepayment behavior of underlying borrowers is often to the detriment of MBS and ABS holders given the changes in prevailing interest rates in the market and the need to reinvest proceeds. For example, when the Fund reinvests amounts representing payments and unscheduled prepayments of principal, it may receive a rate of interest that is lower than the rate on existing adjustable rate mortgage pass-through securities or the rate of interest that was previously received or expected to be received on the previous asset prior to the prepayment. Conversely, as interest rates are rising, principal may be repaid slower than expected causing holders of MBS and ABS to be less effectively able to capture increasing yields available in the marketplace. Thus, compared to other traditional fixed income assets, MBS and ABS may exhibit less price appreciation when interest rates decrease while potentially also exhibiting more severe price declines when interest rates increase. This prepayment volatility is an important risk factor for holders of MBS and ABS, and may materially impact the performance of the Fund.

Market factors adversely affecting mortgage loan repayments may include a general economic downturn, high unemployment, a general slowdown in the real estate market, a drop in the market prices of real estate, or an increase in interest rates resulting in higher mortgage payments by holders of adjustable rate mortgages. The market for mortgage-

related securities has, from time to time, experienced high volatility and a lack of liquidity. There can be no assurance that these markets will not experience similar volatility or illiquidity in the future, and it is possible that the value of these securities could materially decline.

MBS and ABS assets can be created off a variety of different collateral types with additional and highly unique risk factors that may be amplified through the securitization structure of the MBS and ABS. As a result, MBS and ABS may exhibit reduced liquidity, higher cash flow volatile and increased risk to model errors and changes in assumptions, all of which may materially increase the risk inherent in MBS and ABS investments compared to other fixed income assets as well as the underlying loan collateral.

The Fund is expected to have both direct and indirect exposure to the credit performance of underlying borrowers or collateral securitized or referenced within assets of the Fund. The credit quality of underlying collateral related to Fund investments is expected to span the entire credit risk spectrum and may include exposure to loans or underlying collateral that is expected to experience a high degree of credit losses, or in some cases a complete loss of principal investment due to credit losses. Securitization features and other structural characteristics of MBS and ABS may substantially lever or amplify the Fund's exposure to such credit risk and risk of credit related losses. Credit performance of borrowers and underlying collateral may be driven by a multitude of macroeconomic factors as well as borrower and collateral specific factors. Unlike other types of fixed income sectors, MBS and ABS credit losses may be driven by more idiosyncratic factors related to specific borrowers and underlying collateral as well as more traditional adverse economic factors that may drive credit losses.

- Agency Mortgage Backed Securities ("Agency MBS"): Agency MBS assets includes various types of bonds backed by pools of residential and commercial mortgage loans where the principal balance of the loans or securitization are backed in part or entirely by an Agency. The Agency wrap is designed to provide protection for bondholders against credit losses related to performance of the underlying pools leaving exposure to the Agencies. The Agency wrap is intended provide protection against credit losses on wrapped assets by shifting credit risk to the applicable Agency, but does not guarantee that the Agency will not default on its obligation or that investment losses on wrapped assets will otherwise be avoided. Importantly, the Agency wrap is not intended to protect against non-credit related investment losses, including but not limited to the impact of loan prepayment behavior, interest rate movements, reduction in interest proceeds, changes in the timing of principal repayment and other factors not explicitly related to a credit loss. As a result and assuming the Agencies do not default on their Agency wrap, the primary performance drivers for Agency MBS relates to movements in interest rate, market volatility, mortgage rates and other factors that may impact the magnitude and timing of prepayments from underlying borrowers as well as yield expectations in the market. Although the Agencies guarantee against explicit credit losses from the loans, the timing and magnitude of any credit losses can still have a material impact on Agency MBS performance given the resultant changes to cash flows timing and the associated reduction in future expected interest payments. The Agency MBS sector includes a wide variety of assets across the risk, return and liquidity spectrum, including but not limited to Agency Collateralized Mortgage Obligations ("CMOs"), Interest Only Bonds ("IOs"), Inverse Interest Only Bonds ("IIOs"), Fixed CMOs, Floating Rate CMOs; Specified Mortgage Pools, Agency TBA Mortgage Contracts, Agency Reverse Mortgages, Agency Commercial Mortgage Backed Securities;

- Non-Agency Residential Mortgage-Based Securities (“Non-Agency RMBS”): Non-Agency RMBS are a form of asset-backed security and are general obligations of the issuer, which are typically secured exclusively by residential mortgages or residential mortgage-backed collateral. RMBS are not issued by U.S. government agencies or instrumentalities, but by private entities such as banks, savings and loans, mortgage bankers and other nongovernmental issuers, and are not guaranteed by the U.S. government or any Agency. Accordingly, Non-Agency RMBS are generally viewed as being subject to heightened risk of loss, including but not limited to the loss of principal or credit risk, relative to Agency MBS.

Non-Agency RMBS typically represent interests in pools of residential mortgage loans. Such loans may be prepaid at any time. Residential mortgage loans are obligations of the borrowers thereunder only and are not typically insured or guaranteed by any other person or entity. If a residential mortgage loan is in default, foreclosure of such residential mortgage loan may be a lengthy and difficult process, and may involve significant expenses. The performance of the underlying pool of residential mortgage loans is impacted by the ability of counterparties, including the originators, servicers, bond insurers and mortgage insurers, to satisfy their contractual obligations, including repurchase requests of the originators, servicing advances, loss mitigation, mortgage insurance payments and bond insurance payments. Furthermore, the market for defaulted residential mortgage loans or foreclosed properties may be very limited. Given the lack of securitization markets for legacy and new issue loans, the liquidity of the underlying loans is significantly less than historical levels. There can be no assurances that the liquidity for whole loans and as a result the value of the RMBS backed by mortgage loans will improve.

- Commercial Mortgage-Backed Securities (“CMBS”). CMBS are securities backed by obligations (including participation interests in obligations) that are principally secured by mortgages on real property or interests therein having a multifamily or commercial use, such as regional malls, other retail space, office buildings, land, industrial or warehouse properties, hotels, apartments, cooperatives, nursing homes and senior living centers. CMBS may be collateralized by one asset, a portfolio of assets, related assets or a portfolio of loans to unrelated borrowers. CMBS have been issued in public and private transactions by a variety of public and private issuers using a variety of structures, including senior and subordinated classes. CMBS securities may be fixed or floating, rated or unrated and domestic or foreign based, whether by issuer, properties, collateral or otherwise. As the total broader market is smaller than the RMBS and ABS markets, CMBS securities values may be materially influenced by changes in larger and unrelated markets.

Risks affecting commercial real estate investments include general economic conditions, the condition of financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. The cyclicity and leverage associated with commercial real estate-related investments have historically resulted in periods, including significant periods, of adverse performance, including performance that may be materially more adverse than the performance associated with other investments. In addition, commercial mortgage loans generally are nonrecourse loans, lack standardized terms, tend to have shorter maturities than residential mortgage loans and may provide for the payment of all or substantially all of the principal only at maturity. In some cases, the properties securing commercial mortgage loans may be subject to additional debt, either senior, pari passu or subordinate, that may affect the related borrower’s ability to refinance the loan or result in reduced cash flow and deferred maintenance. Additional risks may be

presented by the type and use of a particular commercial property. For instance, commercial properties that operate as hotels may present special risks to lenders and CMBS securities holders because they are often operated pursuant to franchise, management or operating agreements which may be terminable by the franchisor or operator. In addition, the transferability of a hotel's operating, liquor and other licenses upon transfer of a hotel, whether through purchase or foreclosure, is subject to local law requirements. As another example, retail properties are affected by retail trends, including e-commerce. Multifamily properties are affected by demographic trends of new housing supply and the availability of governmental financing. Senior housing has significant governmental regulations which affects ownership, licensing, operations, maintenance and financing. These examples are illustrative of the factors and circumstances that increase the risks involved with commercial real estate investing and lending but is in no way intended to represent a complete list of risks related to commercial real estate sub-sectors or the CMBS market as a whole. Commercial properties tend to be unique and are more difficult to value than single-family residential properties. Commercial lending is generally viewed as exposing an investor to a greater risk of loss than residential lending since it typically involves larger loans to a single borrower or related borrowers than residential lending.

- **Leverage.** The Fund will employ financial and structural leverage, as determined by Mariner. The rights of any lenders making loans directly to the Fund to receive payments of interest or repayments of principal will be senior to those of the Funds investors; in addition, credit providers will have certain enforcement rights (including compulsory prepayment in the event of default) and rights to the assets of the Funds which might negatively affect an investor's interest.

The Funds have limited liquidity to meet margin calls and leverage interest payment shortfalls resulting from underlying bond interest shortfalls. In the event that the Funds are unable to meet either margin or interest payment requirements, the credit providers will be able to force the sale of underlying assets or have the ability to seize the assets at the current lender provided marks. Payments of interest and fees incurred in connection with the borrowings will reduce any income the Funds would otherwise have available, which could reduce the Fund's profitability, and may prevent the Funds from taking advantage of attractive investment opportunities. The effect of leverage will amplify the performance of the Funds on both the upside performance and downside performance. The use of leverage, combined with negative performance of the Funds may result in a loss of principal of some or all of a Limited Partner's capital investment.

- **Derivatives Risk.** Derivatives are financial contracts in which the value depends on, or is derived from, the value of an underlying asset, reference rate or index. The Fund might use derivatives for any purpose including, among other things, as a substitute for taking a position in the underlying asset or as part of a strategy designed to reduce or increase exposure to other risks, such as interest rate, credit, prepayment speed, housing or other RMBS-related risks. The Fund's use of derivative instruments involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional investments. Derivatives are subject to a number of risks described elsewhere in this section, such as interest rate risk, market risk, counterparty risk and credit risk. They also involve the risk of mispricing or improper valuation and the risk that changes in the value of the derivative may not correlate perfectly with the underlying asset, rate or index. If the Fund invests in a derivative instrument it could lose more than the principal amount invested. Also, suitable derivative transactions may not be available in all circumstances

and there can be no assurance that the Fund will engage in these transactions to reduce exposure to other risks when that would be beneficial.

- Short Selling. Short selling might be employed as a part of the Funds' investment strategy, in particular through the use of credit default swaps and total return swaps. Synthetically created short positions will involve both hedging situations, where the position is intended to wholly or partially offset risk associated with another position in a related security, and speculative situations, where Mariner or its affiliate uses shorting techniques to take advantage of the decline in the price of particular assets. The Funds will generally realize a profit or a loss as a result of a synthetically created short position if the value of the underlying asset decreases or increases respectively during the relevant term of the short position. In addition, the Funds will be required to post collateral on such positions as required pursuant to the agreement with the relevant transaction counterparty.

The use of short selling through credit default swaps and total return swaps will subject the Funds to counterparty credit risk in the event of a default by the counterparty which could result in the loss of collateral posted with such counterparty and gains to which the Funds would otherwise be entitled absent the default of the counterparty.

- Interest Rate Risk. The Fund is subject to several risks associated with changes in interest rates on its financings and investments which may affect profitability. The primary interest rate related risks include the direct impact on the underlying mortgage rates available for borrowers, financing cost and overall interest rate expectations in the market. These rates directly impact the prepayment speeds of the underlying mortgage loans and in turn directly impact the performance of RMBS. In addition, these mortgage rates directly impact the affordability of housing and as a result housing performance that drives mortgage related asset performance specifically those with the highest exposure to housing namely the legacy assets. The interest payments on the Fund's financings may increase relative to the interest earned on the Fund's investments. The Fund may rely on short-term financings to acquire investments with long-term maturities. Similarly, the Fund may acquire investments with short term maturities which are secured by long dated assets. Certain of the Fund's investments may be adjustable rate mortgage loans or RMBS in which interest rates vary over time, based upon changes in an objective index (*e.g.*, LIBOR) which generally reflect short-term interest rates.
- Securitization Activity: Across eligible assets classes the Fund may engage in securitization, re-securitization or asset restructuring activity for the purpose of selling assets and/or creating assets to be retained within the Fund. Any such strategy would likely be in the form of using some of the Fund's assets to create newly-issued securitizations or using some of the Fund's securities investments, including but not limited to both the retained securities following the securitization of the Fund's securities purchased by third party issuers, to create newly-issued securities. For example, this securitization activity may be done in many different ways including the aggregation of Spec Pools, Reverse Pools or other securitized pools of assets for the purpose of structuring CMOs, Reverse CMOs or other types of securitization structures. Additionally, multiple securities across MBS assets may be aggregated and combined in a re-securitization structure. Especially in light of the extremely limited market currently existing for certain of these newly-issued investments, it is unclear to what extent a satisfactory market might exist for securitized assets if and when the Fund wishes to execute this strategy. There can be no assurance that a market for any such securities will develop or, if it does, that it will meet the needs of the Fund at such

time as the Fund may seek to monetize or lever its securities investments using securitization.

- Co-Mingled Activity: Mariner may co-mingle assets from the Fund with assets from other accounts and/or Other Investment Advisory Accounts in a financing vehicle, specifically when securitization is used, where the Firm believes that such financing vehicle improves the overall return of the underlying assets, reduces the potential financing costs and/or improves the overall liquidity of the underlying assets and where such co-mingling includes similar assets with the allocation of the financing results can be determined on a market value basis

**VII. Galton Mortgage Recovery Master Fund IV, L.P. (master fund), Galton Onshore Mortgage Recovery Fund IV, L.P. and Galton Offshore Mortgage Recovery Fund IV, Ltd. (feeder funds)**

**Funds Strategies and related risks: New Issue Credit and Servicing**

*Description:* The investment objective of the Fund is to achieve an attractive risk-adjusted return primarily by purchasing a variety of residential mortgage originator-related assets. Such assets include those that the Fund Manager views as alternatives to traditional mortgage-related assets with these alternatives largely available due to the housing dislocation and the contraction in traditional non-agency mortgage credit programs and products. The Fund will focus on the wide range of opportunities that exist within the residential mortgage originator-related sector with the core strategy ("Core Strategy") of purchasing, on a daily basis, closed non-agency mortgage loans from originators ("Core Assets") and financing these assets primarily through the securitization market and other financing alternatives in order to retain investments in non-agency mortgage credit and prepayment risk ("Core Retained Securities"). The tactical strategies ("Tactical Strategies") will opportunistically focus on investments in mortgage credit and prepayment risk issued by third parties, including Fannie Mae ("FNMA") and Freddie Mac ("FHLMC") on the agency mortgage market and non-agency issuers, as well as assets owned or originated by originators, including but not limited to non and re-performing loans, real estate owned ("REO") loans, mortgage servicing rights ("MSRs"), and newly originated loans offered by these firms, and securities or other instruments issued by third party issuers backed by similar mortgage or mortgage related underlying collateral. While the specific investment opportunities may change over time as supply/demand dynamics in the market and the origination industry evolve, the Fund Manager believes that the Fund can capitalize on many different strategies within the mortgage credit and related sectors with the originator relationship providing the Fund access to the point where the loans are originated or owned.

**Types of investments and related risks:**

- Sourcing of Investments. For the Core Strategy, the Fund Manager will have to source or purchase the Core Assets necessary for the successful execution of this strategy. The Fund Manager intends to provide to the originators, approved by the Fund Manager to sell non-agency mortgage loans to the Fund, on a daily basis pricing for the related Core Assets. This sourcing strategy is contingent upon a number of factors including but not limited the ability of the Fund Manager (i) to hire, pay for and manage on an ongoing basis the necessary loan sales officers whose role is to market the non-agency mortgage loan programs offered by the Fund Manager and purchased by the Fund, (ii) to hire, pay for and manage on an ongoing basis the necessary credit and operational staff to oversee the

acquisition, review, closing and ongoing monitoring of the purchased Core Assets including after a longer term financing, including through securitization, (iii) to manage any Core Asset purchase related vendors, (iv) to successfully identify, approve and support the originator counterparties who decide to offer the non-agency mortgage loan products marketed by the Fund Manager through their loan officer sales force and (v) to provide competitive non-agency mortgage loan products including the credit and acquisition related requirements of the Fund Manager and the pricing of these loans in a highly competitive market for non-agency mortgage loans. For the Tactical Strategy, if the Fund Manager identifies on an opportunistic basis any Non-Core Loan Assets meet the requirements for purchase, including the ability scale, finance and retained the targeted Non-Core Retained Securities to generate a yield estimated to be similar to those related to the Core Strategy, then the Fund Manager expects to utilize its existing loan officer salesforce to source the related assets and the existing operational staff to manage and oversee the execution of this strategy. For any Third Party Securities, the Fund Manager will evaluate any securities or other instruments issued by a third party backed by Non-Core Loan Assets with no requirements related to either the loan officer or operational staff to source such investments. There can be no assurance that the Fund Manager will be able to source any asset related to the strategy of the Fund.

- Mortgage Markets in Flux; Recent Period of Substantial Turbulence; Future Conditions Difficult to Predict. The recent mortgage market dislocation was longer and more severe than any before it, with the related asset performance and governmental, regulatory, and capital charge changes broadly unexpected by market participants. The Fund is commencing operations nearly ten years after the financial crisis with the non-agency mortgage origination and financing markets are, in the Fund Manager's opinion, still in their early stages of repair and where the regulatory environment is still in a state of flux. There remains a great deal of uncertainty regarding the direction that the mortgage markets will take, with many unresolved questions, several of which, such as the future of the GSEs, have the potential to be resolved in ways that could have enormous consequences for the mortgage market and the economy in general. The resolution of such questions could have a very substantial effect on the Fund's strategic direction and ultimate economic performance. No assurance can be given as to the timing of any reforms in the mortgage markets and the impact of any such reforms once enacted. Other factors that are often interrelated and difficult to predict, such as the availability of credit, the stability of the housing markets, interest rate movements, and governmental regulation and intervention, could have a very substantial effect on the Fund's ability to source assets and obtain satisfactory investment returns.
- Market Risk. The price of the Fund's investments may be affected by factors affecting the economy, housing, mortgage and related origination and servicing, and securities markets generally, such as real or perceived adverse economic conditions, supply and demand for particular instruments, changes in the general outlook for housing and mortgage performance, unemployment and income growth, the financial conditions of banks and broker-dealers (including, without limitation, the need of such institutions to deliver), government intervention, interest rates, regulatory environment, modifications to underlying borrower or securitization contracts, or adverse investor sentiment generally. Failure of a marketplace to function properly for any reason, including, without limitation, outside events impacting the marketplace or market participants, may adversely affect the Fund.

- Correlated Outcomes. Mortgage related asset performance, counterparty risk, financial condition of market participants including originators, servicers, leverage providers, hedging counterparties, vendors, and others; rating agency rating actions and requirements, and market liquidity are directly correlated to the performance of the housing market. Although the Fund Manager believes that the current market prices reflect the opportunity to invest in attractive risk adjusted spreads, it is anticipated that overall returns will be driven by ultimate home price performance and the continuing recovery of the mortgage, capital, and origination markets.
- Combination or “Layering” of Multiple Risk Factors May Significantly Increase Risk of Loss. Although the various risks discussed in this Memorandum are generally described separately, prospective Investors in the Fund should consider the potential effects of the interplay of multiple risk factors. Where more than one significant risk factor is present, the risk of loss to the Fund may be significantly increased. Each asset involves asset specific risk factors, which will involve a multiple of factors, counterparty risks, legal and regulatory considerations, and exposure to housing, interest rates, unemployment, and other macro-economic conditions.
- Real Estate Markets Difficult to Predict, Subject to Volatility. Investments in residential real estate related assets, including those related to the Non-Core Loan Assets, can be subject to high levels of volatility for a variety of reasons. In many cases, the market for residential real properties in a particular market or region will perform much differently than the overall national market. In addition, the local, regional and national housing markets are subject to numerous factors that are difficult to predict and may change rapidly without notice. This volatility and unpredictability frequently characterizes the market for residential rental activity as well as the purchase of residential properties.
- Governmental Actions May Reduce Recoveries on Defaulted Mortgage Loans or Increase the Level of Defaults on Mortgage Loans. Numerous laws, regulations, settlements with state attorneys general and federal regulators and rules related to the servicing of residential mortgage and other loans, including efforts to delay foreclosure or loss mitigation related actions, have been proposed relatively recently by federal, state and local governmental authorities. If enacted, these laws, regulations and rules may result in delays in the foreclosure or loss mitigation related process, reduced payments by borrowers or increased reimbursable servicing expenses, which could result in delays and reductions in the distributions to be made to holders of whole loans and related securities. Any of these laws, regulations and rules may provide new defenses to foreclosure, insulate the servicers from liability for modification of loans without regard to the terms of the transaction servicing agreements or result in limitations on upward adjustment of interest rates, reduced payments by borrowers, permanent forgiveness of debt, increased prepayments due to the availability of government-sponsored refinancing initiatives and/or increased reimbursable servicing expenses, all of which are likely to result in delays in collections received on mortgage loans and may result in reductions in the distributions to be made on the related securities.

Several courts and state and local governments and their elected or appointed officials also have taken unprecedented steps to slow the foreclosure process or prevent foreclosures altogether. Efforts to date have had the effect of significantly slowing down the resolution of foreclosures, thereby delaying potential distressed home sales further into the future, potentially negatively impacting any housing recovery. Any such delays have slowed the

mortgage loan cash flows related to liquidations which, in turn, has impacted whole loan and RMBS cash flows. Holders of whole loans and RMBS will continue to bear the risk that these regulatory developments may adversely impact yields, whether due to delayed or reduced distributions or reduced market value.

Additionally, proposed federal legislation would permit borrowers in bankruptcy to restructure mortgage loans secured by primary residences. Bankruptcy courts could, if this legislation is enacted, reduce the principal balance of a mortgage loan that is secured by a lien on the mortgaged property, reduce the mortgage interest rate, extend the term to maturity or otherwise modify the terms of a bankrupt borrower's mortgage loan.

Furthermore, recent or future legislative or regulatory action at the local or state level could have a material adverse effect on the market value of any of the assets the Fund will invest in. Given the recent legislative and regulatory response to the housing and mortgage market dislocations, legislative and regulatory actions will be difficult to predict with the recent past pointing towards borrowers and renters being favored relative to originators, servicers, and investors.

- Strategy Risks in General. The Fund's investment program utilizes investment techniques such as limited diversification, distressed investments in generally illiquid securities and other mortgage Non-Core Loan Assets, use of leverage, hedging, short sales, and forward contracts, which practices can, in certain circumstances, increase substantially the adverse impact to which the Fund may be subject. All investments risk the loss of capital. The Fund Manager believes that the Fund's investment program, asset acquisition practices including due diligence and rep and warranty enforcement, and research techniques moderate this risk through a careful selection and surveillance of securities and other assets. No guarantee or representation is made that the Fund's investment strategies will be successful, that such strategies will have low correlation with each other or with any market, or that the Fund's returns will exhibit low long-term correlation with an Investor's traditional securities portfolio. Investment results will vary over time.
- Lack of Asset Diversification. The Fund is a single strategy fund investing in mortgage originator-related assets and is therefore subject to limited diversification requirements. The Fund might invest a significant portion of its assets in a relatively small number of investment assets (e.g., loans, securities and servicing rights). As a result, the Fund may be more susceptible to risks associated with a single economic, political or regulatory occurrence than a more diversified portfolio might be.
- Quantitative Model Risks. Mariner will employ quantitatively-based financial/analytical models to aid in the selection of investments and pricing of Core Assets and Non-Core Loan Assets for the Fund. The success of the Fund's investment and trading activities will depend, to some degree, on the viability of these analytical models. There can be no assurance that the models are currently viable or, if the models are currently viable, that they will remain viable during the term of the Fund. These models are based upon historical performance data and there is no relevant data set to provide performance data in an environment similar to the current housing and mortgage environment, including credit availability conditions and governmental intervention, where deterioration has been unprecedented. In particular, given the unprecedented housing decline, counterparty failures, mergers and acquisitions, governmental, regulatory, and capital charge changes, increase in moral hazard, artificial slowdown in servicing delinquent pipeline management

timelines, substantial and ongoing reduction in credit availability and the associated reduction or closure of origination channels by the remaining originators, and the lack of useable current and historical databases with similar impacts, the Fund Manager believes the ability to accurately predict actual asset performance is limited, especially when such predictions seek to anticipate aggregate default levels, prepayment speeds, and housing performance. As such, the Fund Manager utilizes this data and creates models based upon its best estimate of the impact of these performance drivers and stress tests around these estimates. Also, there can be no assurance that the investment professionals utilizing the models will be able to (i) determine that any model is or will become not viable, or not completely viable, (ii) ensure that the models will accurately capture the relationships between asset classes and types and continue to do so over time, (iii) notice, predict or adequately react to any change in the viability of a model or (iv) fully appreciate the bias in any particular model or scenario that may drive negative results for either the long or short positions held by the Fund. The use of a model that is not viable or not completely viable could, at any time, have a material adverse effect on the performance of the Fund.

- Securitization and other Financing Alternatives. For the Core Strategy and the Tactical Strategies related to the purchase of Non-Core Loan Assets, the ability to finance the assets is required in order to implement such investment strategies and generate the targeted returns of the Fund. Both the aggregation and securitization related markets have been slow to emerge following the financial crisis, are reasonably small compared to the market sizes prior to the financial crisis and feature substantially expanded deal related requirements that increase the due diligence, time, costs and risks. Brokerage dealers and banks have been slow to offer aggregation, or warehouse lines, and the rating agencies, investors and underwriters have only recently participated in the related securitization and longer term financing markets. Although the Fund Manager has successfully executed warehouse lines and securitizations in the past, there can be no assurance that these financing options will be available and that the terms and conditions will allow for the successful execution of the Core Strategy or Tactical Strategies. In the event that the Fund seeks to execute a securitization or longer term financing and fails to do so, whether due to, for example, market disruption, lack of demand or regulatory changes, such failure may have a material adverse effect on the Fund's assets.
- Leverage. The Funds might employ leverage as determined by Mariner, through various types of financings and various types of securitization vehicles.

The rights of any lenders making loans directly to the Fund to receive payments of interest or repayments of principal will be senior to those of the investors; in addition, credit providers will have certain enforcement rights (including, without limitation, compulsory prepayment in the event of default) and rights to the assets of the Fund which might negatively affect a Limited Partner's interest. The Fund has limited liquidity to meet margin calls. In addition, at the maturity of the financing vehicle, the lenders may decline to offer a similar investment vehicle for a subsequent period. Furthermore, some financing lines may have seasoning requirements that in the event that the underlying assets are not sold to a third party buyer or into a securitization, that the advance rates on the underlying assets will decline resulting in a margin call. In the event that the Fund is unable to meet either margin or interest payment requirements or satisfy the requirements of the lenders' vehicle at maturity, the credit providers will be able to force the sale of underlying assets or have the ability to seize the assets at the current lender-provided marks. Payments of interest and fees incurred in connection with the borrowings will reduce any income the Fund

would otherwise have available, which may reduce the Fund's profitability, and may prevent the Fund from taking advantage of attractive investment opportunities. The effect of leverage will amplify the performance of the Fund with respect to both the upside performance and downside performance. The use of leverage, combined with negative performance of the Fund, might result in a loss of principal of some or all of a Limited Partner's capital investment.

In addition, the Fund may invest in equity and subordinated debt investments of securitization vehicles, which by their nature exhibit a high degree of structural leverage inherent in their respective deal structures.

- Hedging Transactions. The Fund may, but is not required to, engage in interest rate, credit or other hedging transactions to the extent Mariner deems advisable in connection with the Fund's investments. In particular, the Fund may utilize a variety of financial instruments, such as options, interest rate swaps, caps and floors, futures and forward contracts, newly developed instruments, negotiated structures, and other derivatives, for risk management purposes in order to, among other things: (i) protect against possible changes in the market value of the Fund's investment portfolio resulting from changes in interest rates and market fluctuations, (ii) protect the unrealized gains in the value of the Fund's investment portfolio, (iii) facilitate the sale of any such investments, (iv) enhance or preserve returns, spreads or gains on any investment in the Fund's portfolio, (v) hedge the interest rate or credit performance on any of the Fund's liabilities or assets, (vi) protect against any increase in the price of any investments the Fund anticipates purchasing at a later date, (vii) hedge one or more scenarios that Mariner deems advisable and (viii) for any other reason that Mariner deems appropriate in its sole and absolute discretion. However, Mariner might not anticipate a particular risk so as to hedge against it and/or may choose not to hedge against a particular risk. While the Fund may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Fund than if it had not engaged in any such hedging transaction. For a variety of reasons, Mariner may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent the Fund from achieving the intended hedge or expose the Fund to risk of loss. The success of the Fund's hedging strategies is subject to Mariner's ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments in the portfolios being hedged. Because the characteristics of many investments change as markets change or time passes, the success of the Fund's hedging strategy is also subject to the Mariner's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner.
- IO and PO Hedge Ratio. On the Core Strategy and Tactical Strategies, Mariner targets, when possible, a combination of interest only strips or investments with subordinated bonds that trade at a discount backed by the same underlying pool of assets attributable to the Core Strategy and Tactical Strategies as to match the prepayment and credit risks to same loans. If Mariner is able to achieve this combination, faster prepayments will likely negatively impact the value of the IO strips and likely positively impact the value of the subordinated bonds that trade at a discount provided the prepayment speed increase was not credit related. The ability of the Fund Manager to accurately assess and size the ratio of the IO to the PO investments is a complex process subject to material limitations, including the availability of the investments necessary to create the targeted IO and PO combination. Mariner will evaluate or estimate on an ongoing basis the exposure to a variety of risks,

including but not limited to prepayment and credit risk in part driven by interest rates, housing values and economic conditions, for hedging purposes but there is no assurance that the Fund Manager will be able to successfully identify and hedge all of the attendant risks of the Fund strategies.

- Derivatives Risk and Short Selling. Derivatives are financial contracts in which the value depends on, or is derived from, the value of an underlying asset, reference rate or index. The Fund might use derivatives for any purpose including, among other things, as a substitute for taking a position in the underlying asset or as part of a strategy designed to reduce or increase exposure to other risks, such as interest rate risk, credit risk, prepayment speed risk, housing market-related risks, or other mortgage related risks. The Fund's use of derivative instruments involves risks different from, or possibly greater than, the risks associated with investing directly in whole loans, securities and other traditional investments. Derivatives are subject to a number of risks described elsewhere in this section, such as interest rate risk, market risk, counterparty risk, illiquidity, ability to mark to market versus mark to model, and credit risk. They also involve the risk of mispricing or improper valuation and the risk that changes in the value of the derivative may not correlate perfectly with the underlying asset, rate or index. If the Fund invests in a derivative instrument, it could lose more than the principal amount invested. Also, suitable derivative transactions may not be available in all circumstances and there can be no assurance that the Fund will engage in these transactions to reduce exposure to other risks when that would be beneficial.
- Other Derivative Instruments. The Fund may take advantage of opportunities with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available, but that may be developed, to the extent such opportunities are both consistent with the investment objective of the Fund and legally permissible. Special risks may apply to instruments that are invested in by the Fund in the future that cannot be determined at this time or until such instruments are developed or invested in by the Fund. Certain swaps, options and other derivative instruments may be subject to various types of risks, including, without limitation, market risk, liquidity risk, the risk of non-performance by the counterparty, including, without limitation, risks relating to the financial soundness and creditworthiness of the counterparty, legal risk and operations risk.
- Repurchase Agreements. The use of repurchase agreements by the Fund involves certain risks. For example, if the seller of securities under a repurchase agreement defaults on its obligation to repurchase the underlying securities, as a result of its bankruptcy or otherwise, the Fund will generally seek to dispose of such securities, which action could involve costs or delays. If the seller becomes insolvent and subject to liquidation or reorganization under applicable bankruptcy or other laws, the Fund's ability to dispose of the underlying securities may be restricted. If the seller fails to repurchase the securities, the Fund may suffer a loss to the extent proceeds from the sale of the underlying securities is less than the repurchase price. It is possible that the Fund may not be able to substantiate its interest in the underlying securities. Additionally, where the Fund is a buyer or guarantor under a repurchase agreement, its counterparty(ies) may restrict the Mariner's implementation of the Fund strategies, by, for example, limiting the Fund's indebtedness.
- Risk of Counterparty Default. The stability and liquidity of repurchase agreements, swap transactions, forwards and other over-the-counter derivative transactions depend in large part on the creditworthiness of the parties to the transactions. It is expected that Mariner

will monitor on an ongoing basis the creditworthiness of firms with which it will enter into repurchase agreements, reverse repurchase agreements, interest rate swaps, caps, floors, collars or other over-the-counter derivatives. If there is a default by the counterparty to such a transaction, Mariner will under most normal circumstances have contractual remedies pursuant to the agreements related to the transaction. However, exercising such contractual rights may involve delays or costs, which could result in losses to the Fund.

In addition, the Fund might invest in originator related loans (or securities backed by the related loans) and related servicing that were originated by a mortgage originator, are serviced by a servicer, and may be insured by a mortgage insurer. The Fund may invest in securities that have been insured for timely interest and ultimate principal by a bond insurer. These entities have recently experienced substantial financial difficulties, including, without limitation, insolvencies. In the event of a financial default by or bankruptcy of an originator, the ability of the originator to satisfy its obligations, including the ability to repurchase loans from a securitization where a representation and warranty was breached, will be seriously impaired if not deemed impossible to satisfy. In the event of a financial default by or bankruptcy of a mortgage servicer, the ability of the servicer to satisfy its obligations, including daily servicing requirements, servicing advances, and loan level loss mitigation efforts, will be seriously impaired. In addition, upon a servicer default, as defined by the securitization contract between the servicer and the trust, the trust will determine whether it is in the best interest of the trust to transfer servicing to a successor servicer. There can be no assurances that this transfer or maintenance of servicing with the current servicer will be at the same terms, specifically as it relates to servicer compensation and servicer advance requirements and that this transfer may adversely impact the Fund including but not limited to the impact on the value of any retained servicing assets by the Fund. There is a particular risk that counterparties that are originators or servicers may suffer additional difficulties as a result of potentially damaging settlements or other liability related to legal and regulatory actions by state attorneys general or comparable federal or local authorities. As described herein, certain types of MSR investments may lose all of their value if the related servicer defaults or is otherwise terminated as servicer of the related mortgage loans. In the event of a financial default by, or bankruptcy of, a mortgage insurer, the ability of the insurer to satisfy its obligations, including payment of mortgage insurance claims, will be seriously impaired. In addition, in the event of financial difficulty of a mortgage insurer, its willingness to pay a mortgage insurance claim may decline or its willingness to claim breaches of the underlying loan mortgage insurance contract may increase. In the event of a financial default by or bankruptcy of a bond insurer, the ability of the bond insurer to satisfy its obligations, including payment of timely interest and ultimate principal on the underlying securities, will be seriously impaired. Furthermore, the Fund will in many cases be relying on originators and/or sellers to provide a remedy for breaches of loan level representations and warranties. In the event that any such originator or seller defaults on its obligations to provide the required remedy, the Fund may suffer a loss. In addition, in certain cases the Fund may be required to “backstop” representations and warranties made by another party; failure by any such party to honor its obligations could cause substantial financial harm to the Fund. Similarly, with respect to the Fund’s investments in servicing rights, the Fund could lose its right to receive payments associated with its IO strip in the event that the related servicer is terminated under its servicing contract.

- **Liquidity Risk.** The Fund’s investments may at any given time be illiquid, either because no market exists for them and/or because they are restricted as to their transferability under

federal and state securities laws. Thus, the sale of these investments may be made at substantial discounts, delayed or impossible. In addition, the illiquidity of such investments may also make it difficult for the Fund Manager to value such investments. During the real estate market dislocation, there have been periods during which the majority of market participants have not provided mark to market quotes, engaged in active market making, or maintained traditional inventory levels, and have effectively charged wide bid ask spreads for clearing bond and other mortgage market asset purchases and sales between investors. During these periods, the ability to receive reliable, independent third party mark to market quotes on assets and the ability to either buy or sell in a short period, if at all, at reasonable execution costs has been severely challenged. With respect to whole loans and servicing rights, the Fund Manager does not expect any mark to market quotes or anticipates using mark to model to value such assets. If securitization is used to finance whole loan or servicing rights investments, then Mariner may, in its sole and absolute discretion, retain certain of the resulting newly-issues securities, including, without limitation, any resulting subordinated certificates or economic residual certificates. Any such securities may be highly illiquid and, as a result, may be purchased with the expectation that they will be held to maturity, including any Risk Retention Interests.

- Interest Rate Risk. The Fund is subject to several risks associated with changes in interest rates on its financings and investments which might affect profitability. The primary interest rate related risks include the direct impact on the underlying mortgage and other loan rates available for borrowers. These rates directly impact the prepayment speeds of the underlying mortgage loans and in turn directly impact the performance of MSRs, loans, and securities. In addition, these mortgage rates directly impact the affordability of housing and as a result housing performance that drives mortgage related asset performance specifically those with the highest exposure to housing namely the legacy assets. The interest payments on the Fund's financings may increase relative to the interest earned on the Fund's investments. In a period of rising interest rates, interest payments by the Fund could increase while the interest earned on certain investments would not change. In addition, depending upon a number of factors, including, without limitation, the servicing advance and loan modification practices of the mortgage servicers, there can be no assurance that the financed mortgage loans or RMBS will generate enough interest to cover the cost of the financings. The Fund may rely on short-term financings to acquire investments with long-term maturities. Similarly, the Fund might acquire investments with short term maturities which are secured by long dated assets. Certain of the Fund's investments may be adjustable rate mortgage loans or RMBS in which interest rates vary over time, based upon changes in an objective index (e.g., LIBOR) which generally reflect short-term interest rates. The interest rates on the Fund's financings are expected to similarly vary with changes in an objective index but may adjust more frequently than the interest rates of the mortgage loans or RMBS purchase by the Fund. Many of the borrowers with respect to mortgage loans may have fixed interest rates, or variable rates which do not adjust until the loan has been outstanding for several years. Even when rates are adjusted, they may only adjust on an annual basis and increases are typically subject to a cap. With respect to some of the Fund's RMBS investments, "excess spread" may be an important component of the credit enhancement supporting such RMBS. Excess spread is generally defined as the excess of (i) the weighted average coupon of the underlying mortgage loans (net of servicing fees and any reductions due to modifications) over (ii) the weighted average interest rate on the securities. As a result, changes in interest rates can materially reduce the amount of credit enhancement available with respect to the Fund's RMBS investments. The interest rates payable to the Fund on the whole loans it acquires may

adjust more frequently, may not be tied to the same index, and may not be subject to a cap. As a result, the interest income received in respect of the underlying collateral may not be sufficient to permit the mortgage loan borrower to make scheduled interest payments to the Fund and in turn from the Fund to the financing counterparty, thereby increasing the default risk on the lending vehicles.

- **Character and Timing of Taxable Income or Loss.** As partnerships, the onshore fund and master fund will allocate their items of income, gain, loss, deduction and credit among their partners for U.S. federal income tax purposes. For this purpose, the character of certain items will be determined at the master fund level, rather than at the investor level. For example, the characterization of any gain resulting from the sale or other disposition by the master fund of an asset as capital gain or as ordinary income will generally be determined by an analysis of the facts regarding the Master Fund's manner of holding and disposing of such asset.

As a general matter, property sold or disposed of by the master fund will give rise to capital gain or loss if the property was held by the master fund acting as an investor or as a trader and not as "inventory" property or "property held for sale to customers in the ordinary course of a trade or business". Holding such property in another capacity, such as that of a dealer, however, would generally cause such gain to be ordinary. In addition, certain provisions of the Code may provide for specific treatment of any gain or loss as either capital or ordinary with respect to particular transactions.

In addition to the character of any income or loss resulting from a transaction, the timing of the recognition of such income or loss will be influenced by the manner in which the master fund structures its transactions, particularly the disposition of an investment. For example, the master fund generally will not trigger the recognition of gain or loss with respect to an asset if it merely issues debt secured by such asset, but financing that asset through a REMIC securitization may well result in the recognition of at least some of the gain or loss inherent in that asset.

In light of the foregoing, the character and timing of income or loss to be allocated to a limited partner might not be known until the particular facts giving rise to such income or loss are known and analyzed.

**VII. Mariner Alternative Relative Value Master Fund, L.P. (master fund), Mariner Alternative Relative Value Fund I, LTD. (feeder fund)**

**Fund Strategy and related risks: G-10 Fixed Income Relative Value**

*Description.* This fund is a single investor investment vehicle which currently engages in a global fixed income relative value strategy.

- **G-10 Fixed Income Relative Value.** Please see strategies, types of investment and related risks for Concordia G-10 Fixed Income Relative Value I, L.P. (Section 8-I above)

**VIII. Mariner Atlantic Multi-Strategy Master Fund, Ltd. (f/k/a Mariner LDC)(master fund), Mariner Atlantic Multi-Strategy Fund, Ltd. (f/k/a Mariner Atlantic, Ltd.) and Mariner Atlantic Multi-Strategy Fund, L.P. (f/k/a Mariner Partners, L.P.) (feeders)**

**Fund Strategies and related risks: Multi-Strategy Relative Value**

*Description:* The Fund's primary focus is on hedged and unhedged trading utilizing a variety of strategies. The Fund dynamically allocates across a spectrum of uncorrelated strategies broadly categorized as Credit Strategies and Rate Strategies as well as Opportunistic.

- Credit Arbitrage. Credit arbitrage represents a multi-strategy credit approach in securitization and corporate credit with a focus on: single name corporate credit; corporate structured credit; financials; distressed and special situations; closed-end fund arbitrage. This investment strategy attempts to generate returns independent of correlation with the credit markets. For example, credit arbitrage exploits pricing inefficiencies and informational asymmetries within the capital structures of specific companies; included in this strategy are stressed and distressed positions, which include bank debt, bonds and equities of companies undervalued relative to their financial condition, or in some stage of bankruptcy. Closed-end fund arbitrage attempts to capitalize on pricing discrepancies resulting from supply/demand imbalances that cause these securities to trade at market prices that deviate from intrinsic value.
- Rates and Opportunistic driven strategies. Generally attempt to capitalize on anomalous relationships among highly liquid instruments and includes G-10 Government Arbitrage, Mortgage-Backed Securities (MBS) Arbitrage and Opportunistic Trading.
  - a. G-10 Government Arbitrage trades exclusively in sovereign debt markets, employing both relative value and opportunistic strategies to benefit from mispricings associated with relationships in the yield curve, volatility, duration and spreads.
  - b. MBS Arbitrage trades U.S. residential mortgage market securities and their derivatives, including agencies and collateralized mortgage obligations structured ("CMOs") securities, seeking to create positions that in aggregate have favorable prepayment characteristics while actively hedging interest rate and yield curve risk. The Mortgage arbitrage strategy attempts to hedge market exposure by using Treasuries, swaps, agency debentures, and other mortgage instruments and options. Mortgage-backed securities are securities that, directly or indirectly, represent a participation in, or are secured by and payable from, loans secured by real property. The fund might acquire the following mortgage backed-securities: guaranteed mortgage pass-through securities, private label mortgage securities, collateralized mortgage obligations (CMOs) and multi-class pass-through securities, stripped mortgage-based securities, adjustable rate mortgage-backed securities, interest only (IOs), principal only (POs), and floater and inverse floater bonds.
  - c. Opportunistic Trading utilizes an array of instruments to express tactical trades that seek to take advantage of relative mispricings or current opportunities, allowing the Fund to dynamically allocate risk given perceived changes in the market environment.

The strategies include trading in the following instruments: U.S. Treasury securities and related futures, U.S. and foreign convertible bonds and preferred stock and their related common stocks

(including “New Issues”), European G-10 government securities and related futures contracts, mortgages and mortgage-backed securities, corporate bonds, bank debt, collateralized debt obligations, collateralized loan obligations, collateralized bond obligations and common stocks in global equity markets. However, the Fund has the discretion to invest in all forms of securities, swaps, commodity futures products and related derivative instruments, including equities, equity-related securities, bonds and other fixed-income securities, options, repurchase agreements, futures and forward contracts, currencies and cryptocurrencies, in both U.S. and non-U.S. markets and in any instrument or product commonly traded as a medium of investment.

*Risks:*

- Multiple Strategies. The Fund assets will be allocated among separate accounts as described herein. Each separate account will be managed by a separate trader that will make its own trading decisions and have discretion in managing the portion of the assets allocated to that separate account. Accordingly, it is possible that one or more of the traders may, at any time, invest the assets allocated to its separate account in positions that may be opposite of positions taken by one or more other traders. It is also possible that different traders may on occasion invest the assets of their separate accounts in substantial positions in the same security or group of securities at the same time and traders may at times incorporate ideas in the investment strategy of their separate accounts from other traders. Although diversification is an objective and a component of Mariner’s risk management process, Mariner is not restricted as to the percentage of any separate account assets that may be invested in any particular asset class or sector. The separate accounts themselves also generally do not maintain any fixed requirements for diversifying their portfolios. The possible lack of diversification caused by these factors may subject the overall portfolio of the Fund to more rapid change in value than would be the case if the assets of the separate accounts were required to be more widely diversified.
- Capital Reallocations Among Separate Accounts. In making asset allocation decisions, Mariner may make allocations to or from one or more separate accounts which might be detrimental if considered on a stand-alone basis but which are intended to benefit the overall portfolio. There can be no assurance, however, that any such reallocations will enhance the performance of the overall portfolio.
- Credit Arbitrage. Leveraging resulting from borrowing will magnify losses. Assets can fluctuate in value during the time a borrowing is outstanding, increasing exposure to capital risk. To the extent the income from the assets obtained with borrowed funds exceeds the interest and other expenses that a Fund will have to pay, the Fund’s net income will be greater than if the borrowing were not used. However, if the income from the assets obtained with borrowed funds is not sufficient to cover the cost of borrowing, the net income of the Fund will be less than if borrowings were not used, and therefore the amounts available for distribution will be reduced.

If the securities pledged to brokers to secure a Fund’s margin accounts decline in value, the Fund could be subject to a “margin call,” and the Fund must either deposit additional funds with the broker, or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden drop in the value of the Fund’s assets, the Fund might not be able to liquidate assets quickly enough to pay off its margin debt.

Market movements are unpredictable and often path dependent with large relative price fluctuations. Because the price paths of the securities are highly sensitive to changing

default probabilities, prospective valuations and, therefore, price expectations, can be widely divergent. Not only miscalculating the likely outcome of a company can be costly but also miscalculating the hedge can exacerbate potential losses.

- Rates and Opportunistic drive strategies. The value of the fixed-rate securities in which a Fund invests generally will have an inverse relationship with interest rates. Accordingly, if interest rates rise, the value of such securities may decline. In addition, to the extent that the receivables or loans underlying specific securities are prepayable, the value of such securities may be negatively affected by increasing prepayments, which generally occur when interest rates decline.

Hedging techniques the Fund might employ involve one or more of the following risks: (i) imperfect correlation between the performance and value of the instrument and the value of the Fund's securities or other objectives of traders; (ii) possible lack of a secondary market for closing out a position in such instrument; (iii) losses resulting from interest rate, spread or other market movements not anticipated by the traders; (iv) the possible obligation to meet additional margin or other payment requirements, all of which could worsen traders' position; and (v) default or refusal to perform on the part of the counterparty with which traders trade.

- Certain Earlier and Developing Stage Traders. The Fund may allocate a portion of its capital to earlier stage traders. Placing capital with earlier and developing stage portfolio managers may entail increased risk. Some or all of these traders may be unsuccessful and incur substantial losses. This may be of particular concern for investment professionals (e.g., portfolio managers and traders), hired or otherwise retained to invest in Digital Assets on behalf of any client account (e.g., employing a Multi-Strategy Relative Value investment strategy).
- Different Expenses and Fee Structure for Class N Interests and Class T Interests. With respect to assets attributable to Class I Interests, each trader's performance-based compensation will be calculated based on the net performance of such trader's separate account, irrespective of the net performance at the master fund or feeder fund level. Accordingly, traders with positive performance may receive performance-based compensation even if the feeder fund's or the master fund's overall performance is negative. Therefore, investors holding Class I Interests bear the performance-based portion of the compensation payable to the traders in addition to the Incentive Allocation (which is 5% for Class I Interests). Because a portion of the compensation a trader receives is based on such trader's individual performance, an investor's investment in the Fund (with respect to Class I Interests) could be subject to substantial incentive compensation despite experiencing a decline in overall net asset value of such investors' Class I Interests. Trader compensation reduces the Fund's overall appreciation on the basis of which the Incentive Allocation is calculated with respect to assets attributable to Class I Interests. Unlike investors holding Class I Interests, an investor holding a Class N Interest or Class T Interest is not directly liable for each trader's performance-based compensation and will not be subject to the Incentive Allocation (which is 20%) if there is a decline in overall net asset value of such investor's Class N Interest or Class T Interest.
- Class Performance. Given the difference in the fees and expenses, the performance of the Class A Interests, Class I Interests, Class N Interests, and Class T Interests

## **Types of investments and related risks:**

- Leverage and Borrowing; Interest Rates; Margin. The Fund invests on a highly leveraged basis. Mariner might borrow funds on behalf of the Fund, and also may cause the Fund to issue debt securities, in order to be able to increase the amount of capital available for marketable securities investments. In addition, the Fund may in effect borrow funds through entering into repurchase agreements, and may “leverage” its investment return with options, commodity futures contracts, swaps, forwards and other derivative instruments. The amount of borrowings which the Fund could have outstanding at any time may be large in relation to its capital. Consequently, the level of interest rates, generally, and the rates at which the Fund can borrow, in particular, will affect the operating results of the Fund. In general, the Fund’s anticipated use of short-term margin borrowings results in certain additional risks to the Fund.

While leverage presents opportunities for increasing the Fund’s total return, it has the effect of potentially increasing losses as well. The cumulative effect of the use of leverage by the Fund in a market that moves adversely to the Fund will result in a substantial loss to the Fund which would be greater than if the Fund had not used leverage in its investment program.

Borrowing will create an opportunity for increased net income but, at the same time, will involve special risk considerations. Leverage resulting from borrowing will magnify declines as well as increases in the value of the feeder fund’s investment in the master fund. Although the principal of the master fund’s borrowings will be fixed, the master fund’s assets may change in value during the time a borrowing is outstanding, thus increasing exposure to capital risk. To the extent the income derived from the assets obtained with borrowed funds exceeds the interest and other expenses that the master fund will have to pay, the feeder fund’s net income will be greater than if the borrowing were not used. Conversely, however, if the income from the assets obtained with borrowed funds is not sufficient to cover the cost of borrowing, the net income of the feeder fund will be less than if borrowings were not used, and therefore the amounts available for distribution to the investors will be reduced.

In general, the anticipated use of short-term margin borrowings results in certain additional risks to the Fund. For example, should the securities pledged to brokers to secure the Fund’s margin accounts decline in value, the Fund could be subject to a “margin call,” pursuant to which the Fund must either deposit additional funds with the broker, or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden precipitous drop in the value of the Fund’s assets, the Fund might not be able to liquidate assets quickly enough to pay off its margin debt.

When the Fund purchases an option in the United States, there is no margin requirement because the option premium is paid for in full. The premiums for certain options traded on foreign exchanges may be paid for on margin. When the Fund sells an option on a futures contract, it may be required to deposit margin in an amount that may be determined by the margin requirement established for the futures contract underlying the option and, in addition, an amount substantially equal to the current premium for the option. The margin requirements imposed on the writing of options, although adjusted to reflect the probability that out-of-the-money options will not be exercised, can in fact be higher than those imposed in dealing in the futures markets directly. Whether any margin deposit will be

required for OTC options will depend on the credit determinations and agreement of the parties to the transaction.

Funds used for the purpose of margining futures contracts and options on futures contracts regulated under the U.S. Commodity Exchange Act, as amended (the "CEA"), must be segregated from all other funds pursuant to Section 4d(2) of the CEA and U.S. Commodity Futures Trading Commission ("CFTC") regulations. Funds used to make non-CEA regulated investments are not segregated in any way. The Fund fulfills its initial margin requirements for futures contracts by delivering cash, or, to the extent permitted by the rules of the exchange on which a position is being maintained, by delivering securities. Any variation margin required to be furnished by the Fund from time to time will be satisfied solely through the delivery of cash or other acceptable collateral.

- **Investment and Trading Risks in General.** All securities investments risk the loss of capital. Mariner believes that the Fund's investment program and research techniques moderate this risk through a careful selection of securities and other financial instruments. No guarantee or representation is made that the Fund's objectives will be successful, and investment results may vary substantially over time. The Fund's investment program utilizes such investment techniques as option transactions, limited diversification, margin transactions, short sales, and futures and forward contracts, which practices can, in certain circumstances, increase substantially the adverse impact to which the Fund may be subject. The Fund may encounter sovereign credit exposure in any position it may have in foreign currencies or foreign government debt securities.

The Fund may invest in bonds or other fixed income securities, including, without limitation, commercial paper and "higher yielding" (and, therefore, higher risk) debt securities and loans, when the Firm believes that such securities offer opportunities for capital growth. Such securities may be below "investment grade" and face ongoing uncertainties and exposure to adverse business, financial or economic conditions that could lead to the issuer's inability to meet timely interest and principal payments. The market values of certain of these lower rated debt securities tend to reflect individual corporate developments to a greater extent than do higher rated securities, which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than are higher rated securities. Companies that issue such securities often are highly leveraged and may not have available to them more traditional methods of financing. Any economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default for such securities.

The Fund may invest in or sell short high yield securities. The high yield securities market is at times thinly traded and is subject to lack of liquidity. It is not uncommon to experience wide bid-to-offer spreads, which may result in greater risk of capital. The Fund is subject to credit risk when trading high yield securities.

The Fund may invest in unregistered securities of publicly held companies and in privately held companies. Such investments will be illiquid and may be difficult to value. Such investments may therefore require a significant amount of time from the date of initial investment until disposition. Sales of unregistered securities may not be possible and, if possible, may be made at substantial discounts from costs. Some portfolio companies may have the need for additional capital to support expansion or to achieve or maintain a

competitive position, and there is no assurance that such capital will be available, particularly with respect to private companies.

- Agency and Non-Agency RMBS. Holders of RMBS bear various risks, including credit, market, interest rate, structural and legal risks. RMBS represent interests in pools of residential mortgage loans secured by one to four family residential mortgage loans. These loans may be prepaid at any time. Residential mortgage loans are obligations of the borrowers thereunder only and are not typically insured or guaranteed by any other person or entity, although such loans may be securitized by government agencies and the securities issued are guaranteed.

The rate of defaults and losses on residential mortgage loans will be affected by a number of factors, including general economic conditions and those in the area where the related mortgaged property is located, the borrower's equity in the mortgaged property and the financial circumstances of the borrower. If a residential mortgage loan is in default, foreclosure of such residential mortgage loan may be a lengthy and difficult process, and may involve significant expenses. Furthermore, the market for defaulted residential mortgage loans or foreclosed properties may be very limited.

- Bankruptcy and Workouts. Many events in a bankruptcy are the product of contested matters and adversary proceedings which are beyond the control of the creditors. Following a bankruptcy filing, a company may lose its market position and key employees and otherwise become incapable of restoring itself as a viable entity. In a liquidation, the liquidation value of the company may not equal the liquidation value that was believed to exist at the time of the investment.

The duration of a bankruptcy proceeding is difficult to predict and a creditor's return on investment can be adversely affected by delays while the plan of reorganization is being negotiated, approved by the creditors and confirmed by the bankruptcy court

The administrative costs in connection with a bankruptcy proceeding are frequently high and will be paid out of the debtor's estate prior to any return to creditors

Creditors can lose their ranking and priority if they exercise "domination and control" over a debtor and other creditors can demonstrate that they have been harmed by such actions, especially in the case of investments made prior to the commencement of bankruptcy proceedings; and certain claims, such as claims for taxes, may have priority by law over the claims of certain creditors.

- Structured Credit and Asset Backed Securities ("ABS"). Credit card receivables, automobile, boat and recreational vehicle installment sales contracts, commercial and industrial bank loans, home equity loans and lines of credit, manufactured housing loans, corporate debt securities and various types of accounts receivable commonly support ABS. However, there can be no assurance that innovation in the relevant markets will not transform ABS by adding new classes of assets, new structures or other features not now familiar in the asset-backed markets.

ABS securities do not have the benefit of the same security interest in the related collateral. The risk of investing in ABS is ultimately dependent upon payment of consumer loans by the debtor.

The collateral supporting ABS is of shorter maturity than mortgage loans and is less likely to experience substantial prepayments. ABS are often backed by a pool of assets representing the obligations of a number of different parties and may use credit enhancement techniques such as letters of credit, guarantees or preference rights.

The value of an asset-backed security is affected by changes in the market's perception of the asset backing the security and the creditworthiness of the servicing agent for the loan pool, the originator of the loans or the financial institution providing any credit enhancement, as well as by the expiration or removal of any credit enhancement.

In general, "premium" securities (securities whose market values exceed their principal or par amounts) are adversely affected by faster than anticipated prepayments, and "discount" securities (securities whose principal or par amounts exceed their market values) are adversely affected by slower than anticipated prepayments. Since many ABS will be discount securities when interest rates are high, and will be premium securities when interest rates are low, these ABS may be adversely affected by changes in prepayments in any interest rate environment.

- Leveraged Loans. The value of fixed-income securities will change in response to fluctuations in interest rates. Except to the extent that values are independently affected by currency exchange rate fluctuations, when interest rates decline, the value of fixed-income securities generally can be expected to rise. Conversely, when interest rates rise, the value of fixed-income securities generally can be expected to decline. This strategy is largely dependent upon the manager's ability to determine accurately interest rate movements.

Leverage has the effect of potentially increasing losses. If income and appreciation on investments made with borrowed funds are less than the required interest payments on the borrowings, the value of the fund will decrease. Additionally, any event that adversely affects the value of an investment by a fund would be magnified to the extent such fund is leveraged.

- Investment Grade and High Yield Corporate Debt. Securities in the lower rating categories are subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. They are also generally considered to be subject to greater risk than securities with higher ratings in the case of deterioration of general economic conditions.

The market for lower-rated securities is thinner and less active than that for higher-rated securities, which can adversely affect the prices at which these securities can be sold.

Adverse publicity and investor perceptions about lower-rated securities, whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of such lower-rated securities.

Debt securities that are rated investment grade (such as bonds and notes rated in the BBB or equivalent category) may have speculative characteristics. Changes in economic conditions or other circumstances are more likely to lead to a weakened capacity to make principal and interest payments than is the case with higher grade bonds.

- Commercial Real Estate Debt. Income generation will affect both the likelihood of default and the severity of losses with respect to a commercial mortgage loan. Any decrease in income or value of the commercial real estate underlying an issue of commercial mortgage-backed securities ("CMBS") could result in cash flow delays and losses on the related issue of CMBS.

Successful management and operation of the related business (including property management decisions such as pricing, maintenance and capital improvements) will have a significant impact on performance of commercial mortgage loans. Issues such as tenant mix, success of tenant business, property location and condition, competition, increases in interest rates, real estate taxes and other operational expenses, general or local economic conditions and/or specific industry segments, declines in real estate values, declines in rental or occupancy rates and civil disturbances, changes in governmental rules, regulations and fiscal policies, acts of God, social unrest and insurance coverage are among the factors that may impact both performance and market value.

At any one time, a portfolio of CMBS may be backed by commercial mortgage loans with disproportionately large aggregate principal amounts secured by properties in only a few states or regions. As a result, the commercial mortgage loans may be more susceptible to geographic risks relating to those areas, than would be the case for a pool of mortgage loans having more diverse property locations.

Commercial mortgage loans underlying the collateral debt securities may bear interest at adjustable rates based on LIBOR for one-month U.S. dollar deposits or other established interest indices. Accordingly, debt service for any such commercial mortgage loan will increase as interest rates rise. In contrast, rental and other income on the related mortgaged properties is not expected to rise significantly as interest rates rise. Accordingly, debt service coverage ratios of the underlying floating rate commercial mortgage loans generally will be adversely affected by rising interest rates, and a borrower's ability to make all payments due on such floating rate commercial mortgage loans may be adversely affected.

Mortgage loans underlying a CMBS issue may provide for no amortization of principal or may provide for amortization based on a schedule substantially longer than the maturity of the mortgage loan, resulting in a "balloon" payment due at maturity. If the underlying mortgage borrower experiences business problems or other factors limit refinancing alternatives, such balloon payment mortgages are likely to experience payment delays or even default. As a result, the related issue of CMBS could experience delays in cash flow and losses.

- Municipal Bonds. Like all fixed income securities, municipal bonds are susceptible to fluctuations in interest rates. If interest rates rise, market prices of existing bonds will decline, despite the lack of change in both the coupon rate and maturity. Long-term bonds are generally more susceptible to this than shorter-term bonds.

There is a risk that the rate of the yield to call or maturity of the investment may not provide a positive return over the rate of inflation for the period of the investment.

Credit risk is the risk that the issuer will default or be unable to make required principal or interest payments. Despite the fact that most municipal bonds have high credit ratings, there is a risk of default in any bond investment.

- U.S. Treasury and Sovereign Debt. Arbitrage in the U.S. Treasury securities market is an investment discipline that intends to take advantage of price discrepancies among and between various U.S. Treasury Securities markets (such as the cash vs. futures markets) and securities of varying maturities and duration. U.S. Treasury Securities arbitrage often involves derivative securities including futures, forwards, swaps and options and the strategy involves significant use of leverage. Arbitrage in Non-U.S. Government Securities of G-10 countries in addition to having the foregoing risks also involve currency risk and may involve higher credit risk.
- Repurchase Agreements. These agreements involve the simultaneous purchase of agreement to resell government securities. At the same time the fund buys a security, it agrees to resell it to the original seller and is obligated to deliver the security to such seller at a fixed price and time, thereby determining the yield during its holding period. The agreements are either executed for a one day term or, if for a longer term, the collateral is repriced and adjusted daily. The repurchase price is in excess of the sale price and reflects an agreed upon market price unrelated to the coupon date on the purchased security. Such transactions afford an opportunity for the fund to invest temporarily available cash. There is a risk of the ability of the original seller to pay the agreed upon sum on the delivery date; in the event of default the repurchase agreement provides that the fund is entitled to sell the underlying collateral and the value of the collateral at the time the transaction is entered into always exceeds the agreed upon sum to be paid to the fund. However, if the value of the collateral declines after the agreement is entered into and if the seller defaults under a repurchase agreement when the value of the underlying collateral is less than the repurchase price, then the fund will incur a loss. Also, securities positions held by dealers in repurchase transactions that are transferred to others by such dealers are subject to the risk of such dealers' default or bankruptcy.
- Reverse Purchase Agreements. The entering into of reverse purchase agreements by the fund will involve certain risks. For example, if the seller of securities under a reverse purchase agreement defaults on its obligation to repurchase the underlying securities, as a result of bankruptcy or otherwise, the fund will seek to dispose of such securities, which action could involve costs or delays. If the seller becomes insolvent and subject to liquidation or reorganization under applicable bankruptcy or other laws, the fund's ability to dispose of the underlying securities may be restricted. If the seller fails to repurchase the securities, the fund may suffer a loss to the extent proceeds from the sale of the underlying securities are less than the repurchase price. Securities positions of the fund held by dealers on repurchase transactions can also be transferred to others by such dealers and, therefore, are subject to risk of such dealers' default or insolvency.
- Derivatives. The use of derivative instruments involves a variety of risks, including the extremely high degree of leverage often embedded in such instruments. The derivatives markets are frequently characterized by limited liquidity, which can make it difficult as well as costly to close out open positions in order either to realize gains or to limit losses.

The pricing relationships between derivatives and the instruments underlying such derivatives may not correlate with historical patterns, resulting in unexpected losses.

Certain of the derivatives that might be traded by a Fund may be principal-to-principal or “over-the-counter” contracts between the fund and third parties entered into privately, rather than on an established exchange. The risk of counterparty nonperformance can be significant in the case of these over-the-counter instruments, and “bid-ask” spreads may be unusually wide in these substantially unregulated markets.

- Derivative Products. Based upon current legislative and regulatory requirements, a substantial portion of derivatives transactions that were historically executed on a bi-lateral basis in the over-the-counter (OTC) markets are currently required to be executed through a regulated securities, futures or swap exchange or execution facility and/or to be submitted for clearing to regulated clearinghouses. OTC derivatives trades submitted for clearing are subject to initial and variation margin requirements set by the relevant clearinghouse, as well as possible SEC- or CFTC-mandated margin requirements. The regulators also have broad discretion to impose margin requirements on non-cleared OTC derivatives. Although there are current limited exemptions from such clearing and margin requirements, the Fund will not be able to rely on such exemptions. In addition, the OTC derivative dealers with which the Fund executes the majority of its OTC derivatives will also not be able to rely on such exemptions and, therefore, are also be subject to clearing and margin requirements notwithstanding the Fund’s requirements. OTC derivative dealers also are or will be required to post margin to the clearinghouses through which they clear their customers’ trades instead of using such margin in their operations; as a result, this may increase the OTC derivative dealers’ costs, which are expected to be passed through to other market participants in the form of higher upfront and mark-to-market margin, less favorable trade pricing and the possible imposition of new or increased fees.

Clearing and trading requirements may make it more difficult and costly for investment funds, including the Fund, to enter into OTC transactions. Additionally, the clearing requirement will centralize risk in a small number of clearing counterparties; while the derivatives clearing organizations’ margin requirements will reduce the risk of default on contracts, the mere fact of centralizing and pooling risks at a small number of clearing organizations may increase the impact of the failure of a centralized counterparty.

The Fund may enter into one or more swap agreements which are neither executed in regulated markets nor submitted for clearing to regulated clearinghouses. These transactions are typically two party contracts entered into primarily by institutional investors for periods ranging from a few weeks to more than a year. In a standard swap transaction, two parties agree to exchange the returns earned on specific assets, such as the return on, or increase in value of, a particular dollar amount invested at a particular interest rate, in a particular foreign currency, or in a “basket” of securities representing a particular index. A swap contract may not be assigned without the consent of the counter-party, may be considered illiquid, and may result in losses in the event of a default or bankruptcy of the counterparty.

- Options Trading. The Fund might engage in the trading of options. Each option on a futures contract, physical commodity, security, or foreign exchange is a right, purchased for a certain price, to either buy or sell a futures contract, physical commodity, security, swap, interest rate yield curve position or foreign exchange during a certain period of time for a fixed price. Although successful options trading requires many of the same skills as does successful futures trading, the risks involved are somewhat different. For example, if the

fund buys an option (either to sell or purchase a futures contract, commodity, security or foreign exchange), it will pay a “premium” representing the market value of the option. Unless the price of the instrument underlying the option changes and it becomes profitable to exercise or offset the option before it expires, the fund may lose the entire amount of such premium. Conversely, if the fund sells an option, it will be credited with the premium but will have to deposit margin due to its contingent liability to take or deliver the instrument underlying the option in the event that the option is exercised. Sellers of options are subject to the entire loss which occurs in the underlying futures position or commodity, security or foreign exchange, (less any premium received). The ability to trade in or exercise options may be restricted in the event that trading on an exchange is restricted.

- Guaranteed Mortgage Pass-Through Securities. Mortgage pass-through securities represent participation interests in pools of residential mortgage loans originated by U.S. governmental or private lenders and guaranteed, to the extent provided in such securities, by the U.S. government or one of its agencies or instrumentalities. Any guarantee of such securities runs only to principal and interest payments on the securities and not to the market value of such securities or the principal and interest payments on the underlying mortgages. Such securities, which are ownership interests in the underlying mortgage loans, differ from conventional debt securities, which provide for periodic payment of interest in fixed amounts (usually semi-annually) and principal payments at maturity or on specified call dates. Mortgage pass-through securities provide for monthly payments that are a “pass-through” of the monthly interest and principal payments (including any prepayments) made by the individual borrowers on the pooled mortgage loans, net of any fees paid to the guarantor of such securities and the servicer of the underlying mortgage loans. Guaranteed mortgage pass-through securities are often sold on a to-be-acquired or “TBA” basis. Such securities are typically sold one to three months in advance of issuance, prior to the identification of the underlying pools of mortgage securities but with the interest payment provisions fixed in advance. The underlying pools of mortgage securities are identified shortly before settlement and must meet certain parameters. The guaranteed mortgage pass-through securities in which the Fund may invest may include those issued or guaranteed by the Government National Mortgage Association (“Ginnie Mae,” and such securities, “Ginnie Mae Certificates”), Fannie Mae (“Fannie Mae Certificates”) and Freddie Mac (“Freddie Mac Certificates”).
- Private Label Mortgage Securities. Mortgage-backed securities issued by private issuers may entail greater risk than mortgage-backed securities that are guaranteed by the U.S. government, its agencies or instrumentalities. Private label mortgage securities are issued by private originators of, or investors in, mortgage loans, including mortgage bankers, commercial banks, investment banks, savings and loan associations and special purpose subsidiaries of the foregoing. Since private label mortgage certificates are not guaranteed by an entity having the credit status of Ginnie Mae or Freddie Mac, such securities generally are structured with one or more types of credit enhancement. Such credit support falls into two categories: (i) liquidity protection and (ii) protection against losses resulting from ultimate default by an obligor on the underlying assets. Liquidity protection refers to the provision of advances, generally by the entity administering the pool of assets, to ensure that the pass-through of payments due on the underlying pool occurs in a timely fashion. Protection against losses resulting from ultimate default enhances the likelihood of ultimate payment of the obligations on at least a portion of the assets in the pool. Such protection may be provided through guarantees, insurance policies or letters of credit obtained by the

issuer or sponsor from third parties, through various means of structuring the transaction or through a combination of such approaches.

The ratings of mortgage securities for which third-party credit enhancement provides liquidity protection or protection against losses from default are generally dependent upon the continued creditworthiness of the provider of the credit enhancement. The ratings of such securities could be subject to reduction in the event of deterioration in the creditworthiness of the credit enhancement provider even in cases where the delinquency and loss experience on the underlying pool of assets is better than expected. There can be no assurance that the private issuers or credit enhancers of mortgage-backed securities can meet their obligations under the relevant policies or other forms of credit enhancement.

- Collateralized Mortgage Obligations and Multi-Class Pass-Through Securities. CMOs are debt obligations collateralized by mortgage loans or mortgage pass-through securities. Typically, CMOs are collateralized by Ginnie Mae, Fannie Mae or Freddie Mac Certificates, but also may be collateralized by Mortgage Assets. Multiclass pass-through securities are interests in a trust composed of Mortgage Assets. Unless the context indicates otherwise, all references herein to CMOs include multiclass pass-through securities. Payments of principal and of interest on the Mortgage Assets, and any reinvestment income thereon, provide the funds to pay debt service on the CMOs or make scheduled distributions on the multiclass pass-through securities. CMOs may be issued by agencies or instrumentalities of the U.S. government, or by private originators of, or investors in, mortgage loans, including savings and loan associations, mortgage banks, commercial banks, investment banks and special purpose subsidiaries of the foregoing.

In a CMO, a series of bonds or certificates is issued in multiple classes. Each class of CMOs, often referred to as a “tranche,” is issued at a specified fixed or floating coupon rate and has a stated maturity or final distribution date. Principal prepayments on the Mortgage Assets may cause the CMOs to be retired substantially earlier than their stated maturities or final distribution dates. Interest is paid or accrues on all classes of the CMOs on a monthly, quarterly or semi-annual basis. The principal of and interest on the Mortgage Assets may be allocated among the several classes of a series of a CMO in innumerable ways. In one structure, payments of principal, including any principal prepayments, on the Mortgage Assets are applied to the classes of a CMO in the order of their respective stated maturities or final distribution dates, so that no payment of principal will be made on any class of CMOs until all other classes having an earlier stated maturity or final distribution date have been paid in full. As market conditions change, and particularly during periods of rapid or unanticipated changes in market interest rates, the attractiveness of the CMO classes and the ability of the structure to provide the anticipated investment characteristics may be significantly reduced. Such changes can result in volatility in the market value, and in some instances reduced liquidity, of the CMO class.

Parallel pay CMOs are structured to provide payments of principal on each payment date to more than one class. These simultaneous payments are taken into account in calculating the stated maturity date or final distribution date of each class, which, as with other CMO structures, must be retired by its stated maturity date or a final distribution date but may be retired earlier. Planned amortization class bonds (“PAC Bonds”) are a type of CMO tranche or series designed to provide relatively predictable payments of principal provided that, among other things, the actual prepayment experience on the underlying mortgage loans falls within a predefined range. If the actual prepayment experience on the underlying

mortgage loans is at a rate faster or slower than the predefined range or if deviations from other assumptions occur, principal payments on the PAC Bond may be earlier or later than predicted. The magnitude of the predefined range varies from one PAC Bond to another; a narrower range increases the risk that prepayments on the PAC Bond will be greater or smaller than predicted. Because of these features, PAC Bonds generally are less subject to the risks of prepayment than are other types of mortgage-backed securities.

- Mortgage Servicing Rights. See additional risk disclosure above related to MSRs under the heading entitled “Additional Risks Related to Investments in Mortgage Servicing Rights”.
- Stripped Mortgage Securities. The Fund might invest in stripped mortgage securities. Stripped mortgage securities are structured with two or more classes of securities that receive different proportions of the interest and principal distributions on a pool of mortgage assets. In the most extreme case, one class will receive all of the interest, while the other class will receive all of the principal. The yield to maturity on IOs, POs and other mortgage-backed securities that are purchased at a substantial premium or discount generally are extremely sensitive not only to changes in prevailing interest rates but also to the rate of principal payments (including prepayments) on the related underlying mortgage assets, and a rapid rate of principal payments may have a material adverse effect on such securities’ yield to maturity.

Stripped mortgage securities may be issued by agencies or instrumentalities of the U.S. government, or by private originators of, or investors in, mortgage loans, including savings and loan associations, mortgage banks, commercial banks, investment banks and special purpose subsidiaries of the foregoing. Stripped mortgage securities have greater volatility than other types of mortgage securities. Although stripped mortgage securities are purchased and sold by institutional investors through several investment banking firms acting as brokers or dealers, the market for such securities has not yet been fully developed. Accordingly, stripped mortgage securities are generally illiquid.

In addition to the stripped mortgage securities described above, the Fund might invest in similar securities such as Super POs, Levered IOs and IOettes which are more volatile than POs and IOs. Risks associated with instruments such as Super POs are similar in nature to those risks related to investments in POs. Risks connected with Levered IOs and IOettes are similar in nature to those associated with IOs. The Fund may also invest in other similar instruments developed in the future that are deemed consistent with its investment objective, policies and restrictions. POs may generate taxable income from the current accrual of original issue discount, without a corresponding distribution of cash.

The Fund will trade IOs, including but not limited to agency IOs, non-agency IOs, agency Inverse IOs and non-agency Inverse IOs. The Inverse IOs invested in by the Fund may be issued as separate classes or tranches of securities of collateralized mortgage obligation vehicles organized by private institutions or by government-sponsored agencies. The Fund may consider all categories of IOs, including both agency (e.g., IOs issued by Ginnie Mae, Fannie Mae, or Freddie Mac) and non-agency (e.g., IOs issued by private institutions), in an attempt to achieve maximum returns. Inverse IOs are securities that only pay interest. The coupon adjusts inversely with an index rate, most often the LIBOR. This class of securities produces volatile income streams whose interest coupon can go to zero. Yields will be determined by both the level of principal redemptions of the underlying mortgage pool and the level of the index on which its coupon is based. Cash flows lengthen as prepayment

speeds slow (increasing returns) and cash flows shorten as prepayment speeds increase (decreasing returns). The coupon rate will adjust lower with higher levels of the referenced index (decreasing yields) and conversely, the coupon rate will adjust higher with lower levels of the referenced index (increasing yields). It is important to recognize that in certain high interest rate and fast prepayment scenarios these securities can generate negative yields (i.e., losses of the principal amount invested).

- Adjustable Rate Mortgage Securities. Unlike fixed rate mortgage securities, adjustable rate mortgage securities are collateralized by or represent interests in mortgage loans with variable rates of interest. These variable rates of interest reset periodically to align themselves with market rates. An investor in these securities will not benefit from increases in interest rates to the extent that interest rates rise to the point where they cause the current coupon of the underlying adjustable rate mortgages to exceed any maximum allowable annual or lifetime reset limits (or “cap rates”) for a particular mortgage. In this event, the value of the mortgage securities would likely decrease. Also, the value of the adjustable rate mortgage securities could vary to the extent that current yields on adjustable rate mortgage securities are different than market yields during interim periods between coupon reset dates or if the timing of changes to the index upon which the rate for the underlying mortgages is based lags behind changes in market rates. During periods of declining interest rates, income derived from adjustable rate mortgages which remain in a mortgage pool will decrease in contrast to the income on fixed rate mortgages, which will remain constant. Adjustable rate mortgages also have less potential for appreciation in value as interest rates decline than do fixed rate investments.
- Synthetic Securities. The Fund may invest in Synthetic Securities or investments that derive their value from Synthetic Securities, including synthetic indices such as IOS that reference pools of bonds where the pools of bonds themselves reference a pool of mortgages. Investments in mortgage-backed securities through the purchase of Synthetic Securities present risks in addition to those resulting from direct purchases of such reference obligations. Under a Synthetic Security, the Fund will usually have a contractual relationship only with the counterparty of such Synthetic Security, and not the reference obligor on the reference obligation. The Fund generally will have no right directly to enforce compliance by the reference obligor with the terms of the reference obligation or any rights of set off against the reference obligor, nor will the Fund generally have any voting or other consensual rights of ownership with respect to the reference obligation. The Fund will not directly benefit from any collateral supporting the reference obligation and will not have the benefit of the remedies that would normally be available to a holder of a reference obligation. In addition, in the event of the insolvency of the counterparty of such Synthetic Security, the Fund will be treated as a general creditor of such counterparty, and will not have any claim of title with respect to the reference obligation. Consequently, the Fund will be subject to the credit risk of such counterparty as well as that of the reference obligor. As a result, concentrations of Synthetic Securities entered into with any one counterparty will subject the Fund to an additional degree of risk with respect to defaults by such counterparty as well as by the reference obligor.
- Prepayment Risk. The mortgage loans underlying a mortgage-backed security generally may be prepaid at any time by the related borrowers. The principal prepayments will be used to prepay the principal balance (and, in the case of interest only certificates, may reduce the notional amount) of one or more classes of the certificates backed by such mortgage loans. As a result, the yield to maturity and market value of most mortgage-

backed securities are affected, to varying degrees, by the rate of prepayments of the underlying mortgage loans. Mortgage loan prepayment rates are influenced by a variety of economic, tax, geographic, demographic, social, legal and other factors and have fluctuated considerably in recent years.

- Interest Rate Risk. Like other fixed income securities, the value of certain fixed-rate mortgage-backed securities will vary inversely with the level of interest rates. However, because mortgage prepayments tend to increase when interest rates drop, fixed-rate mortgage-backed securities may benefit less from a drop in interest rates than bonds of a comparable maturity. In addition, rising interest rates tend to have a slowing effect on mortgage prepayments, thereby lengthening the weighted average lives of certain types of mortgage-backed securities and making such securities more sensitive to a rise in interest rates. The Fund may also invest in floating rate securities and inverse floating rate securities. Since the market values and yield to maturity of these securities will respond differently to changes in interest rates, it is impossible to predict what effect a change in interest rates will have on the value of an investment in the Fund.

The Fund is subject to several risks associated with changes in interest rates on its financings and investments which may affect profitability. The interest payments on the Fund's financings may increase relative to the interest earned on the Fund's investments. In a period of rising interest rates, interest payments by the Fund could increase while the interest earned on certain investments (e.g., fixed-rate mortgage-backed securities) would not change. In addition, depending upon the servicing advance and loan modification practices of the mortgage servicers, there can be no assurance that the financed bonds will generate enough interest to cover the cost of the financings. The Fund may rely on short-term financings to acquire investments with long-term maturities. Similarly, the Fund may acquire investments with short-term maturities which are secured by long-dated assets. Certain of the Fund's investments may be adjustable-rate instruments in which interest rates vary over time, based upon changes in an objective index (e.g., LIBOR) which generally reflect short-term interest rates. The interest rates on the Fund's financings similarly vary with changes in an objective index but may adjust more frequently than the interest rates of the Fund's investments. Many of the borrowers with respect to underlying mortgage loans which secure mortgage-backed securities may have fixed interest rates, or variable rates which do not adjust until the loan has been outstanding for several years. Even when rates are adjusted they may only adjust on an annual basis and increases are typically subject to a cap. The interest rates payable to the Fund on the mortgage-backed securities it acquires may adjust more frequently, may not be tied to the same index and may not be subject to a cap. As a result, the interest income received in respect of the underlying collateral may not be sufficient to permit the mortgage-backed securities issuer to make scheduled interest payments to the Fund and in turn from the Fund to the financing counterparty thereby increasing the default risk on the lending vehicles.

- Illiquid Markets. While the mortgage-backed securities market is very large, the market for any particular issuance of mortgage-backed securities may be highly illiquid.
- Cryptocurrency Strategies and Digital Assets. See additional risk disclosure above under the heading entitled "Risks Associated with Cryptocurrency Strategies" as well as "Additional Risks Related to Investments in Blockchain and Digital Assets "

- Effects of Environmental, Social and Governance Factors. Mariner will consider ESG factors along with other factors as part of its investment decision-making process in regards to the Fund. As a result, Mariner may not make an investment that it would otherwise have made on behalf of the Fund, or require the Master Fund to divest an investment it holds, which would have been profitable, and therefore the Master Fund may earn less profit than it otherwise would have earned had such ESG factors not been considered.

**IX. Mariner Glen Oaks Master Fund, L.P. (master fund), Mariner Glen Oaks Fund, L.P., Mariner Glen Oaks Offshore Fund, L.P. (feeder funds)**

**Fund Strategy and related risks:** Event driven, long/short credit

*Description:* Event-driven, long/short credit strategy with an opportunistic, fundamental value-oriented approach to investing in the securities and loans of developed-market companies experiencing some degree of financial stress or distress, often where a pending discrete catalyst or specific event might serve to impact the value of the company and its credit securities. Such potential event catalysts may serve to realize underlying value through an early return of principal, enhancement of debt terms, or changes in the financial structure, ownership, or capitalization of a company or its securities.

*Risks:*

- Event Strategies. The Fund could invest in companies involved in (or the target of) acquisition attempts or tender offers or companies involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions. In any investment opportunity involving any such type of business enterprise, there exists the risk that the transaction in which such business enterprise is involved either will be unsuccessful, take considerable time or will result in a distribution of cash or a new security the value of which will be less than the purchase price to the Fund of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, the Fund could be required to sell its investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which the Fund may invest, there is a potential risk of loss by the Fund of its investment in such companies.
- Speculative Nature of Certain Investments. Certain investments of the Fund may be regarded as speculative in nature and involving increased levels of investment risk. Since an inherent part of Mariner's strategy will be to identify securities and other investments that are undervalued (or, in the case of short positions, overvalued) by the marketplace, success of such strategy necessarily depends upon the market eventually recognizing such value in the price of the security or other investment, which may not necessarily occur. Moreover, as noted above, a portion of the Fund's investment portfolio may involve speculative trading strategies. Accordingly, investors must be prepared to assume the risks inherent in such speculative investments.
- Illiquid Securities. The Fund's portfolio may consist of securities, loans and other financial instruments which are not actively and widely traded or that may take several years to reach a state of maturity when realization of the investments can be achieved. In addition, there can be no assurance that the Fund's investments will ever reach such a state of maturity, which may result in distributions in kind. In general, it may be relatively difficult

for the Fund to dispose of such investments rapidly and at favorable prices in connection with redemption requests, adverse market developments or other factors. Illiquid securities may also be more difficult to value. The Fund may acquire securities in private placements that cannot be sold publicly except pursuant to an effective registration statement under the U.S. Securities Act of 1933, as amended (the “1933 Act”) or in accordance with Rule 144 promulgated thereunder which permits only limited sales under specified conditions. When restricted securities are sold to the public, the Fund may be deemed an “underwriter” or possibly a controlling person with respect thereto for purposes of the 1933 Act and be subject to liability under the 1933 Act.

- Risks of the Bankruptcy Process Affecting Fund Investments. There are a number of significant risks inherent in the bankruptcy process. First, many events in a bankruptcy are the product of contested matters and adversarial proceedings and are beyond the control of the creditors. While creditors are generally given an opportunity to object to significant actions, there can be no assurance that a bankruptcy court in the exercise of its broad powers would not approve actions that would be contrary to the interests of the Fund. Second, the effect of a bankruptcy filing on a company may adversely and permanently affect the company. The company may lose its market position and key employees and otherwise become incapable of restoring itself as a viable entity. If for this or any other reason the proceeding is converted to a liquidation, the liquidation value of the company may not equal the liquidation value that was believed to exist at the time of the investment. Third, the duration of a bankruptcy proceeding is difficult to predict. A creditor’s return on investment can be adversely affected by delays while the plan of reorganization is being negotiated, approved by the creditors and confirmed by the bankruptcy court and until it ultimately becomes effective. Fourth, the administrative costs in connection with a bankruptcy proceeding are frequently high and will be paid out of the debtor’s estate prior to any return to creditors. For example, if a proceeding involves protracted or difficult litigation, or turns into a liquidation, substantial assets may be devoted to administrative costs. Fifth, bankruptcy law permits the classification of “substantially similar” claims in determining the classification of claims in a reorganization. Because the standard for classification is vague, there exists the risk that the Fund’s influence with respect to the class of securities it owns can be lost by increases in the number and amount of claims in that class or by different classification and treatment. Sixth, in the early stages of the bankruptcy process it is often difficult to estimate the extent of, or even to identify, any contingent claims that might be made. Seventh, especially in the case of investments made prior to the commencement of bankruptcy proceedings, creditors can lose their ranking and priority if they exercise “domination and control” over a debtor and other creditors can demonstrate that they have been harmed by such actions. Eighth, certain claims that have priority by law (for example, claims for taxes) may be quite significant. Ninth, amounts previously paid to the Fund may be challenged as fraudulent conveyances or preferences as part of a bankruptcy proceeding. See “Fraudulent Conveyance and Preference Considerations” In the Fund’s Offering Documents for further information.
- Default and Recovery Rates of High-Yield Securities and Non-Par Loans. There are varying sources of statistical default and recovery rate data on high-yield securities and loans and numerous methods for measuring default and recovery rates. The historical performance of the high-yield market or the leveraged loan market is not necessarily indicative of its future performance.

## **Types of investments and related risks:**

- Loans and Debt Instruments. The Fund might invest in a variety of loans and debt instruments. The risks of loans and debt instruments include, but are not limited to: (i) limited liquidity and secondary market support, (ii) the possibility that earnings of the obligor may be insufficient to meet its debt service, (iii) the declining creditworthiness and potential for insolvency of the borrower during periods of economic downturn, (iv) the obligor is often a small or mid-size company representing only local or regional interests and (v) if the investment is subordinated, subordination to the prior claims of other loans or senior lenders. Loans and debt instruments are generally subject to market value volatility that may not be apparent from historical volatility studies and that could be significant at times. An economic downturn could severely disrupt the market for loans and corporate debt and adversely affect the value of outstanding loans and fixed income holdings and the ability of the borrowers thereunder to repay principal and interest. Moreover, defaults may prove to be greater than indicated by historical data and the timing of defaults may vary significantly from historical observations.

Loans and debt instruments may become non-performing for a variety of reasons. Non-performing instruments may require substantial workout negotiations or restructuring that may entail, among other things, a substantial reduction in the interest rate and/or a substantial write-down of the principal. The Fund may incur additional expenses to the extent it is required to seek recovery upon a default or to participate in the restructuring of a loan or debt instrument. Although the Fund may have voting rights with respect to an individual holding, there can be no certainty that the Fund will be able to exercise votes in respect of a sufficient percentage of voting rights with respect to such holding to determine the outcome of such vote.

Loans may be illiquid and possess credit risks. In addition, because of the unique and customized nature of a loan and the private syndication of a loan, certain loans may not be purchased or sold as easily as publicly traded securities, and historically the trading volume in the loan market has been small relative to the market for high-yield bonds. Trading in loans is subject to delays due to their unique and customized nature, and transfers may require extensive documentation, the payment of significant fees and the consent of an agent bank or the underlying borrower.

- Bank Loans and Participations. The Fund might invest in bank loans and participations. The special risks associated with these obligations include: (i) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors' rights laws; (ii) so-called lender-liability claims by the issuer of the obligations; (iii) environmental liabilities that may arise with respect to collateral securing the obligations; and (iv) limitations on the ability of the Fund to directly enforce its rights with respect to participations.

The loans invested in by the Fund may include term loans and revolving loans, may pay interest at a fixed or floating rate and may be senior or subordinated. Purchasers of bank loans are predominantly commercial banks, investment funds and investment banks. As secondary market trading volumes for bank loans increase, new bank loans are frequently adopting standardized documentation to facilitate loan trading which should improve market liquidity. The bank loan market has recently faced unprecedented levels of illiquidity and volatility. There can be no assurance that future levels of supply and demand

in bank loan trading will provide an adequate degree of liquidity or that the market will not experience periods of significant illiquidity in the future. In addition, the Fund may trade and make investments in stressed or distressed bank loans which are often less liquid than performing bank loans.

The Fund may acquire interests in bank loans either directly (by way of sale or assignment) or indirectly (by way of participation). The purchaser of an assignment typically succeeds to all the rights and obligations of the assigning institution and becomes a lender under the credit agreement with respect to the debt obligation; however, its rights can be more restricted than those of the assigning institution. Participation interests in a portion of a debt obligation typically result in a contractual relationship only with the institution participating out the interest, not with the borrower. In purchasing participations, the Fund generally will have no right to enforce compliance by the borrower with the terms of the loan agreement, nor any rights of set-off against the borrower, and the Fund may not directly benefit from the collateral supporting the debt obligation in which it has purchased the participation. As a result, the Fund will assume the credit risk of both the borrower and the institution selling the participation. A selling institution voting in connection with a potential waiver of a default by a borrower may have interests different from those of the Fund, and the selling institution might not consider the interests of the Fund in connection with its vote. Notwithstanding, most participation agreements with respect to loans provide that the selling institution may not vote in favor of any amendment, modification or waiver that forgives principal, interest or fees, reduces principal, interest or fees that are payable, postpones any payment of principal (whether a scheduled payment or a mandatory prepayment), interest or fees or releases any material guarantee or collateral without the consent of the participant (at least to the extent the participant would be affected by any such amendment, modification or waiver). In addition, many participation agreements with respect to Loans that provide voting rights to the participant further provide that if the participant does not vote in favor of amendments, modifications or waivers, the selling institution may repurchase such participation at par.

- Distressed Securities. The Fund expects to invest in distressed investments. Distressed investment strategies generally involve investing in the securities and other assets of U.S. and non-U.S. issuers in weak financial condition (perhaps having a negative net worth), experiencing poor operating results, needing substantial capital investment, facing special competitive or product obsolescence problems, or involved in various stages of bankruptcy or reorganization proceedings. Investments of this type may involve substantial financial and business risks that can result in significant or even total losses. Among the risks inherent in investments in financially troubled issuers is the fact that it is frequently difficult to obtain reliable information as to their true financial prospects. Such investments also may be adversely affected by state and federal laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate or disenfranchise particular claims. The market prices of such securities are also subject to abrupt and erratic market movements and above-average price volatility, and the spread between the bid and asked prices of such securities may be greater than those prevailing in other securities markets. It may take a number of years for the market price of such securities to reflect their intrinsic value.

Mariner employees (or employees of an affiliate), on behalf of the Fund, may elect to serve on creditors' committees or other groups to ensure preservation or enhancement of the Fund's position as a creditor.

- Non-U.S. Investments. The Fund will invest a portion of its assets in the debt or other securities and instruments of issuers located outside of the U.S. and in non-U.S. currencies. Investing in the securities of such companies and countries involves certain considerations, including political and economic considerations, such as greater risks of expropriation and nationalization, confiscatory taxation, the potential difficulty of repatriating funds, general social, political and economic instability and adverse diplomatic developments; the possibility of imposition of withholding or other taxes on dividends, interest, capital gain or other income; the small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict the Fund's investment opportunities.

In addition, accounting and financial reporting standards that prevail in non-U.S. countries generally are not equivalent to U.S. standards and, consequently, less information is available to shareholders of companies located in such countries than is available to shareholders of companies located in the U.S. Moreover, an issuer of securities may be domiciled in a country other than the country in whose currency the instrument is denominated. The values and relative yields of investments in the securities markets of different countries, and their associate risks, are not expected to be highly correlated with each other and may behave in unpredictable ways. There is also less regulation, generally, of the securities markets in non-U.S. countries than there is in the U.S.

The Fund may be subject to additional risks which include possible adverse political and economic developments, possible seizure or nationalization of non-U.S. deposits and possible adoption of governmental restrictions which might adversely affect the payment of principal and interest to investors located outside the country of the issuer, whether from currency blockage or otherwise. Furthermore, some of the securities may be subject to brokerage, stamp or other taxes levied by governments, which has the effect of increasing the cost of such investment and reducing the realized gain or increasing the realized loss on such securities at the time of sale. Income received by the Fund from sources within some countries may be reduced by withholding and other taxes imposed by such countries. Any such taxes paid by the Fund will reduce its net income or return from such investments. Furthermore, a non-U.S. issuer of debt or the non-U.S. governmental authorities that control the repayment of the debt may be unable or unwilling to repay principal or interest when due, and the Fund may have limited recourse in the event of a default. Some of these risks do not apply equally to issuers in larger, more developed countries. These risks are more pronounced if the Fund invests significantly in a particular country.

While Mariner will take these factors into consideration in making investment decisions for the Fund, no assurance can be given that it will be able to fully avoid these risks.

**X. Mariner GreyArc Equity Fund, L.P.**

**Fund Strategy and related risks:** Long/short equity strategy

*Description:* A fundamental long/short equity strategy focusing on global themes affecting various sectors including, but not limited to, consumer, energy, financial, industrial, real estate, health care, technology, and telecommunications. Mariner analyzes global trends, themes, and disruptions to determine investable opportunities. The Fund attempts to capitalize on opportunities created by temporary or permanent valuation dislocation, technological advancements or disruptions, changing consumer tastes, and market misunderstandings. The Fund will also attempt to capitalize on opportunities generated by governmental, policy and regulatory “cause and effects”. The Fund’s strategy merges thematic views with fundamental bottom-up research on companies and industries within its global universe.

**Risks:**

- **Use of Leverage; Interest Rates; Margin.** The Fund will utilize leverage. This results in the Fund controlling substantially more assets than the Fund has equity. Leverage increases the Fund’s returns if the Fund earns a greater return on investments purchased with borrowed funds than the Fund’s cost of borrowing such funds. However, the use of leverage exposes the Fund to additional levels of risk, including (i) greater losses from investments than would otherwise have been the case had the Fund not borrowed to make the investments, (ii) margin calls or interim margin requirements which may force premature liquidations of investment positions and (iii) losses on investments where the investment fails to earn a return that equals or exceeds the Fund’s cost of borrowing such funds. In the event of a sudden, precipitous drop in value of the Fund’s assets, the Fund might not be able to liquidate assets quickly enough to repay its borrowings, further magnifying its losses.

In an unsettled credit environment, Mariner may find it difficult or impossible to obtain leverage for the Fund. In such event, the Fund could find it difficult to implement its strategy. In addition, any leverage obtained, if terminated on short notice by the lender, could result in the Firm being forced to unwind the Fund's positions quickly and at prices below what Mariner deems to be fair value for such positions.

In addition, the Fund may in effect borrow funds through entering into repurchase agreements, and may “leverage” its investment return with options, commodity futures contracts, swaps, forwards and other derivative instruments. The amount of borrowings which the Fund may have outstanding at any time may be large in relation to its capital. Consequently, the level of interest rates, generally, and the rates at which the Fund can borrow, in particular, will affect the operating results of the Fund. In general, the Fund’s anticipated use of short-term margin borrowings results in certain additional risks to the Fund.

As noted above, while leverage presents opportunities for increasing the Fund’s total return, it has the effect of potentially increasing losses as well. The cumulative effect of the use of leverage by the Fund in a market that moves adversely to the Fund will result in a substantial loss to the Fund which would be greater than if the Fund had not used leverage in its investment program.

Borrowing will create an opportunity for increased net income but, at the same time, will involve special risk considerations. Leverage resulting from borrowing will magnify

declines as well as increases in the value of the Fund's investment in the Fund. Although the principal of the Fund's borrowings will be fixed, the Fund's assets may change in value during the time a borrowing is outstanding, thus increasing exposure to capital risk. To the extent the income derived from the assets obtained with borrowed funds exceeds the interest and other expenses that the Fund will have to pay, the Fund's net income will be greater than if the borrowing were not used. Conversely, however, if the income from the assets obtained with borrowed funds is not sufficient to cover the cost of borrowing, the net income of the Fund will be less than if borrowings were not used, and therefore the amounts available for distribution to the investors will be reduced.

In general, any use of short-term margin borrowings will result in certain additional risks to the Fund. For example, should the securities pledged to brokers to secure the Fund's margin accounts decline in value, the Fund could be subject to a "margin call," pursuant to which the Fund must either deposit additional funds with the broker, or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden precipitous drop in the value of the Fund's assets, the Fund might not be able to liquidate assets quickly enough to pay off its margin debt.

When the Fund purchases an option in the United States, there is no margin requirement because the option premium is paid for in full. The premiums for certain options traded on foreign exchanges may be paid for on margin. When the Fund sells an option on a futures contract, it may be required to deposit margin in an amount that may be determined by the margin requirement established for the futures contract underlying the option and, in addition, an amount substantially equal to the current premium for the option. The margin requirements imposed on the writing of options, although adjusted to reflect the probability that out-of-the-money options will not be exercised, can in fact be higher than those imposed in dealing in the futures markets directly. Whether any margin deposit will be required for OTC options will depend on the credit determinations and agreement of the parties to the transaction.

Funds used for the purpose of margining futures contracts and options on futures contracts regulated under the CEA must be segregated from all other funds pursuant to Section 4d(2) of the CEA and CFTC regulations. Funds used to make non-CEA regulated investments are not segregated in any way. The Fund fulfills its initial margin requirements for futures contracts by delivering cash, or, to the extent permitted by the rules of the exchange on which a position is being maintained, by delivering securities. Any variation margin required to be furnished by the Fund from time to time will be satisfied solely through the delivery of cash or other acceptable collateral.

- Short Sales. The Fund may engage in short selling. A short sale involves the sale of a borrowed security in the expectation of purchasing the same security (or a security exchangeable therefor) at a later date at a lower price. To make delivery to the buyer, a short seller must borrow the security, and is obligated to return the security to the lender, which is accomplished by a later purchase of the security. When the short seller makes a short sale in the United States, it must leave the proceeds thereof with the broker and it must also deposit with the broker an amount of cash or U.S. Government or other securities sufficient under current margin regulations to collateralize its obligation to replace the borrowed securities that have been sold. If short sales are effected on a foreign exchange, local law will govern such transactions. A short sale involves the risk of a theoretically unlimited increase in the market price of the security. Furthermore, if the short seller has

sold short the securities offered in an exchange offer or merger and has purchased the securities of the target company, it is exposed to the risk that, if the transaction is not consummated, it may suffer losses with respect to its long and its short positions. Furthermore, current and prospective restrictions on short selling may limit the Fund's ability to take short positions, which could adversely affect performance and the Firm's ability to implement the investment strategy as desired.

- Effects of Environmental, Social and Governance Factors. Mariner will consider ESG factors along with other factors as part of its investment decision-making process in regards to the Investment Advisory Accounts. As a result, Mariner may not make an investment that it would otherwise have made on behalf of the Investment Advisory Accounts, or require the Investment Advisory Accounts to divest an investment it holds, which would have been profitable, and therefore the Investment Advisory Accounts may earn less profit than they otherwise would have earned had such ESG factors not been considered.

### **Types of investments and related risks:**

- Equity-Related Instruments in General. The Fund will invest in equity securities and equity-related instruments, including but not limited to publicly listed equity securities in the U.S. or abroad, privately offered equity securities and financial instruments that may reference a single issuer, a specific sector or a broad equity index. Equity securities represent ownership interests in their respective issuers and generally carry the most risk associated with a specific issuer's capital structure.

The price of equity securities and their related financial instruments vary for a variety of reasons, including but not limited to supply and demand of the equity securities, the actual or perceived business opportunities associated with the issuer, the current and potential future cash flow of the issuer, the issuer's management, their ability to execute on a specific business plan, the general economic environment, and the outlook for the overall economy. To the extent the Fund owns an equity security or otherwise has exposure to an equity security or an equity-related financial instrument, this investment carries the risks associated with owning equities and may also carry risks associated with the form of financial instrument (e.g., options, derivative or securities-based futures contract). Any investment in equities or equity-related instruments entails a significant risk of loss.

- Small and Medium Capitalization Companies. The Fund may take long and short positions in equity securities and fixed income and other instruments of companies with small- to medium-sized market capitalizations. These securities and other instruments may involve higher risks in some respects than do investments in securities of larger companies. For example, prices of small-capitalization and even medium-capitalization securities are often more volatile than prices of large-capitalization securities and the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to investors in the case of long positions) is higher than for larger, "blue-chip" companies. In addition, due to thin trading in the securities of some small-capitalization companies, an investment in those companies may be less liquid.
- New Issues. From time to time, the Fund may, to the extent permitted by the applicable rules of FINRA, as may be amended from time to time (the "FINRA Rules"), purchase equity securities that are part of an initial public offering (sometimes referred to as "IPOs" or "New Issues"). Under the FINRA Rules, brokers generally may not sell such securities to a private

investment fund if the fund has investors who are “Restricted Persons”, which includes persons employed by or affiliated with a broker and portfolio managers of hedge funds and other registered and unregistered investment advisory firms, or “Covered Investors”, which includes certain persons who are affiliated with certain companies that are current, former or prospective investment banking clients of the broker. The profits and losses from New Issues will generally be allocated to investors in the Fund that are not Restricted Persons or Covered Investors. The Fund may, however, avail itself of a “de minimis” exemption pursuant to which a portion of any New Issue profits and losses may be allocated to Restricted Persons and/or Covered Investors. The Fund’s limited partnership agreement provides that the Fund’s general partner is authorized to determine, among other things: (i) the manner in which New Issues are purchased, held, transferred and sold by the Fund and any adjustments with respect thereto; (ii) the investors who are eligible and ineligible to participate in the profits and losses from New Issues; (iii) the method by which profits and losses from New Issues are to be allocated among investors in a manner that is permitted under the FINRA Rules (including whether the Fund will avail itself of a “de minimis” exemption or any other exemption); and (iv) the time at which New Issues are no longer considered as such under the FINRA Rules.

#### **XI. Special Status Mariner Funds<sup>6</sup>**

##### **Mariner Opportunities Fund, L.P.**

*Description:* This fund has “wound down” ongoing operations and is currently in the process of liquidation. The advisory activity is primarily limited to the preservation of existing positions (e.g., taking steps the designated investment professionals believe in their professional opinion are necessary and/or appropriate in an effort to achieve the best possible results for the remaining illiquid positions) or sale of highly illiquid positions once possible or deemed practicable (e.g., following position maturity or other realization events).

##### **Galton Mortgage Recovery Master Fund III, L.P. (master fund), Galton Onshore Mortgage Recovery Fund III, L.P. and Galton Offshore Mortgage Recovery Fund III, Ltd. (feeder funds)**

*Description:* The Fund uses complex proprietary investment strategies, based on quantitative analysis as well as fundamental research in mortgage assets, as it seeks to capitalize on the current market trends by focusing on newly issued and originated assets where the Fund will provide capital to both mortgage originators and servicers in the form of purchasing mortgage credit subordinates and mortgage servicing rights respectively. This approach is focused on the re-start of the mortgage securitization markets, the reform of the GSEs specifically a reduction of their market share and the associated need for a non-agency origination market re-start, and the move of servicing rights from banks to new investors. The Fund’s investments will include (i) performing mortgage loans (i.e., loans with respect to which the borrower has not been 30 days or more delinquent (in the case of loans that were originated less than twenty four months prior to purchase) or has not ever been more than 60 days delinquent (in the case of loans that were originated more than twenty four months prior to purchase), (ii) “new issue” mortgage-backed securities; in this context, “new issue” generally refers to mortgage-backed securities issued after

---

<sup>6</sup> Please note the Special Status Mariner Fund has wound down ongoing operations and is currently in the process of liquidation. Mariner is entitled to asset-based and performance-based fee for the fund (i.e., in accordance with the applicable governing agreements); however, as it relates to Mariner Opportunities Fund, L.P. only, Mariner is currently waiving all such management and performance based fees at this time.

2012 and (iii) mortgage servicing rights; in this context, “mortgage servicing rights” refers to any investment, security, participation, direct purchase, or negotiated transaction of full or partial servicing rights, including excess servicing transactions, which represent the compensation related to the servicing of a pool of domestic residential mortgage loans.

### **Mariner Frontier Fund, L.P.**

*Description:* This is a single investor fund-of-funds investment vehicle with a multi-strategy focus. This fund has "wound down" ongoing operations and is currently in the process of liquidation. The advisory activity is primarily limited to the preservation of existing positions (e.g., taking steps the designated investment professionals believe in their professional opinion are necessary and/or appropriate in an effort to achieve the best possible results for the remaining illiquid positions) or sale of highly illiquid positions once possible or deemed practicable (e.g., following position maturity or other realization events).

### **Item 9 – Disciplinary Information**

Form ADV Part 2 requires investment advisers such as Mariner to disclose legal or disciplinary events involving the firm or its partners, officers, or principals that are material to your evaluation of its advisory business or the integrity of its management. At this time, Mariner has no information to report that is applicable to this item.

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

#### **Pembroke**

Mariner has a registered investment adviser affiliated party, Pembroke Capital Management, LLC (“Pembroke”)(by virtue of the fact that a control affiliate of Mariner has a greater than 25% direct or indirect equity ownership interest in Pembroke). Pembroke is separately registered with the SEC under file number 801-73481.

Pembroke provides investment management services to a variety of clients and, in some cases, Mariner. Please note, these pooled investment vehicles are not listed in Section 7.B of Schedule D; however, complete and accurate information pertaining to those pooled investment vehicles is available in Section 7.B of Schedule D of Pembroke’s Form ADV. As part of a long-term venture relationship, Mariner provides various support services to Pembroke. For example, support services may include infrastructure, legal and compliance support, back office services, and investor relations support. In return for those services, Mariner has negotiated an economic interest. Mariner's clients could be solicited to invest in Pembroke’s pooled investment vehicles which is by definition and inherent conflict of interest under the above described facts.

#### **Conflicts**

See “Pooled Investment Vehicles- Conflicts” below.

## **Mariner Group Capital Markets and Mariner Investment (Europe)**

Mariner Group Capital Markets, LLC (“MGCM”), an affiliated broker-dealer registered with the SEC and a FINRA member. MGCM is a limited purpose broker-dealer and generally serves as placement agent in private offerings (for example, interests in the Mariner Funds). MGCM does not maintain client accounts or execute securities transactions on behalf of clients and Mariner does not execute trades on behalf of its investment advisory clients through MGCM.

Mariner Investment (Europe) LLP (“Mariner Europe”), a Mariner affiliate and relying adviser located in London, is registered with the United Kingdom Financial Conduct Authority. Mariner and/or certain Mariner Funds have entered into sub-advisory agreements with Mariner Europe. Mariner Europe may in the future have full discretionary investment authority over a portion of the Mariner Fund’s investments subadvised by Mariner Europe, subject to the oversight of the Mariner and the Mariner Fund’s investment objectives and strategies. In addition, individuals hired or otherwise associated with Mariner Europe serve as placement agents in private offerings (for example, interests in collective investment vehicles such as Mariner Funds). Investors in Mariner Funds will not be subject to any separate or additional fees in connection with Mariner’s retention of Mariner Europe.

### Conflicts

*Compensation provides an incentive to recommend Mariner products*

To the extent that MGCM and Mariner Europe personnel receive compensation for selling Mariner products, they have a conflict of interest in consulting with prospective clients and investors as to the opening and closing of an Account (for clients) and the purchase and sale of interests in the Mariner Funds (for investors). As described further in Item 14 below, Mariner pays that compensation only if the client or investor is aware of the fee arrangement and the arrangement otherwise complies with applicable rules and regulations (for example, the requirements of Rule 206(4)-3 under the Advisers Act for separately managed accounts and general disclosures concerning affiliated employee financial incentives for pooled investment vehicles).

### Generally

Mariner, its affiliates or Associated Advisers, and any of their respective partners, directors, members, officers and employees (together, the “Mariner Group”) engage (or may engage) in a wide variety of activities, some of which might be carried out on behalf of entities that are in competition with their clients. Subject in each case to the limitations set forth in applicable governing and account documents, the Mariner Group could (i) exercise investment responsibility, or otherwise engage, directly or indirectly, in any other business, whether or not similar to, or identical with, the business of its clients (which may include purchasing, selling, holding or otherwise dealing with investments), (ii) act as partners or advisors to other present or future private funds including, without limitation, any such Funds managed by us or our affiliates, and (iii) make investments, including investments in, and financings, acquisitions and dispositions of, investments for their own accounts (or engage in personal trading), in each case without any obligation to offer investment opportunities to our clients, subject to the limitations set forth in the applicable governing and/or

account documents, and members of the Mariner Group might directly or indirectly purchase, sell, hold or otherwise deal with investments and pursue investment opportunities, even if the investment or the prospective investment is of a character which, if presented to an Investment Advisory Account could be acquired by the Investment Advisory Account for investment, except to the extent set forth in the applicable governing and/or account documents.

*Use of ORIX and/or affiliates as service providers under Transition Services Agreement or Otherwise*

Pursuant to a management buy-back transaction, effective July 15, 2020, ORIX Corp USA (“OCU”) and Mariner ended their ongoing business relationship (the “MBO Transaction”). Prior to the MBO Transaction, OCU provided certain support services to Mariner which, pursuant to a related Transition Service Agreement (“TSA”) will continue for a period of up to three years (allowing Mariner an orderly replacement of such support services). OCU charges Mariner for such services based on an agreed fee schedule set forth in the TSA. In addition, MGCM and Mariner Europe serve as placement agents for certain Mariner Funds and BOSG as Fund Administrator fund certain Mariner Funds, please see relevant disclosures contained in this section, Item 10.

While Mariner believes that having certain temporary service and infrastructure support arrangements with OCU under the TSA has the potential to be of material and continuous benefit to Mariner, its clients and the Mariner Fund investors, specific aspects of the TSA may result in potentially material conflicts of interest (e.g., services provided to Mariner under TSA may be more costly than and/or provide lesser quality services to Mariner (as compared to other services providers), and Mariner’s clients and Mariner Fund investors will not necessarily be in a position to evaluate whether those conflicts are being equitably mitigated and/or resolved.

**The Back Office Services Group, LLC (“BOSG”)**

General

In addition to its investment advisory services, Mariner, through its affiliate, BOSG provides accounting, administration and other back office services to the Investment Advisory Accounts. These services are not a primary part of Mariner’s business activities but in return for such services, BOSG receives a fee from Mariner and/or the Investment Advisory Accounts.

Conflicts

*Mariner could be incentivized to benefit financially since BOSG is an affiliate*

Because Mariner is under common control with BOSG (and because certain of Mariner’s personnel are dually employed by BOSG), Mariner could be incentivized to retain BOSG, an affiliate, on behalf of its Investment Advisory Accounts, and Mariner’s desire to engage its affiliate financially may conflict with Mariner’s duty to act in the best interest of its advisory clients. (e.g., services provided by BOSG may be more costly than and/or provide lesser quality services to Mariner and its clients (including Mariner Funds) as compared to other non-affiliated services providers.

Although BOSG’s fees for its services to Mariner clients are not negotiated at arm’s-length, Mariner believes those fees to be reasonable in relation to the total suite of services provided and consistent

with prevailing charges from third party providers of the same or similar services (e.g., those service providers that offer a suite of services through a single service provider such as BOSG and the potential inherent benefits of such a single service provider arrangement). Notwithstanding that fact, this is an inherent conflict that applicable Hedge Fund investors should be aware of and fully consider. Mariner or its affiliate (e.g., General Partner) reserve the right to terminate its relationship with BOSG and to employ another affiliated or unaffiliated entity to perform those services.

Disclosure concerning “certain” affiliated and associated entities:

As it relates to Pembroke Capital Management, LLC (“Pembroke”), Mariner Group Capital Markets, LLC (“MGCM”), Mariner Investment Europe (LLP) (“Mariner Europe”), and The Back Office Services Group, LLC (“BOSG”), please see above disclosures as well.

**Associated Entities**

Mariner has historically held and may hold in the future non-controlling economic interests in certain entities who are also SEC registered investment advisers (collectively, the “Associated Advisers”). The Associated Advisers would be related by virtue of the fact that Mariner (or another control affiliate) have an economic interest in one or more of these entities by contract or otherwise (but in no case a 25% voting equity or control interest). These Associated Advisers may manage limited partnerships and/or limited liability companies that would not be listed in Section 7.B of Schedule D; however, complete and accurate information pertaining to those limited partnerships and/or limited liability companies would be available in Section 7.B of Schedule D of the Form ADV’S of such Associated Advisers. Mariner’s clients could be solicited to invest in these limited partnerships and/or limited liability companies and an affiliate of Mariner may market or otherwise solicit investment of these Associated Advisers products or services.

**Board/Creditor Committee Representation**

Employees of Mariner or its affiliates may serve as members of the board of directors or the bondholder’s creditors’ committee of a company the securities of which might be held in Investment Advisory Accounts. This is typically the result of a subject issuer filing bankruptcy or for entering reorganization proceedings. As a general matter, employee membership on the board of a publicly traded company requires pre-clearance from Mariner’s Legal/Compliance Department (that is, Mariner’s Chief Compliance Officer or General Counsel), and could be permitted by Mariner’s Chief Compliance Officer or General Counsel when it is deemed to be in the best interest of Mariner and/or its clients or in their respective or collective opinion does not otherwise present an unreasonable risk.

Conflicts

*Mariner might not be permitted to disclose certain information*

As a member of such a committee, employees of Mariner or its affiliates might acquire material non-public information about corporations or other entities or their securities. Mariner and its affiliates

are not obligated, and may not be permitted, to disclose any of that information to or for the benefit of their clients, or otherwise act on the basis of that information in providing services to its clients. This could cause a conflict of interest between Mariner's (or its affiliate's) legal and/or contractual duty not to disclose material non-public information and its duty to act in the best interest of its advisory clients.

Mariner seeks to limit these types of memberships and service arrangements and gives careful consideration to the pros and cons (as to Mariner) associated with personnel serving as a member of the board of directors or a bondholder's creditors' committee. Whenever practicable and appropriate, Mariner seeks to limit the application of contractual restrictions (for example, through negotiations). These types of restrictions are an inherent risk associated with the active management of certain types of assets (for example, bank debt, distressed corporate bonds) and cannot be mitigated in all cases.

### **Pooled Investment Vehicles**

Mariner currently advises the Hedge Funds and Multi-Strategy Funds as described in Item 4 above, however, it may also advise other types of Investment Advisory Accounts in the future (e.g., Private Equity Funds, Fund-of-Funds).

### **Conflicts**

*Mariner may engage in activities (on behalf of itself or Investment Advisory Accounts) which might conflict with its activities on behalf of Investment Advisory Accounts*

Subject to Mariner's Code of Ethics and other conflict mitigation policies and procedures implemented by Mariner or its affiliates (as applicable), Mariner, its affiliates or Associated Advisers, and any of their respective partners, directors, members, officers and employees engage (and may in the future engage) directly or indirectly in any outside business or other activities, including exercising investment advisory and management responsibility and buying, selling or otherwise dealing with securities for their own accounts, for the accounts of family members, for the accounts of any funds and for the accounts of individual and institutional clients (together, "Outside Accounts"). Certain of Mariner's officers and directors and employees also engage in outside business activities for affiliated and unaffiliated third party financial services firms and financial industry groups ("Outside Firms", and, together with Outside Accounts, the "Outside Persons").

Mariner and its affiliates may give advice and take action in the performance of their duties to one account which may differ from the timing and nature of action taken with respect to another account. For example, Mariner may recommend that a client purchase or sell an investment that is being sold or purchased, respectively, at the same time by Mariner, an affiliate, an Associated Adviser, their respective advisory clients or Outside Persons. Therefore, the investment strategies and techniques that Mariner, its affiliates or Associated Advisers use for one Investment Advisory Account (or Outside Persons) could conflict with the transactions and strategies Mariner employs in managing an (or another) Investment Advisory Account and may affect the prices and availability of the securities and other financial instruments in which its Investment Advisory Accounts invest.

Please see Informational Barrier (a/k/a "Chinese Wall") Section below for a further explanation of Investment Related Conflicts.

Mariner does not have an obligation to purchase or sell for any Investment Advisory Account any investment which Mariner or its affiliates, as applicable, may purchase or sell, or recommend for purchase or sale, for its or their own accounts, or for any other client account or for any Outside Persons. See the previous "Board/Creditor Committee Representation" for additional conflicts disclosure related to Outside Persons.

*Mariner could have an incentive to favor certain clients (or itself) over others*

Some of the Investment Advisory Accounts sponsored and/or managed by Mariner and its affiliates have overlapping objectives and strategies. Additionally, Mariner and its affiliates own interests in those Investment Advisory Accounts. In various circumstances, particularly when Mariner and its affiliates sponsor a new Fund, if Mariner and its affiliates provide most of the initial seed money, the Fund may be wholly or principally owned by Mariner and its affiliates (as applicable). Mariner's (or its affiliate's) ownership interest in these Investment Advisory Accounts may give Mariner an incentive to favor these Investment Advisory Accounts over other Investment Advisory Accounts. However, as discussed below in Item 12, all Investment Advisory Accounts managed using the same investment strategy will generally participate *pro rata* (or based upon some other objective and predetermined criteria) in all investment opportunities that Mariner allocates to any other Investment Advisory Account using that strategy.

*Trade Aggregation*

As a general matter, each Investment Advisory Account has its own investment objectives. Notwithstanding that fact, two or more Investment Advisory Accounts may share the same or substantially similar investment objectives or investment strategy (hereinafter collectively referred to as "Investment Objectives"), while the Investment Objectives of one Investment Advisory Account may conflict with or compete with those of another. It is the policy of Mariner to manage Investment Advisory Account assets consistently with each Investment Advisory Account's Investment Objectives and not to inappropriately favor any one Investment Advisory Account over another. Consistent with that policy, trades initiated by Mariner on behalf of Investment Advisory Accounts are to be allocated fairly and equitably among the Investment Advisory Accounts participating in the trade. To implement that objective, Mariner has adopted the following procedures:

If Mariner (or its affiliates) believes that the purchase or sale of a security is in the best interest of more than one of their respective clients, it may (but is not obligated to) aggregate the orders to be purchased or sold to seek favorable execution or lower brokerage commissions, to the extent permitted by applicable regulation or law. However, Mariner (or its affiliates) are not required to bunch or aggregate orders of their respective portfolio managers to the extent that portfolio management decisions are made separately or if Mariner (or its affiliates) (as applicable) determines it would not be consistent with its investment management duties to do so.

Aggregation of orders under these circumstances should, on average, generally decrease the cost of execution.

Due to prevailing trading activity, it is frequently not possible to receive the same price or execution on the entire volume of securities purchased or sold. When this occurs, the various prices may, in Mariner's sole discretion, be averaged and participating client accounts will be charged or credited with the average price. In such cases, each client that participates in the aggregated transaction will share transaction costs *pro rata* based upon each client's participation in the transaction.

Aggregation could advantage or disadvantage a client account. Under specific circumstances, not all clients will be charged the same commission or commission equivalent rates in connection with a bunched or aggregated order. For example, brokerage commissions may be individually negotiated by a Mariner trading desk (or third party investment adviser pursuant to a sub-advisory agreement or otherwise) that invests a portion of an Investment Advisory Account. Lastly, Mariner may cause securities purchased on behalf of its clients to be held in the name of a nominee affiliate in trust on behalf of those clients. Those nominee holdings will be used when the size of the investment or other considerations relating to the transaction favor holding the securities in the name of one person rather than subdividing the securities among the clients.

#### *Allocation Practices- Generally*

Items 4 and 5 above contain a description of Mariner's Investment Advisory Accounts and the compensation Mariner (or its affiliates) receives for managing those Investment Advisory Accounts. Mariner's affiliates manage (and may manage) separately managed accounts, private equity or other hedge fund-type accounts that have similar fee structures, and in particular instances, much higher fee structures than those described under Items 4 and 5. Since that compensation may create a conflict of interest that disclosure should be read in conjunction with the disclosure set forth below.

When a transaction is suitable for more than one client, Mariner (or its affiliates) will generally attempt to allocate purchase and sale opportunities on a fair, equitable and consistent basis among their respective clients. Mariner (or its affiliates) may consider some or all of the following factors in making allocation decisions among Investment Advisory Accounts:

- investment objectives,
- investment policies,
- investment restrictions,
- risk tolerance,
- time horizon,
- tax sensitivity,
- desired capitalization range,

- nature and size of the account,
- suitability,
- tolerance for portfolio turnover,
- availability of cash or buying power,
- account “ramp-ups”, and
- whether the Investment Advisory Account (or group of Investment Advisory Accounts) is eligible to participate in a trade pursuant to applicable compliance regulations.

Allocations are designed with a view towards ensuring that over time no Investment Advisory Account (or group of Investment Advisory Accounts) will be systematically favored over any other Investment Advisory Account (or group of Investment Advisory Accounts). Allocation methodologies may include *pro rata* based on account size or a “round robin” allocation as described further in Mariner’s “Trade Aggregation and Allocation Policy” (that is, rotating the Investment Advisory Accounts that do not participate in allocations due to the limited investment opportunities as described below). In the event an order is only partially filled, Mariner will generally attempt to allocate the position *pro rata* based upon the original allocation statement (“Pro Rata”).

There are exceptions to this policy. For example (but not limited to these exceptions), if the Pro Rata allocation results in a cash position that is different from the desired cash level, or if the position would be inconsistent with the investment objectives of one or more Investment Advisory Accounts, Mariner may deviate from the Pro Rata formula. Mariner may also deviate from its policy in order to address liquidity concerns and other practical limitations associated with partial fills or small allocations by allocating to participating Investment Advisory Accounts a minimum number of shares or bonds (such as 1,000 shares or 1,000 bonds).

Securities may not be allocated Pro Rata or otherwise as described above in the case of a transaction involving so few shares or bonds such that normal allocations among Investment Advisory Accounts would be impracticable or result in a nonconforming allocation for one or more particular client (such as when securities only trade in larger blocks). In those cases, Mariner personnel will use their best efforts to allocate amounts obtained from partial fills fairly, and Mariner will regularly document all material deviations from standard allocation guidelines and practices in writing.

Finally, Mariner may deviate from the above described Pro Rata and other exceptional areas, when a new client engages Mariner for the first time (e.g., separately managed account) and makes an initial cash contribution to an existing investment strategy (that is exactly the same or substantially similar). In that case, Mariner may seek to “ramp up” that specific client mandate and allocate all or a disproportionate amount of such eligible investments to that new single (or multiple in the case of more than one) client account. In certain limited cases (e.g., limited initial and secondary offerings including Initial Public Offerings of stocks (IPOs)), Mariner’s portfolio

management team members may apply what we believe to be a fair but somewhat subjective determination that making a pro rata allocation or any allocation to more than one eligible Client account would result in less than a reasonable level of minimum Client investment exposure to that company or security offering. Accordingly, certain otherwise eligible Investment Advisory Accounts may be excluded from participating in an IPO or other limited investment opportunity and will be given higher priority in the next instance of such a limited offering and investment exposure impracticality (e.g., moved up in preference pursuant to the “Round Robin” tracking and equitable system of rotating clients). This may also occur in the specific context of securitizations or Securitization Vehicles where an investment instrument (e.g., loan or security), is “warehoused” or otherwise pooled in advance of a securitization (e.g., Collateralized Loan Obligation or Collateralized Debt Obligation) and such investments are disproportionately allocated to such temporary pooling structure (e.g., a pre-securitization warehouse). Mariner’s Compliance Department will supervise these ramp-up exceptions and their duration in an effort to mitigate the inherent conflicts that naturally exist when all eligible client accounts (e.g., those that share the same or substantially similar investment strategy managed by the same investment team) do not participate Pro Rata. Following the ramp up period (when the client account in question has portfolio holdings that significantly match other clients that share the same or substantially similar investment strategy), all accounts will go back to Pro Rata (or the other excepted deviations noted above).

## **Item 11 – Code of Ethics**

### **General Conflicts as to Mariner**

Mariner is a multi-product investment adviser that has numerous related parties as described above in Item 10. As such, Mariner and its affiliates (collectively, the “Firm”) and their partners, officers and employees (“Personnel”) may have multiple advisory, transactional, financial and other interests in securities, instruments, companies or investment vehicles that may be purchased or sold by Mariner for the Investment Advisory Accounts. Mariner has established a variety of restrictions, procedures, and disclosures designed to address conflicts of interest arising between Investment Advisory Accounts on the one hand and the Firm’s business on the other.

It is Mariner’s policy that Personnel involved in decision-making for Investment Advisory Accounts must seek to act in the best interest of their advisory clients and generally (but not exclusively) without knowledge of trading in client accounts in which the Firm or its Personnel have an interest, and other operations of the Firm or Personnel. More specifically, where asset management Personnel (“Advisory Personnel”) know of conflicts among Investment Advisory Accounts or between Investment Advisory Accounts and the Firm and/or Personnel, it is Mariner’s policy to disclose their existence in general through delivery of this Form ADV or otherwise at Mariner’s discretion depending upon the circumstances, and to comply with legal requirements, if relevant, with respect to obtaining consents or other approval.

## **Cross Trades and Principal Trades**

*Mariner may cause its clients to make investments in affiliated or associated entities*

Mariner and its affiliates may act in multiple capacities (for example, act as principal or agent as described below in addition to acting as adviser on behalf of a client), and may effect transactions with or for an account in instances in which Mariner and its affiliates and/or their personnel may have multiple interests. Mariner might invest Investment Advisory Accounts, or recommend that clients invest, in privately offered pooled investment vehicles, unit investment trusts or other collective investment vehicles (such as CLOs, CDOs and CMOs), for which Mariner or any of its affiliates or Associated Advisers serves as investment adviser or manager (each, an “Affiliated Fund”). Investments in Affiliated Funds may be of any class or category of shares with the understanding that fees associated with such class or category need not be the lowest fees offered.

*Mariner may be compensated for causing its clients to make investments in affiliated or associated entities*

In addition, Mariner has no obligation to determine whether investments in other Affiliated Funds or a comparable, non-affiliated collective investment fund or vehicle, would be subject to lower fees and expenses. In connection with such investment, unless provided otherwise in the client’s advisory agreement, the client will pay all fees pertaining to the Affiliated Fund and no portion of the Affiliated Fund’s advisory, administrative or other fees will be offset against fees payable in accordance with the advisory agreement. The client may prospectively revoke its consent to invest in Affiliated Funds at any time by written notice to Mariner. As described above in response to Item 5, Personnel may receive referral compensation in connection with investments by clients in Affiliated Funds. See Item 5 above for Mariner’s policy regarding Mariner-advised Fund-of-Funds purchase of interests in Mariner Funds.

*Mariner may cause its clients to engage in cross trades*

In accordance with Mariner’s “Cross Trade & Principal Trade Policy,” Mariner may buy and sell the same security between Investment Advisory Accounts when it believes, in its sole discretion, that such a transaction would be advantageous or otherwise beneficial to each of the Investment Advisory Accounts involved. For example, a cross trade may be effected in a less liquid or otherwise difficult to transact in security (for example, difficult to locate or hard to borrow short), when, in the professional opinion of Advisory Personnel, it would reduce the risk of market impact or otherwise reduce the costs associated with the contemplated trade

*Mariner personnel may engage in principal trades*

Personnel may invest in the Affiliated Funds and, in such regard, purchase securities from a “client” (or, with respect to Affiliated Advisers-managed funds, although not deemed a purchase of securities from a “client,” that purchase could present an actual or apparent conflict). For example, principals or employees of Mariner may have access to investment opportunities that are not otherwise available or afforded to clients or Investment Advisory Accounts (e.g., due to limited

capacity) or pay lesser fees and/or expenses than clients or Investment Advisory Accounts may pay.

In the event that Mariner or its affiliate is required to sell any remaining assets in a Fund following the expiration of a Fund's term, Mariner and/or its affiliates (as applicable under the terms of the Fund documentation) will be permitted to bid on such assets on normal commercial terms and on an arm's-length basis; provided, however, that Mariner or one of more of its affiliates purchases the relevant asset at a price at least equal to the market value of the relevant asset.

Mariner or its affiliate may be engaged by a third party to assist in structuring sophisticated financial products for that third party's investors. An Affiliated Fund may make an investment into a third party's investment product from which Mariner or its affiliate has received a structuring or other fee in return for services provided in the creation of that investment product. A Mariner Fund will make an investment in that investment product only after Mariner has made a good faith determination that the structuring or other fee (i) was made in return for *bona fide* services that fall outside the scope of the investment management services performed by Mariner on behalf of the Mariner Fund, and (ii) was reasonable in relation to the nature of work performed.

#### *Letters of Understanding a/k/a "Side Letters"*

The Mariner Funds, Mariner and/or its affiliates may enter into letters of understanding granting investors (e.g., seed investors) or third parties (e.g., financial institutions that provide financing to Mariner or its clients, consultants or advisers to investors; consultants to investors in Mariner Funds; placement agents engaged by Mariner and/or the Mariner Funds) different rights, terms or conditions (including, without limitation, reductions in Management Fees, Incentive Fee, withdrawal, disclosure of information and transparency, expenses, revenue share, capacity, reporting, notification of certain events (including, without limitation, key person notice), representations and warranties, "most favored nations", exclusion to exposure to certain portfolio positions (e.g., ESG related), indemnification and exculpation or other preferential terms, such as access to co-investment opportunities) ("Letters of Understanding") without notice or consent of other investors. No Letter of Understanding provided to an investor or a third party by a Mariner Fund, Mariner and/or its affiliates will necessarily entitle any other investor or third party (who do not otherwise also have in place Letters of Understanding) to the rights granted in such letter.

#### **Portfolio Transparency**

Mariner will at times make a Mariner Fund's portfolio available to investors in connection with in-person meetings or by webcast in connection with telephonic meetings. Mariner makes Fund's portfolios available, on a time lag basis, to risk measurement platforms (such as RiskMetrics and Measurisk) that provide risk monitoring, modeling or measurement services. Mariner may also agree to make a Fund's portfolio available to certain investors at other specified times as described herein.

Upon written request (and subject to a confidentiality agreement as applicable) there may be certain additional reports and supplemental information that is available to investors (including their investment advisers, risk aggregators and/or consultants), which includes weekly or mid-

month performance estimates, certain portfolio composition and position level data (typically on a lag), liquidity, sector, strategy and geographical allocations, security types, ratings data, performance attribution analysis, and general information relating to portfolio allocations and certain Mariner Fund and/or Mariner related events, etc.)(the “Special Reports”). In addition to these Special Reports, pursuant to a confidentiality agreement that includes agreed upon limitations on use, certain third party service providers (e.g., consultants, risk and asset aggregators such as The Open Protocol), have been retained by large institutional investors (e.g., state and corporate pension plans, fund of funds and other investors who invest in multiple hedge funds)(collectively “Consultants”) and as a result may receive additional detailed information from Mariner that is not generally made available to investors including but not limited to the following: certain fund holdings data such as liquidity related data, certain sector data, strategy and geographical region allocation related data, asset class related data including security and instrument types; exposure data including market capital exposure; maturity data, credit ratings data, concentration and percentage of ownership data, price yield and spread data; risk reports including value at risk and portfolio sensitivity data (e.g., Beta and Greeks), stress test related data and account related custodian data (all of the aforementioned data and reports simply referred to collectively hereinafter as “Consultant Data”). Investors should be aware of the Consultant Data and upon written request and subject to applicable confidentiality agreements governing data use and dissemination, investors can receive the same Consultant Data (e.g., via an Excel Spread Sheet or otherwise). Mariner currently provides Consultant Data to the Open Protocol. Finally, investors in some Mariner Funds may have greater transparency to their portfolios than investors in other Mariner Funds, which portfolios may have significant overlap with other Mariner Funds’ portfolios.

### **Mariner’s Code of Ethics**

In the ordinary course of performing its investment advisory services and under specific conditions, Mariner (or its affiliates) may recommend to their clients the purchase or sale of securities (or various classes of the same security) in which Mariner (or its affiliates), and their Personnel also have a position or interest. For example, Mariner may advise a securities portfolio for its clients (e.g., Mariner Fund or separately managed account), and may recommend to such clients that they buy or sell securities in which Pembroke has a financial interest (e.g., principals of Pembroke may own a 25% or greater interest in an investment vehicle advised by Pembroke which is a Mariner affiliate). It is worth noting that in such instances, clients could have different rights in those securities (for example, in different parts of the capital structure (preferred securities versus the equity) or in the event of a credit default or restructuring on the part of the issuer, or as a result of a bankruptcy proceeding). In addition, Mariner may recommend to one or more Investment Advisory Account that they purchase or sell interests in Affiliated Funds. Please see Informational Barrier (a/k/a “Chinese Wall”) Section below for a further explanation of Investment Related Conflicts.

In addition, Personnel and other related persons of Mariner may buy and sell for their own personal accounts securities that are recommended to clients. As described more fully below, Mariner has adopted a Code of Ethics and other conflict and risk related policies including a Personal Investment Policy (collectively the “Code”) that regulates personal transactions and other

possible conflicts in such a manner that Mariner's primary obligation of fiduciary duty to its clients is satisfied. Lastly, certain principals of Mariner may have a substantial economic position in the equity of companies that serve as a custodian or prime broker for client accounts (such as Hedge Funds), or to whom the client accounts allocate brokerage transactions.

Pursuant to Rule 204A-1 of the Advisers Act, Mariner has adopted a Code which sets forth standards of business and personal conduct for all Mariner employees. In addition, Mariner has developed specific policies and procedures that govern the business practices of Mariner partners, directors, officers and certain other employees ("Access Persons" who are generally defined under the Code as employees who have regular access to information relating to client security transactions and "Advisory Persons," who are generally defined as investment professionals such as portfolio managers, analysts and traders who recommend, research and effectuate investment ideas respectively) and certain of its affiliates ("Access Persons" and "Advisory Persons" are referred to collectively as "Access Persons"). For example, Mariner has developed a "Personal Investment Transactions and Reporting Policy" (the "Personal Investment Policy") to address actual and potential conflicts of interest that arise from personal trading by Mariner employees. For example, Access Persons are prohibited from purchasing initial public offerings, except with the express written approval of Mariner's General Counsel or Chief Compliance Officer.

The Code is predicated on the basic principle that employees of Mariner will adhere to the high ethical standards and fiduciary principles, and must:

- place client interests first;
- engage in personal securities transactions consistent with the Code and avoid any actual, potential or apparent conflict of interest or any abuse of position of trust and responsibility;
- keep security holdings and financial circumstances of clients confidential; and
- adhere to the principal that independence in the investment decision-making process is of paramount importance.

In addition to the Personal Investment Policy, the Code is comprised as several sections, covering various topics crucial to registered investments advisers, including: "Confidentiality"; "Gifts & Entertainment"; "Political Contributions and the Pay-to-Play Rule"; "Personal Conflicts of Interest and Outside Affiliations"; "Media and Public Speaking"; and "Electronic Communications and Social Media Usage." Mariner prohibits the use of material non-public information ("inside information") and maintains a Restricted and Watch List of securities that may not be purchased by its employees for their own accounts or for Investment Advisory Accounts because of the actual or possible possession of inside information.

All supervised persons are expected to strictly adhere to the practices and policies set forth in the Code, as well as the procedures for approval and reporting requirements established therein. The Code includes specific procedures and policies relating to the required approval and reporting of personal securities for all access persons, required securities holding reports, insider trading education and prohibitions and annual training certification filings to assure compliance with the

code of ethics on an ongoing basis. All required reports are submitted and reviewed by Mariner's Compliance Team.

Access Persons are discouraged from engaging in frequent personal trading. Access Persons are permitted to personally invest in securities and other investment instruments consistent with Mariner's Personal Investment Policy (Please see Mariner's Personal Investment Policy for a further explanation of those permissions, conditions and restrictions which is available upon request). An employee's violation of Mariner's Code (and the Personal Investment Policy) can result in remedial measures including disgorgement of profits (if any), and depending upon the facts or circumstances, more severe actions up to and including monetary fines, suspension (including trading activity) and termination of employment.

Access Persons generally are prohibited from serving as board members of a publicly traded company, however, as noted above in Item 10, exceptions may be permitted by Mariner's Chief Compliance Officer or General Counsel when it is deemed to be in the best interest of Mariner and/or its clients or in their respective or collective opinion does not otherwise present an unreasonable risk. The Firm shall have no obligation to recommend for purchase or sale by any Investment Advisory Account any instrument that the Firm or Personnel may purchase for themselves or for any other clients. The Firm shall have no obligation to seek to obtain material non-public information about any issuer of securities, nor to effect transactions for Investment Advisory Accounts on the basis of any inside information as may come into its possession.

The ability of Mariner to effect and/or recommend transactions for Investment Advisory Accounts may be restricted by applicable regulatory requirements and/or the Firm's internal policies. As a result, there may be periods when Mariner may not be able to initiate or recommend certain types of transactions for such clients, may not acquire certain instruments, or may dispose of certain instruments in an Investment Advisory Account when aggregate position limits established by the Firm or by regulators have been reached, or in other circumstances, and advisory clients will not be advised of that fact. Also, without limitation, regulatory or contractual or other limitations or considerations related to effecting transactions for certain of Mariner's Investment Advisory Accounts may not apply to other Investment Advisory Accounts, resulting in differences among Investment Advisory Accounts.

Unless approved by Mariner's Chief Compliance Officer, Mariner employees (including all Access Persons) may not undertake other business activities outside of Mariner that may cause, or appear to cause, any conflict of interest, and Access Persons must disclose all directorships in businesses and other interests in businesses where they either have a controlling or influencing position or receive monetary or other compensation for their involvement in that business. Each Mariner employee is required to report to Mariner certain types of securities transactions in personal accounts in which they have a "beneficial Interest," including arranging for duplicate transaction confirmations to be sent to Mariner (or its third party service provider, currently Compliance Science, Inc. (d/b/a ComplySci) as well as completing initial, quarterly and annual reports.

Mariner's clients, prospective Mariner clients or investors in Mariner Funds may obtain a complete copy of the Mariner's Code of Ethics free of charge by submitting a written request to Mariner's

Compliance Department at 500 Mamaroneck Avenue, Harrison, NY 10528, by fax at (914) 670-4320 or by contacting Mariner's Chief Compliance Officer at (914) 670-4335.

## **Other Actual or Potential Conflicts of Interests**

### *Management of Investment Advisory Accounts*

Mariner and its affiliates are subject to actual and potential conflicts of interest in managing the business and affairs of the Investment Advisory Accounts. For example, Mariner or its affiliates currently manage numerous Funds and separately managed accounts and may sponsor new Funds and other separately managed accounts in the future. Those new Funds and separately managed accounts may be managed by current employees or by new portfolio managers hired to manage those new Funds and separately managed accounts. Mariner may have an incentive (for example, if the new Funds pay Mariner, its affiliate or an Associated Adviser higher fees) to retain portfolio managers to manage the assets of the new Funds and separately managed accounts rather than to manage the assets of the existing Mariner Funds.

In addition to the above, Mariner may have conflicts as it relates to the time commitment to currently act as an investment adviser to the Investment Advisory Accounts as well as the other business commitments, Mariner and its affiliates may have from time to time. Mariner will devote such time and attention to the business and affairs of each Investment Advisory Account as it deems necessary.

### *Third Party Advisors*

There may also be instances where an affiliated, Associated or unaffiliated third party investment adviser (each, a "Third Party Advisor") may manage an Investment Advisory Account on behalf Mariner (pursuant to an investment advisory agreement or otherwise) and Mariner may cause another Investment Advisory Account to invest in a Third Party Advisor-managed Fund. Typically, that Investment Advisory Account would pay the fees set forth in Third Party Advisor-managed Fund's offering memorandum.

As a result of that investment, the appearance that the Third Party Advisor is receiving additional benefits (such as investor capital or indirect compensation through asset- and performance-based fees) and/or, in the case of an affiliated or associated Third Party Advisor, that a Mariner affiliate or Associated Adviser is receiving some additional and separate compensation, may exist. However, Mariner does not have any formal or informal understanding with any Third Party Advisor that would in any way obligate Mariner to invest in a product or service offered by that investment adviser. Mariner allocates capital for each client in accordance with the general best interest of each client as determined by Mariner (taking into consideration all relevant circumstances). With respect to Fund-of-Funds that direct Mariner to invest in products or services offered by Mariner affiliates or Associated Advisers, these same conflicts may exist and may be exacerbated.

In addition, in the case that Mariner retains a Third Party Advisor on behalf of multiple Investment Advisory Accounts, there may be limited instances where Mariner's decision to terminate its relationship with the Third Party Advisor may negatively impact one or more of those Investment

Advisory Accounts. For example, Mariner may invest the assets of a Fund-of-Funds in an underlying fund managed by a Third Party Advisor, and retain the same Third Party Advisor to manage an Account (*e.g.*, via sub-advisory separate account arrangement). If Mariner terminated the Third Party Advisor, Mariner may be in a position to more quickly liquidate the assets of the Account, while the Fund-of-Funds' investment in the underlying fund may be subject to withdrawal restrictions. In the case that the Account and the Fund-of-Funds invest in the same, illiquid positions, the Fund-of-Funds may be negatively impacted by its lack of liquidity (relative to the Account).

#### *Potential for Conflicting Trading Activity*

See "Pooled Investment Vehicles- Conflicts- *Mariner may engage in activities (on behalf of itself or other clients) which may conflict with its activities on behalf of a client*" in Item 10 above.

#### *Conflicts Regarding Valuation and Other Matters*

Mariner will be responsible for a variety of important matters affecting each Investment Advisory Account. Among other matters, Mariner will assist the applicable administrator and back office service provider with determining the value of the securities and other instruments held by such Investment Advisory Account. Such valuation affects reported Investment Advisory Account performance, the calculation of any performance-based fee due to Mariner as well as the calculation of the related management fee. Although Mariner has instituted methods of valuing different types of investments, which generally involve current market price information, there may be investments as to which the administrator and back office service provider have certain elements of discretion in determining valuation.

#### *Third Party Advisor Compensation*

Mariner negotiates the compensation to be paid to each Third Party Advisor that trades a portion of Multi-Strategy Fund's assets (see Items 4 and 5 above). Since Mariner retains for itself greater fees if a trader accepts lower fees, Mariner has an incentive to select for its Multi-Strategy Funds traders who accept lower fees (which may conflict with Mariner's duty to act in the best interest of its advisory clients). However, regardless of the amount of a Third Party Advisor's fees, Mariner maintains internal qualifications and standards that Third Party Advisors generally must meet.

#### *Appointment of Third Party Advisors*

Mariner has an ongoing need to find and retain qualified traders, portfolio managers and analysts (both as employees and Third Party Advisors) for the Multi-Strategy Funds, and for other Mariner Funds and accounts for which Mariner or an affiliate currently provides or in the future may provide investment management services. As noted below in the "Creation of New Fund versus Account" section, Mariner has prescribed criteria for determining whether a person will be retained to provide management services as an employee, referred to an affiliate or Third Party Advisor to manage a separate account on behalf of the Multi-Strategy Funds, or whether that person will be retained to manage the assets of other Funds or accounts managed by Mariner, or an affiliate or Associated Adviser. Notwithstanding that conflict mitigation effort, Mariner is inherently

incentivized to appointment those persons based upon business and financial incentives which may result in favoring one type of arrangement over another.

#### *Incubation Fund and Related Incubation Products*

As noted above, Mariner has an ongoing need to find and retain qualified traders, portfolio managers and analysts (both as employees and Third Party Advisors). Although Mariner does not currently have a formal incubation program in effect (as it has historically) which can generally be described as a fund or program primarily designed to support, develop and otherwise foster the growth of an “up-start” or lesser established trading team or adviser (collectively, the “Incubation Fund”). Mariner may establish an Incubation Funds in the future. Mariner has established objective (albeit general) criterion for determining whether a person (or affiliated entity) will be retained to provide investment management services on behalf of an Incubation Fund or whether that person (or affiliated entity) will be retained or otherwise utilized to manage or advise the assets of other Funds or accounts managed by Mariner, an affiliate or Associated Adviser (e.g., the Multi-Strategy Funds). As a result, Mariner could base its appointment of those persons (or affiliated entities) based upon business and financial incentives which may result in favoring one type of arrangement over another.

#### *Creation of New Fund versus Account*

Mariner may have a conflict of interest in determining whether to form a new Fund for a Third Party Advisor that manages a separate account for a Multi-Strategy Fund. For example, if a new Fund is formed for a Third Party Advisor, that person may discontinue managing a separate account for an existing Multi-Strategy Fund, and even if that person does continue to manage a separate account for that Multi-Strategy Fund, the fact that the person is also managing a new Fund could adversely affect the trader’s separate account(s) due to allocation of resources, competition from limited availability positions and similar considerations.

#### *Other Activities of Mariner and its Affiliates.*

Conflicts of interest may arise from the fact that the Mariner, its employees, and their respective affiliates provide investment management services to more than one Fund or Account. As noted in Item 4, Mariner currently manages Accounts and anticipates managing additional separately managed accounts in the future. Such separately managed accounts may have different rights than the rights that the investors in a Mariner Fund have, including complete portfolio transparency.

Other Accounts may have investment objectives, programs, strategies and positions that are similar to or may conflict with those of one of the Fund, or may compete with or have interests adverse to a Fund. Such conflicts could affect the prices and availability of securities in which the Fund invests. Even if an Account has investment objectives, programs or strategies that are similar to those of a Fund, Mariner may give advice or take action with respect to the investments held by, and transactions of, the Accounts that may differ from the advice given or the timing or nature of any action taken with respect to the investments held by, and transactions of, the Fund due to a variety of reasons, including, without limitation, differences between the investment strategy, financing

terms, regulatory treatment and tax treatment of the Account and Fund. As a result, the Fund and an Account may have substantially different portfolios and investment returns.

Conflicts of interest may also arise when Mariner or one of its investment professionals makes decisions on behalf of one of the Investment Advisory Accounts with respect to matters where the interests of Mariner, the investment professional and another Investment Advisory Account differ. In particular, Mariner or the investment professional may, in certain circumstances, take positions in an Investment Advisory Account opposite to those taken by an Investment Advisory Account which involve conflicts or potential conflicts with the regards to the Investment Advisory Account's positions (e.g., investments in different levels of a company's capital structure, or vote differently on corporate actions such as loan defaults, restructurings and bankruptcy actions which could negatively impact a security holder of a different status). These positions could adversely affect the performance of investments held by the Investment Advisory Account. For example, a short position in a security in an account of one Investment Advisor Account could cause a decline in the value of a long position held by an Investment Advisory Account in the same security (including the same Investment Advisory account in the case of separately managed accounts advised by distinct investment teams in a multi-strategy format and structure). Mariner and the investment professional may also decline to make an investment for an Investment Advisory Account out of concern that such investment might harm another Fund or Account.

### **Informational Barrier (a/k/a "Chinese Wall")**

#### *Separation Between Direct Investment Management Teams*

Mariner has or may in the future establish an informational barrier among its various investment teams and accordingly, those investment teams are or would not be under any obligation to share and, in instances, are prohibited from sharing (unless certain established control procedures are followed) investment opportunities, ideas or strategies among each other or their affiliated traders. As a result, certain investment teams within Mariner may compete with each other and/or with affiliated advisers for appropriate investment opportunities, or engage in trading activities on behalf of some of Mariner's clients that is detrimental to the trading positions of other Mariner clients.

Certain Mariner employees (e.g., internal investment management teams) receive confidential or material non-public information ("MNPI") as a result of research and other investment related activities as well as through certain affiliations with public issuers. In an effort to prevent wrongful trading, Mariner has established certain procedural controls and physical information barriers (collectively "Informational Barriers") and at times restricts trading in the securities of relevant issuers. The purpose of Information Barriers is, among other things, to insulate MNPI to certain investment teams so that the rest of Mariner's investment teams are not otherwise restricted. In the absence of an Informational barrier, the MNPI would be imputed to all of Mariner and all trading groups would be restricted.

From time-to-time Mariner may permit an investment professional to move outside of the information barrier and there are times when information barriers may be breached. To the extent

such investment professional holds or acquires MNPI, certain related Mariner trading groups may be restricted from making certain investments or effecting certain transactions. Such restrictions may negatively impact the investment performance of client accounts.

The establishment and maintenance of the Informational Barrier means some Investment professionals will generally not be able to use, act on or otherwise be aware of confidential information otherwise known by or in the possession of the rest of Mariner (and vice-versa), and collaboration between personnel associated with groups on opposite sides of an Informational Barrier, may be limited, reducing potential investment related synergies. When Mariner restricts information among its various investment professionals, those investment teams are or would not be under any obligation to share and, in instances, are prohibited from sharing (unless certain established control procedures are followed), investment opportunities, ideas or strategies among each other. As a result, certain investment teams within Mariner may compete with each other and/or with affiliated or otherwise associated advisers for appropriate investment opportunities, or engage in trading activities on behalf of some of Mariner's clients that is detrimental or contrary to the trading positions of other Mariner clients.

Mariner has established and is expected to continue to establish, Informational Barrier policies and related mitigating procedures as needed. For example, Mariner has procedures in place (including the establishment of an Investment Conflicts of Interest Committee ("ICIC"), to carefully consider whether to intentionally accept MNPI with respect to certain issuers (e.g., "Go Private" in an issuer), or to forgo receiving such potentially useful information (e.g., stay "Public" in an issuer). In some instances, Mariner's ICIC may create an isolated information barrier around a small number of its employees (e.g., a temporary Informational Barrier or "Pop-up Wall"), so that MNPI received by such employee(s) is not attributed to the rest of Mariner. Nevertheless, certain investment teams may be restricted by law, regulation, contract or by Mariner's ICIC as to how much, if any, of a particular security they may purchase or sell on behalf of a client, the timing of such purchase or sale and/or with respect to voting on corporate actions or transactions (as described further below). Credit teams may also be restricted in obtaining certain information which could affect their investment decision-making. All of these restrictions could have a detrimental and or disproportionate impact on client investment outcomes.

#### *Voting on certain Corporate Actions*

From time to time and consistent with Mariner's policy and procedures, Mariner's ICIC may intervene and determine or otherwise influence the way one or more client account portfolio holdings are voted (e.g., a senior corporate credit related vote involving a bank debt restructuring or other proceeding) (a "Corporate Vote"). For example, Mariner's ICIC may consider a number of factors when considering a Corporate Vote and how to ultimately cast (or abstain) such vote including but not limited to: a liquidity analysis, what the estimated financial and other effects might be to the relevant client accounts if each Corporate Vote occurred in a particular way (e.g., for or against a corporate action). These inherent investment conflicts of interest can be particularly pronounced in the case of multiple Mariner investment teams managing a distinct investment strategy and portfolio on behalf of the same client account but in different parts of an issuer(s) capital structure such as bank debt versus more junior corporate bonds or equity securities. All of

these actions could have a detrimental and or disproportionate impact on client account investment outcomes.

## **Item 12 – Brokerage Practices**

### **Selection of Broker-Dealers**

Mariner generally has the authority to determine without client consultation or consent the broker-dealer or other counterparty through which securities or other instruments are bought and sold, and the commission rates or dealer spreads at which transactions are effected. However, a client may limit Mariner's discretionary authority over its Account and instruct Mariner as to which broker-dealer(s) it should use to execute securities transactions on behalf of its Account. In those cases, Mariner may be unable to achieve most favorable execution of client transactions. Therefore, clients who elect to select the broker-dealer(s) for execution of securities transactions on behalf of their account may incur greater costs (than clients who do not elect directed brokerage). For example, a client may pay higher brokerage commissions because Mariner may not be able to aggregate orders to reduce transaction costs, or the client may receive less favorable prices. Mariner will negotiate the scope of its authority with each client on an individual basis as requested.

In placing orders for the purchase and sale of securities for clients, Mariner's policy is to seek the best execution of orders on an overall basis, which means that it seeks to ensure that the client's total cost or proceeds is the most favorable under the circumstances. Mariner does not adhere to any rigid formulas in making its selection of broker-dealers to effectuate securities transactions on behalf of its clients, but weighs a combination of factors or criteria. For example, in selecting brokers to effect portfolio transactions, the determination of what is expected to result in best execution on an overall basis involves a number of factors, including but not limited to:

- a broker's reliability, reputation and experience in the industry,
- the integrity of the Broker to appropriately handle the Firm's transactions and ability to maintain confidentiality;
- financial stability and capital adequacy;
- the Broker's demonstrated ability to achieve the best net results on transactions in a particular sector or of a particular size;
- efficiency in executing and clearing transactions (for example, ability to prospect for and provide liquidity and block trades, while avoiding unwanted market impact);
- capital commitment and a Broker's willingness to enter into difficult transactions, including transactions in which the Broker's capital is put at risk;
- the facilities that the Broker makes available (including trading networks, access to multiple floor Brokers and markets, and significant resources for positioning as principals);
- the Broker's expertise in effecting difficult trades in less liquid, smaller capitalized, and more closely held issues;
- the broker's demonstrated support of evaluation of ESG factors; access to underwritten offerings and secondary market trades;
- the Broker's ability to understand trading characteristics of the security;

- competitive commission rates, markups and other fees and spreads;
- general responsiveness to the Firm; and
- if applicable, the quality of research and services provided (see “Soft Dollars” below).

Mariner may also take into consideration research (such as investment ideas), quantitative analysis, historical data, analytical, statistical and other information and services provided by the broker (such as periodic electronic reports). For example, Mariner will consider a broker’s assistance with arranging for representatives of Mariner to speak at conferences and programs sponsored by the broker for investors interested in investing in hedge funds (the “Capital Introduction Events”) (if any). Through such Capital Introduction Events, prospective clients (or investors in clients managed or advised by Mariner or its affiliates such as the Hedge Funds), have the opportunity to meet with representatives of Mariner. Currently, Mariner and its affiliates do not compensate brokers for organizing such events or for any investments ultimately made by prospective investors attending such events (although either of them may do so in the future).

Additionally, Mariner and its affiliates may do business with (for example, effect securities transactions with) broker-dealers that have consulting or other divisions that refer business to the Firm, but Mariner does not have any agreement or other understanding (either written or oral), to do so based upon that brokerage. Mariner’s practice of taking into account client referrals from broker-dealers when selecting broker-dealers for Accounts creates a conflict of interest for Mariner, as it may have an incentive to select or recommend a broker-dealer based on Mariner’s interest in receiving client referrals (rather than on Mariner’s clients’ interest in receiving most favorable execution).

As a general statement, the Mariner employees who are responsible for directing brokerage to broker-dealers are not responsible for or directly involved with capital raising and marketing activities. Those employees who do have responsibility for marketing are separate and distinct from Mariner’s investment advisory activities (that is, are generally not Access Persons) and Mariner’s Compliance Department specifically monitors activities in this area (including monitoring Capital Introduction Events and trade flows and commission activity with an eye towards these potential conflict activities).

For many transactions involving debt obligations, the markets in which Mariner primarily trades are dealer-to-dealer over-the-counter markets in which there are no brokerage commissions, although mark-ups, mark-downs and clearing, structuring and other transaction costs are applicable. Mariner buys and sells securities on behalf of Investment Advisory Accounts at the prevailing bid-ask spreads. Mariner believes that each Investment Advisory Account has access, through direct contact with primary dealers and financial institutions, to fully competitive prices.

### **Soft Dollars**

Although Mariner is not currently engaged in any prescribed Soft Dollar arrangements (as that agreement may be defined by applicable law or regulation and described further below), Mariner may select brokers that furnish Mariner, its clients, its affiliates or personnel, directly or through third-party relationships, with research or brokerage services which provide, in Mariner’s view,

lawful and appropriate assistance in the investment decision-making or trade execution processes. Mariner may endeavor, subject to the duty to seek best execution, to execute trades with such brokers, in order to obtain research or brokerage services or in order to ensure the continued receipt of such research or brokerage services. Research or brokerage services that may be acquired by Mariner with soft dollars include, without limitation and to the extent permitted by applicable law: (i) research reports on companies, industries and securities; (ii) economic and financial data; (iii) financial publications; (iv) broker sponsored industry conferences; (v) quantitative analytical software; and (vi) market data related software and services. Such services may be proprietary (i.e., created and provided by the broker-dealer) or third-party (created by a third-party but provided by the broker-dealer).

### **The Safe Harbor – Summary**

Mariner may pay or be deemed to have paid; commission rates higher than it could have otherwise paid in order to obtain such research or brokerage services. Such higher commissions would be paid in accordance with Section 28(e) of the U.S. Securities Exchange Act of 1934 “Safe Harbor” as interpreted by the SEC and its staff (the “Safe Harbor”), which requires Mariner to determine in good faith that the commissions paid are reasonable in relation to the value of the research or brokerage services received. Mariner believes that using commission dollars to obtain the type of research or brokerage services mentioned above enhances its investment research and trading processes. Pursuant to Mariner’s commission sharing policy, all third-party commission sharing arrangements must be approved and/or ratified by Mariner’s Compliance Committee. Research products or brokerage services received by Mariner may also be used for functions that are not research or brokerage related. Where a research product or brokerage service has such a “mixed use”, Mariner will make a reasonable allocation according to its use and will pay for the non-research and brokerage function in cash using its own funds. The receipt of such products and services and the determination of the appropriate allocation creates a potential conflict.

While research or brokerage services obtained in this manner may be used in servicing any or all of Mariner’s client accounts, such products and services may disproportionately benefit one or more clients relative to others based on the amount of brokerage commissions paid, the nature of the research or brokerage products and services acquired and their relative use or value for particular accounts. For example, in some cases, the research or brokerage services that are paid through a client’s commissions might not be used in managing that client’s account. In addition, other Mariner clients may receive the benefit, including disproportionate benefits, of economies of scale or price discounts in connection with products and services provided as a result of transactions executed on behalf of a client account for which such products and services are also used. To the extent that Mariner uses client commission dollars to obtain research or brokerage services, it will not have to pay for those products and services itself. Mariner may also receive research or brokerage services that are bundled with trade execution, clearing, settlement and/or other services provided by a particular broker-dealer. To the extent Mariner receives research or brokerage services on this basis, many of the same potential conflicts related to receipt of these services through third-party arrangements may exist. For example, the research effectively will be paid by client commissions

that also will be used to pay for the execution, clearing, and settlement services provided by the broker-dealer and will not be paid by Mariner from its own assets.

### **Third Party Adviser Use of Soft Dollars**

On occasion, third party investment managers that are not affiliates of Mariner, but that Mariner (and/or the Mariner Funds) engage to provide advisory services to a Mariner Fund or Account pursuant to a sub-advisory agreement or otherwise, may enter into soft dollar relationships, but generally only to the extent that those soft dollar relationships provide appropriate brokerage and/or research assistance (typically within the Safe Harbor).

### **OTC Trading**

Primary market makers are used for transactions in the over-the-counter ("OTC") markets, except in those instances where Mariner believes more favorable execution or price is obtainable elsewhere. Mariner may effect transactions in OTC securities (and certain derivatives) directly with principals or market makers by paying a mark-up within the spreads of the bid and ask prices of the security or derivative and without incurring a commission charge. Mariner may also effect transactions in OTC securities or derivatives on an agency basis when liquidity permits. The purchase price of an OTC security or derivative acquired in an agency transaction could include compensation to the broker-dealer in the form of a mark-up relative to the broker-dealer's original cost in addition to a commission.

For many transactions involving U.S. Treasury, federal agency and mortgage-backed securities, the markets in which Mariner trades are dealer to dealer OTC markets in which there are no brokerage commissions, although minor clearing charges are applicable. While Mariner may buy and sell securities or derivatives on behalf of client accounts at the prevailing bid asked spreads, the actual direct transaction costs are minimal. Mariner believes that its Investment Advisory Accounts have access, through direct contact with primary dealers and financial institutions, to fully competitive prices. Certain of Mariner's Investment Advisory Accounts may maintain credit lines for Treasury financing with most, if not all, government securities primary dealers.

*Clearing and Trading Requirement of the Over-the-Counter Derivatives Markets.* The Dodd-Frank Act includes provisions that comprehensively regulate the OTC derivatives markets. The Dodd-Frank Act requires that a substantial portion of OTC derivatives must be executed in regulated markets and submitted for clearing to clearing houses. OTC derivatives trades submitted for clearing are subject to initial and variation margin requirements set by the relevant clearing house, as well as possible CFTC- or SEC-mandated margin requirements. The regulators also have broad discretion to impose margin requirements on non-cleared OTC derivatives. Although the Dodd-Frank Act includes limited exemptions from the clearing and margin requirements for so-called "end-users", the Funds will not be able to rely on such exemptions. OTC derivative dealers also are or will be required to post margin to the clearing houses through which they clear their customers' trades instead of using such margin in their operations. This will increase the OTC derivative dealers' costs, and these increased costs are expected to be passed through to other market participants in the form of higher upfront and mark-to-market margin, less favorable trade pricing, and the

possible imposition of new or increased fees. As of the date of this Brochure, certain credit default swaps and interest rate swaps are subject to a clearing mandate. Other swap transactions on other types of products are expected to be required to be cleared as well.

The SEC and CFTC will require a substantial portion of derivatives transactions that were historically executed on a bilateral basis in the OTC markets to be executed through a securities, futures, or swap exchange or execution facility. These transactions that are required to be entered into on an exchange or execution facility are a subset of those that are required to be cleared (i.e., as of the date of this Brochure, certain credit default swaps and interest rate swaps).

Clearing and trading requirements may make it more difficult and costly for investment funds, including the Mariner Funds to enter into OTC transactions. They may also render certain strategies in which the Mariner Funds might otherwise engage impossible or so costly that they will no longer be economical to implement. Finally, the clearing requirement will centralize risk in a small number of clearing counterparties. While the derivatives clearing organizations' margin requirements will reduce the risk of default on contracts, the mere fact of centralizing and pooling risks at a small number of clearing organizations may increase the impact of the failure of a centralized counterparty.

### **Borrowing**

To the extent a Fund uses leverage, it will often borrow from a broker (such as a prime broker or other key counter-party or service provider of the Fund or Mariner) at arm's-length rates. If any Investment Advisory Account engages in short sales, Mariner may cause the Investment Advisory Account to borrow the securities sold short from an unaffiliated broker and that broker will earn and retain any interest in connection with the borrowing.

### **Trade Errors**

Mariner seeks to exercise due care in making and implementing investment decisions on behalf its clients. It is Mariner's policy to seek to correct any trade error that may occur as soon after discovery as is reasonably practicable, consistent with the orderly disposition (and/or acquisition) of the securities in question. As a general matter, actual losses in an Investment Advisory Account as a result of a trade error caused by Mariner will be reimbursed by Mariner; however, Mariner does not compensate its clients for lost investment opportunities (such as its failure to take advantage of investment or market improvements). Any gains in an Investment Advisory Account as a result of a trade error caused by Mariner will remain in the Investment Advisory Account.

As a general matter, netting of gains and losses between Investment Advisory Accounts is not permissible. As permitted by applicable contract or law, netting of gains and losses inside one Investment Advisory Account may be permitted, however, in circumstances in which more than one transaction may be effected to correct one or more trade errors made as a result of a single (or related) investment decision(s). Netting of gains and losses may also be permitted in the circumstances in which multiple trade errors resulting from more than one investment decision

occur in the same Investment Advisory Account on the same day. It is Mariner's policy that broker-dealers may not assume responsibility for trade error losses caused by Mariner, and Mariner does not enter into reciprocal arrangements between Mariner and a broker with respect to the trade error in question (or any other trade) to encourage the broker to assume responsibility for such losses.

In addition, please see Item 11 for information regarding Cross Trades and Principal Trades.

### **Item 13 – Review of Accounts**

As more fully discussed below, the members of the Investment Oversight Committee and the Risk Management Committee regularly review Investment Advisory Accounts (daily, weekly, monthly and/or quarterly depending upon the Investment Advisory Account, strategy, perceived risks and the committee involved in the review). The Investment Oversight Committee consists of the following standing committee members: William Michaelcheck (Mariner's Co-Chief Investment Officer), E.G. Fisher (Mariner's Co-Chief Investment Officer), Charles R. Howe II (Mariner's President and Chief Financial Officer), Daniel Bradley (Mariner's Chief Risk Officer), as well as portfolio management representatives commissioned upon invitation of the standing committee. As of March 31, 2022, the portfolio management representatives standing invitees are Tal Gurion, Adam Rilander, Richard Swift and Jim Wise. The Risk Management Committee currently consists of the following members: Daniel Bradley, Curtis Arledge (Chairman and Chief Executive Officer) William Michaelcheck, E.G. Fisher, Charles R. Howe II, John Kelty (Chief Operating Officer) and Jamie Silver (Chief Commercial Officer). Each of the above described committees meet regularly to discuss the Investment Advisory Accounts. In addition, the portfolio manager(s) on each Investment Advisory Account continuously monitor(s) that Investment Advisory Account (daily, weekly, monthly and quarterly).

Mariner generally furnishes clients with quarterly reports listing the market value and other relevant information concerning their Investment Advisory Accounts. In addition, Mariner also provides reports to investors in Mariner Funds on a periodic basis (for example, monthly investor letters and other emails that include estimated Fund performance and related information). In addition to the above, upon written request and generally subject to each recipient entering into a confidentiality agreement, investors in Mariner Funds and their representatives may receive Mariner's "Special Reports" (that is, investor reports derived from larger Mariner internal use documents). Each investor in Mariner Funds will receive an annual audited financial statement for the relevant Fund prepared in accordance with GAAP, generally within 120 (for Hedge Funds, Private Equity Funds, and the Multi-Strategy Funds) or 180 days (for Fund-of-Funds) of the end of the relevant Fund's fiscal year. Mariner also makes additional reports as are appropriate to client or investor relationships. Other than as required by applicable law or regulation, Mariner's clients and investors in Mariner Funds are furnished only those reports and information as contractually agreed upon between the parties in writing. As a general statement, all of the reports provided to Mariner clients and investors in the Mariner Funds are written.

## **Item 14 – Client Referrals and Other Compensation**

Mariner may enter into arrangements with third parties, including its affiliated parties (e.g., MGCM), whereby such third parties receive fees for referring clients to Mariner or investors to Funds managed by Mariner, its affiliates or Associated Advisers. As a general statement, Mariner pays that compensation only if the client or investor is aware of the fee arrangement (through general disclosures or acknowledgments included in a Fund's subscription documents) and the arrangement otherwise complies with applicable rules and regulations (for example, the requirements of Rule 206(4)-3 under the Advisers Act with respect to the Accounts).

### *Specific Conflicts Regarding Placement Agents.*

To the extent that placement agents, brokers and other entities receive ongoing compensation in respect of selling Shares (including an affiliated broker such as Mariner Group Capital Markets, LLC and individuals hired or otherwise associated with Mariner Europe (as defined below)), they have a conflict of interest in consulting with investors as to the purchase and redemption of Shares. At the election of Mariner, such payment may either be paid directly by Mariner or by the applicable Fund on behalf of Mariner with a corresponding reduction of fees payable to Mariner or its affiliate.

## **Item 15 – Custody**

To the extent that Mariner deducts fees directly from an Account or serves as the general partner or managing member of a Mariner Fund, it is deemed to have custody of client assets. All Account clients should receive, at least quarterly, account statements from the broker-dealer, bank, or other qualified custodian that maintains the client's assets. Mariner urges clients to carefully review those account statements and to compare the account statements received from their custodians with any statements they receive from Mariner. Mariner generally provides Mariner Fund investors with the applicable Fund's annual audited financial statements prepared by an independent public accountant within 120 days of the Mariner Fund fiscal year end or 180 days for a fund of funds.

## **Item 16 – Investment Discretion**

Mariner generally receives and exercises discretionary authority to manage investments on behalf of its clients. As noted in Item 4 above, clients may impose limitations on this discretion with respect to: (i) the specific types of investments or asset classes that Mariner will or will not purchase for their Accounts; (ii) the nature of the issuers of investments that Mariner will or will not purchase for their Accounts; and/or (iii) the risk profile of instruments Mariner will or will not purchase for their Accounts, or the risk profile of the Accounts as a whole. Clients may also direct Mariner to use a particular broker-dealer or broker-dealers (please see Item 12 above for further information regarding directed brokerage).

Mariner typically assumes this authority through a limited power of attorney or contract provision granted or entered into by a client, or through the constituent documents of a Fund.

## **Item 17 – Voting Client Securities**

### **Summary of Proxy Voting Policies and Procedures**

Pursuant to Rule 206(4)-6 under the Advisers Act, Mariner is providing this summary of its proxy voting process, as well as information as to how you may obtain Mariner’s complete proxy voting policy and procedures and information as to how proxies were voted for securities held in Investment Advisory Accounts including Funds.

Mariner has adopted proxy voting policies and procedures designed to ensure that where its clients have delegated proxy voting authority to Mariner, all proxies are voted in the best interest of its clients without regard to the interests of Mariner or related parties. When a client retains Mariner, the investment management agreement between Mariner and the client generally dictates whether Mariner will vote proxies on behalf of that client. Clients may not direct Mariner’s vote in a particular solicitation.

Currently, Mariner has engaged a third party Proxy Voting Advice Business and service provider, Broadridge Financials Solutions, Inc., and indirectly its affiliate Glass Lewis, (collectively simply referred to hereinafter as “Broadridge”) to provide “automated proxy voting services”, including vote execution. If the client appoints Mariner as its proxy voting agent, the client will also instruct Mariner to vote its proxies in accordance with: the custom guidelines provided by the client or Mariner’s Standard Guidelines (currently the same as Broadridge’s standard and/or ESG guidelines). Mariner informs the client’s custodian (including prime brokers) to send all proxies to Broadridge. Mariner then informs Broadridge that the client has appointed Mariner as its agent and instructs Broadridge as to which guidelines to follow.

Once the appropriate guidelines have been established, each proxy must be voted in accordance with those guidelines. A Mariner portfolio manager may override any Broadridge proxy voting recommendation (“Recommendation”) in the event he/she determines that such Recommendation, based on all facts and circumstances, is not in the best interest of our client(s) (the “dissent”). Mariner will memorialize the basis for any decision to override a Recommendation or to abstain from voting (as described below), including the resolution of any conflicts as further discussed below. Mariner may have different policies and procedures for different clients which may result in different votes. Also, Mariner may choose not to vote proxies under the following circumstances:

- If the effect on the client’s economic interests or the value of the portfolio holding is indeterminable or insignificant;
- If the cost of voting the proxy outweighs the possible benefit; or
- If a jurisdiction imposes share blocking restrictions which prevent Mariner from exercising its voting authority.

In order to mitigate any conflict of interest that may arise under those circumstances (between Mariner's self-interest and its duty to act in the best interest of its clients), in those exceptional cases, the following steps are taken:

- The portfolio manager must complete a Proxy Vote Override Form, which includes a written dissent to the voting instruction, and submit the dissent to Back Office Services Group for review;
- If the proxy coordinator, Mariner's Chief Operating Office and a member of Mariner's Compliance and Proxy Voting Sub-Committees, determines that no "Material Conflict" exists (as defined in Mariner's Proxy Voting Policy), then the portfolio manager's dissent will be approved and Broadridge will be informed of the voting dissention.
- If the proxy coordinator determines that a Material Conflict may exist, the Proxy Vote Override Form shall be submitted to the Legal and Compliance Group for determination as to whether a potential material conflict of interest exists between Mariner and the client on whose behalf the proxy is to be voted ("Material Conflict"). If Legal/Compliance determines that there is no potential Material Conflict mandating a voting recommendation from the Proxy Voting Sub-Committee, the portfolio manager may override the Recommendation and may instruct Broadridge to vote the proxy issue as he/she determines is in the best interest of clients. If Legal/Compliance determines that there exists or may exist a Material Conflict, it will refer the issue to the Proxy Voting Sub-Committee for consideration. In accordance with Mariner's procedures, the Proxy Voting Sub-Committee members will consider the matter and resolve the conflict as deemed appropriate under the circumstances (e.g., approve or deny).
- All dissents are reviewed by Mariner's Proxy Voting Sub-Committee for consideration and ultimate approval and later Mariner's full Compliance Committee for its review;

Mariner's clients and investors in Mariner Funds may obtain a complete copy of Mariner's Proxy Voting Policy or information on how Mariner voted proxies for their Investment Advisory Accounts (or the Investment Advisory Account of the relevant Mariner Fund, as applicable) free of charge by submitting a written request to Mariner's Compliance Department at 500 Mamaroneck Avenue, Harrison, NY 10528, by fax at (914) 670-4320 or by contacting Mariner's Chief Compliance Officer at (914) 670-4341.

### **Policies and Procedures for Filing Claims in Class Action Litigation**

Mariner believes that it has a duty to monitor securities class action suits and file claims on behalf of its clients. A class action is a civil lawsuit where a group or "class" is affected in the same manner or form. One or more representatives of the group file suit on behalf the class and a judge will initially decide whether or not the claims of the representatives arise from uniform facts or law common to all class members. If an individual or institution has a unique set of circumstances that might vary from the class, it may prove worthwhile for them to opt out of the class action and file suit individually.

Currently, Mariner uses Class Action Claims Management to undertake the class action filing process on behalf of eligible clients unless a client instructs them otherwise. This policy applies to all Investment Advisory Accounts managed by Mariner

## **Item 18 – Financial Information**

Form ADV Part 2 requires investment advisers such as Mariner to disclose any financial condition reasonably likely to impair their ability to meet contractual commitments to clients. At this time, Mariner has no information to report that is applicable to this item.

## **Other Information**

### **Anti-Money Laundering Policies and Procedures**

To help the government fight the funding of terrorism and money laundering activities, Mariner seeks to obtain, verify, and record information that identifies clients who open Accounts with Mariner or subscribe for an interest in a Mariner Fund. When a client opens an Account with Mariner, or subscribes for an interest in a Mariner Fund, Mariner will ask for information (such as name, address, date of birth, identification number, a copy of a driver's license or other identifying documents or information) that enables Mariner to identify that client or investor in a manner that is consistent with applicable requirements and to share that information as required by applicable law or in connection with the execution of trades. For certain clients, Mariner may rely (in whole or in part) on the client's broker-dealer, transfer agent or custodian to obtain, verify and record the required information.

### **Business Continuity Plan**

Mariner's Business Continuity Plan ("BCP") is designed with an objective to provide for immediate, accurate and measured response to emergency situations and minimize the impact a specific disaster may have upon the safety and wellbeing of Mariner's personnel and operations. The BCP details the processes in place should a disaster occur that causes temporary (or long term) displacement, including how Mariner would: (i) protect against the loss or damage to organizational assets and critical information; and (ii) resume normal business activities, including the reinstatement of communications with outside contacts, during any extended outage or displacement period. Mariner prepares for business interruptions in part by:

- Mariner utilizes Microsoft Azure to operate server and desktop workloads, primarily operating in the Azure East region with the Azure West region serving as a failover site. Mariner maintains Virtual Private Cloud ("VPC") facilities in both regions. All critical services utilize fully replicated, geo-redundant storage, and workloads can be readily transferred between Azure East and Azure West, as needed. All Mariner office sites additionally utilize an SD-WAN network topology with redundant, diverse circuits, reducing the risk of a full network outage attributable to a single carrier, or backbone incident

- Mariner utilizes Azure Virtual Desktop (“AVD”) to provide users with secure, remote access from anywhere on nearly any device. AVD is also used for normal production operations, and therefore offers a seamless user experience during Disaster Recovery/Business Continuity (“DR”/“BC”) incidents. Mariner also utilizes Virtual Private Network (“VPN”) site-to-site tunnels between Azure and all office locations, allowing for secure connectivity between Azure services, including AVD, and remaining on-premise facilities. Additional VPN connections may be enabled for select users operating on corporate-issued, and governed devices. Collectively, this architecture provides a consistent and location-agnostic user experience for all Mariner professionals. Bloomberg Anywhere is additionally used by most investment professionals, allowing access to critical market data from any location and from nearly any device;
- Critical data is backed up to disk, daily, also utilizing geo-redundant Azure storage, should recovery from an archive be required; and,
- Designating a crisis management team composed of senior-level management to activate and manage the recovery and communication processes.

Although Mariner has taken significant steps to implement what Mariner believes is a reasonable business continuity plan, Mariner cannot guarantee that its business processes will always be available or recoverable should a significant business interruption strike. However, Mariner believes its business continuity strategy sufficiently reduces the risks associated with possible business interruptions.

If you have further questions regarding this BCP, please contact Mariner’s Chief Compliance Officer at (914) 670-4335. This information is subject to modification without notice.

### **Specific Disclosures for Prospective Participants in Registered or Exempt Commodity Pools and Mariner’s Exemption as a Commodity Trading Advisor**

This brochure (this “Brochure”) provides information about the qualifications and business practices of Mariner Investment Group, LLC (“Mariner”). If you have any questions about the contents of this Brochure, please contact us at (914) 670-4335.

Please note that the information in this Brochure has not been approved or verified by any regulator or self-regulatory organization including the United States Securities and Exchange Commission (the “SEC”), the Commodity Futures Trading Commission (the “CFTC”), the National Futures Association (“NFA”) or by any state securities authority.

Mariner is registered with the SEC as an investment adviser and with the CFTC as a commodity pool operator. Registration of an investment adviser or commodity pool operator does not imply any level of skill or training. The oral and written communications of an investment adviser (and commodity pool operator) provide you with information about which you may determine to hire or retain an investment adviser or make an investment in a commodity pool advised by the operator. Mariner is not registered with the Commodity Futures Trading Commission (“CFTC”) as a Commodity Trading Advisor, based on Mariner’s determination that we may rely on certain

exemptions from registration provided by the Commodity Exchange Act and the rules thereunder. The CFTC has not passed upon the availability of these exemptions to Mariner.

Additional information about Mariner also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or [www.NFA.Futures.Org/basicnet](http://www.NFA.Futures.Org/basicnet). You can search the SEC's website by a unique identifying number, known as a CRD number. The CRD number for Mariner is 124744. You can search the NFA's Background Affiliation Status Information Center (BASIC) website by a unique identifying number, known as a NFA ID. The NFA ID number for Mariner is 0249051.