

First Principles Capital Management, LLC

An  company

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Firm Brochure/Part 2A of Form ADV

This brochure provides information about the qualifications and business practices of First Principles Capital Management, LLC. If you have any questions about the contents of this brochure, please contact Matthew Slominski, FPCM's Chief Compliance Officer at 212 458 6082 or matthew.slominski@aig.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. First Principles Capital Management, LLC is a Registered Investment Adviser. Registration does not imply a certain level of skill or training.

Additional information about First Principles Capital Management, LLC also is available on the SEC's website at www.adviserinfo.sec.gov.



Item 2 - Material Changes

This is an annual update of First Principles Capital Management, LLC's ("FPCM's") Form ADV Part 2A Brochure. Since the Brochure was last filed in February 2022, AIG made the decision to discontinue aspects of its third-party investment management business, including the business conducted by FPCM. AIG expects to discontinue FPCM's client arrangements and wind down the FPCM business over the course of 2022, and FPCM is in discussions with its clients with respect to the steps that it is taking to wind down.

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Item 4 - Advisory Business

First Principles Capital Management, LLC (“FPCM”), a Delaware limited liability company, was formed in June 2003 and registered with the U.S. SEC as an investment advisor. In September 2015, FPCM was acquired by AIG Capital Corporation, a wholly owned subsidiary of American International Group, Inc. (together with its subsidiaries, “AIG”) (NYSE: AIG), after which FPCM continues to operate as a wholly-owned subsidiary of AIG. In July 2020, AIG consolidated certain lines of business and FPCM was moved under AIG Global Asset Management Holdings Corp, another subsidiary of American International Group, Inc. In October 2021, pursuant to a corporate reorganization, AIG Global Asset Management Holdings Corp contributed FPCM back to AIG Capital Corporation.

As of December 31, 2021, FPCM managed \$6,527,737,515 in discretionary assets.


In February 2022, AIG made the decision to discontinue aspects of its third-party investment management business, including the business conducted by FPCM. AIG expects to discontinue FPCM’s client arrangements and wind down the FPCM business over the course of 2022, and FPCM is in discussions with its clients with respect to the steps that it is taking to wind down. Based on this decision, as of the date of this filing, FPCM’s discretionary assets under management have significantly reduced to approximately \$3.5 billion and are expected to continue to decline as client relationships are terminated.

FPCM, along with its affiliated investment advisers (see Item 10) provide investment advisory and asset management services to affiliated and unaffiliated institutional clients. These affiliates include investment advisers AIG Asset Management (U.S.), LLC (“AMG”) and AIG Credit Management, LLC (“ACM”) registered with the U.S. SEC and AIG Asset Management (Europe) Limited (“AAMEL”) authorized and regulated by the Financial Conduct Authority (“FCA”). This ADV 2A Brochure applies to the activities of FPCM and clients should be cognizant of the entity they’re engaging through the investment advisory agreement pertaining to their accounts.

FPCM is a fixed income investment management firm providing customized separately managed accounts and targeted funds. FPCM clients include endowments and foundations, financial institutions, corporations, pension funds, family offices, high net worth individuals, and trusts. FPCM tailors separate accounts to specific client objectives where FPCM will work with clients to establish specific investment guidelines, including permitted investment instruments, which are incorporated in the investment management agreement.

FPCM also provides investment advisory services to banks and thrift organizations that would like guidance on the strategies and trading of securities that may also be the same strategies provided to other separate account clients and private funds.

FPCM acts as the sponsor, administrator, and investment manager of certain private funds. As the manager of the funds, FPCM provides investment advisory services to the funds with respect to investment assets of the funds. All fund strategies and investment policies are included in the Private Placement Memorandum for each fund. FPCM provides advice on a discretionary basis to the funds primarily in respect of investments in fixed income-related investments. The investment decisions and advice with respect to each fund are subject to each fund’s investment objectives and guidelines, as set forth in its offering documents. As a result of the wind down of the business, FPCM has entered into a



Participating Affiliate Agreement with AAMEL to provide portfolio management expertise with respect to certain fund investments.

In addition, FPCM has the right to enter into agreements, such as side letters, with certain underlying investors of the funds that provide additional obligations on FPCM to the investors than what is provided to other underlying investors of the funds.

FPCM does not participate in wrap fee programs.

Item 5 - Fees and Compensation

FPCM charges clients and private fund investors an investment management fee for the advisory services it provides. A number of factors are considered in determining the fees including, but not limited to, portfolio type, type of security held, portfolio size, client service needs, existing relationship with FPCM, and other factors deemed relevant by FPCM. The fees paid by separate account clients are set forth in a written investment management agreement and, for private fund investors, in the fund's subscription documents. The specific manner in which fees are charged by FPCM is stated in the governing documents. The terms of such governing documents supersede this Brochure.

FPCM receives the following fee types:

- Percentage of Assets Under Management
- Fixed/Flat Fees

Annual Percentage of Assets Under Management

FPCM may charge a percentage fee based on the net asset value of assets under management for its advisory services. Such fee will be paid in arrears on a period subject to negotiation with the client (typically monthly or quarterly). This fee is negotiable, but will generally range from 0.20% to 2.50% annually. The fee to a particular client, along with the payment frequency and timing, will be detailed in the investment management agreement or fund subscription documents. Once fees are paid they are non-refundable.

Fixed Fees

FPCM may charge a fixed fee for its advisory services. FPCM's fixed fee is negotiable based on the client's needs, and payable over time. The services that correspond to the designated fixed fee amount may vary. Advisory services that are anticipated to be more complex will generally warrant a higher fixed-fee amount. Less complex services generally result in a lower fixed-fee amount. Fixed fees, if applicable, typically range between \$200,000 and \$1,000,000, annually.

FPCM's fixed fee for providing advisory services is determined based on anticipated work to be done. Since FPCM cannot accurately determine the fee amount until learning about the client's financial circumstance, it is FPCM's practice to provide an initial, no obligation, no cost meeting in order to become familiar with the client's circumstances. FPCM will obtain information from the client verbally and on any current information gathering documents approved for use by FPCM. The information gathered during this session will assist FPCM in determining the fee amount for the client's advisory services.

Trade and Fund-Specific Expenses

Clients typically bear expenses that are trade related ("Trade Expenses"), or a fund's administrative and operating expenses ("Fund-Specific Expenses").

Trade Expenses may include:

- brokerage commissions, mark-ups, mark-downs, spreads and other transactional costs;
- trade-specific external legal expenses and other third-party fees and expenses incurred in connection with the evaluation of prospective transactions;
- redemption fees charged by other funds (if any);
- interest expense;
- fees and costs incurred with respect to securing access to markets, investments and investment opportunities; and
- custody costs and expenses.

Fund-Specific Expenses may include:

- third-party legal, audit and tax preparation expenses;
- other professional fees, administrator fees, director fees, registered office expenses and taxes;
- regulatory expenses incurred in connection with the funds' ongoing compliance with any laws, rules or regulations currently in effect or adopted in the future; and
- all expenses incurred in connection with any threatened, pending or anticipated litigation, examination or proceeding or as a result of the fund's obligation to indemnify FPCM, its affiliates, the administrator and certain other parties against losses, liabilities and expenses incurred in connection with the performance of their duties on behalf of, or the provision of services to, the funds.

Side Letters and Other Agreements

FPCM and the funds have entered into (and may enter into in the future) side letters and other agreements granting more favorable rights or terms to certain investors, including affiliates of FPCM. These rights or terms may include:

- investment capacity rights to make future investments in a fund, other investment vehicles or managed accounts;
- special liquidity or redemption or withdrawal rights relating to frequency, notice, fees, expedited payment of redemption or withdrawal proceeds and/or other terms;
- limitations on paying redemptions in kind;
- notice of certain regulatory events with respect to FPCM;
- rights to receive reduced rates of fees; and
- limits on expenses that can be charged to such investors.

These agreements could create preferences or priorities for certain investors as compared to other investors.

FPCM or the funds will enter into these separate agreements without the consent of, or notice to, other investors. Investors are not entitled to participate in any special arrangement without the prior approval of FPCM. Investors not offered a special arrangement do not have any right or claim against FPCM or the funds.

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

FPCM, under certain circumstances, has agreed to charge performance-based fees in its relationships. These fees can be charged to a separate account client or to a private fund investor as stated in the governing documents. All investors in a fund who are charged a performance fee meet the “Qualified Client” standard as set forth in Rule 205-3 of the Investment Advisers Act of 1940, as amended (the “Advisers Act”). These charges will be subject to the contract or agreement made with each client. The typical performance-based fee would be 15% - 25% of the net profits from the assets under management, but the calculation for such fee and the actual amount will be subject to negotiation as part of each client agreement. Once fees are paid they are non-refundable.

The following are examples of the fees and methodology for some particular client fee structures:

Performance Fee for Catena Capital, LLC

FPCM is entitled to receive an incentive allocation, if earned, subject to the covenants of the operating agreement, at the end of each fiscal quarter; 10% of the portion of the net profits, if any, credited to the capital account of each member during the fiscal quarter will be allocated to FPCM and charged against each member’s respective capital account.

FPCM may also receive a deferred incentive allocation equaling 10% of the base amount for all accounting periods. This calculation method is included in the Private Placement Memorandum and the Operating Agreement for the fund.

“Side-by-Side Management” refers to the simultaneous management of multiple types of accounts. FPCM does charge performance fees on some of its investment advisory accounts or funds and charges a fixed dollar or fixed basis point management fees on other investment advisory accounts. Clients should be aware that performance fee arrangements create a potential conflict of interest for FPCM, as they create an incentive for FPCM to make investments that are riskier or more speculative than it would otherwise make absent a performance fee. To the extent that a performance fee based account holds the same securities as a different pure management fee based account there could be conflicts favoring the performance based account. FPCM addresses those conflicts by implementing a trade allocation policy which ensures that portfolio managers allocate eligible securities on a pro-rata basis and rotate those allocations when a full pro-rata allocation is not practical. FPCM will allocate such investments among client accounts in a manner that FPCM determines, exercising its judgment in good faith, to be fair and equitable, taking into consideration all allocations among such client accounts taken as a whole.

Item 7 - Types of Clients

FPCM provides investment advisory services to clients that include, but are not limited to:

- endowments and foundations
- financial institutions
- corporations
- pension funds
- family offices
- high net worth individuals
- trusts
- private funds

FPCM provides investment management services to pooled investment vehicles operating as private funds that are offered to investors on a private placement basis. The investors who receive investment supervisory advice are primarily comprised of qualified institutional and high net worth investors who are financially sophisticated and able to bear investment risks.

Generally, FPCM shall impose an engagement balance or an annual minimum fee for its investment advisory services. Any deviation of these minimum investment amounts will be subject to manager's discretion and approval. FPCM's minimum investment size varies by fund for investment advisory services provided to the individual funds. All minimum investment amounts for private funds can be identified in the fund Private Placement Memorandum.

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

FPCM's fixed income investment philosophy is to:

- Pursue a solutions-oriented investment process by first understanding client objectives and constraints, then designing portfolios that meet those objectives. Because we focus on customized and limited client-centric mandates, we tend to be intimately familiar with a client's circumstance and/or regulatory context.
- Align FPCM's interests with client interests in the form of our compensation, which is often directly linked to specific performance metrics or client objectives.
- Manage value-oriented portfolios by focusing on net realized risk adjusted cash flows to be earned over an investment horizon. This approach helps us avoid pro-cyclical market environments.
- Focus on investment goals, not the perpetuity of the investment business. Our experience allows us to participate actively across multiple fixed income markets, cash and derivatives, including US Treasuries & Agencies, MBS, Corporate Credit, ABS and Municipals. Our approach allows us to act with confidence when we decide to return capital to clients when their objectives have been met.

FPCM has a solutions-oriented approach which allows us to tailor the investment management process for each portfolio, taking into account the investment objectives and guidelines established for each client. A more detailed description of the key aspects of the investment strategy that FPCM will utilize on behalf of the clients, a description of the types of investments in which the clients invest, and a discussion of risk management procedures are set forth in the governing documents of the clients.

The choice of market sector and securities within that sector is driven by fundamental analysis of the risk-return characteristics of that sector relative to other sectors, and by performing detailed, fundamental cash-flow and structural analysis of each fixed income instrument with respect to credit, pre-payment, and structure (senior/subordinated). Cash flows and structure differentiate fixed income from equity and other markets. FPCM combines this fundamental analysis with an understanding, and a view, of the technical supply and demand drivers in each of these markets to make final portfolio construction decisions. Although FPCM is attuned to these technical drivers, we are not a momentum driven manager, and do not pretend to predict when the market will realize that an asset is undervalued.

Portfolio managers make buy and sell decisions and execute the trades in each portfolio sector as part of the investment process for a given portfolio.

Proprietary research is very important to the investment process at FPCM. Portfolio managers and analysts perform their own fundamental credit, interest rate/curve, prepayment, and other structural analysis. FPCM has never relied solely upon external dealer research, credit ratings from rating agencies, third party dealer MBS pre-payment or other derivative models to draw final conclusions on how to position a portfolio. In fact, by understanding the weaknesses of third party models and analysis through

the benefit of our years of experience in these markets, combined with our understanding how the providers of research operate, FPCM is better able to benefit from the combination of proprietary research and access to third party research.

Proprietary Research: Internally generated models include options models, e.g., interest rate options, first-to-default structures on portfolios of names, etc. In addition to models, FPCM uses fundamental analysis of corporate credit, mortgage prepayments, structure of MBS, asset-backed securities or municipal bonds.

Third party research: FPCM utilizes published Broker/Dealer strategy and fundamental credit and equity research, specific vendor research such as “Capital IQ”, rating agency research, company filings, conference calls, monthly agency pre-payment data and RMBS remittance reports, models and data available through broker/dealer websites, Bloomberg, or other specific sources.

FPCM makes extensive use of derivatives in mandates where applicable and prudent. FPCM utilizes all fixed income and credit OTC derivatives, including basis swaps, options, and first-to-default credit derivatives. Conversely, FPCM portfolio managers also understand when not to use certain derivatives, such as highly customized, illiquid derivative contracts, which make it difficult and sometimes impossible, to rebalance the portfolio when desired.

Each Investment process starts with a “top down” view of relative value of all sectors or sub-sectors permitted in the investment guidelines.

The “bottom up” process evaluates risk inherent in each security prior to purchase. Understanding individual security risk (credit-spread & default, liquidity, interest rate, prepayment, and other call risks) is crucial in avoiding loss and creating value.

We believe that our investment process and our business model provide FPCM with a unique competitive advantage in the marketplace – ultimately benefiting our clients.

Risk of Loss

The following risk factors may not be applicable to all clients. For Fund investors, the offering documents contain descriptions of certain of the risks associated with client investments. The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment. These risk factors include those risks FPCM believes to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis employed by FPCM.

General Investment and Trading Risks. An investment made by FPCM on behalf of the clients involves various degrees of risk, which vary depending upon the particular investment strategies. Depending upon the mandate FPCM could invest in financial instruments using strategies and investment techniques with significant risk characteristics, including (for certain clients) the risks of leverage, the potential illiquidity of financial instruments, and the risk of loss from counterparty defaults. There is no guarantee that a client will achieve its targeted returns or that an investment program will be successful.

Interest Rate Risk. The value of an interest-bearing investment will change due to changes in the general level of interest rates in the market. Long-term fixed income securities or instruments will normally have more price volatility because of this risk than short-term fixed income securities or instruments.

Prepayment and Extension Risk. The frequency at which prepayments occur on a client's investments will be affected by a variety of factors, including the prevailing level of interest rates. In general, "premium" loans and securities (loans and securities whose market values exceed their principal or par amounts) are adversely affected by faster than anticipated prepayments, and "discount" loans and securities (loans and securities whose principal or par amounts exceed their market values) are adversely affected by slower than anticipated prepayments. .

Credit/Market Risk of Corporate Securities. FPCM may, for certain accounts, invest in high yield bonds, which are generally unsecured and may be subordinated to certain other obligations of the obligor. The lower rating of financial instruments in the high yield sector reflects a greater probability of default. Due to potential market volatility, the market value of such high yield bonds may vary substantially, from the price at which such high yield bonds were initially purchased. Investment grade debt securities, although generally of higher credit quality than high yield bonds, are subject to downgrade or default risk which could lead to price depreciation and loss due to changes in official NRSRO rating changes or anticipated credit downgrades. FPCM assesses credit quality of each obligor independent of official NRSRO ratings.

Municipal Securities Risk. Municipal securities can be significantly affected by political or economic changes, as well as uncertainties in the municipal market related to taxation, changes in interest rates, relative lack of information about certain issuers of municipal securities, legislative changes or the rights of municipal security holders. Municipal securities backed by current or anticipated revenues from a specific project or specific assets can be negatively affected by the inability to collect revenues for the project or from the assets.

Liquidity of Futures Contracts Risk. In addition to the risks associated with trading in futures and options on futures that arise from the leverage and volatility associated with such investments, futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day

Non-U.S. Investments Risk. A client's portfolio may include non-U.S. investments. Such investments require consideration of certain risks typically not associated with investing in the U.S. Such risks include, among other things, trade balances and imbalances and related economic policies, unfavorable currency exchange rate fluctuations, imposition of exchange control regulation by the U.S. or non-U.S. governments, limitations on the removal of funds or other assets, policies of governments. In addition, settlement of trades in some non-U.S. markets may be slower and more subject to failure than in U.S. markets. There also may be less extensive regulation of the financial markets in particular countries than in the U.S.

Leverage and Financing Risk. In accounts where FPCM employs leverage, there is a risk of increased volatility and that explicit secured financing arrangements could require more collateral or be terminated in times of increased market stress.

Derivative Instruments Generally Risk. FPCM may invest in derivative instruments for certain accounts. Generally, derivatives can be characterized as financial instruments whose performance is derived from the performance of an underlying asset or assets. Types of derivatives include options, futures contracts, options on futures, forward contracts, and swaps.

Derivatives provide implicit leverage and therefore can be volatile and involve various degrees of risk, depending upon the characteristics of the particular derivative and the portfolio as a whole. Derivatives may permit FPCM to increase or decrease the level of risk, or change the character of the risk, to which a portfolio is exposed in much the same way as FPCM can increase or decrease the level of risk, or change the character of the risk, of the clients' portfolios by making investments in specific securities. Other risks that derivative instruments in general may entail include imperfect correlation between the value of such instruments and the underlying assets, known as basis risk, or the possible default of the other party to the transaction. Thus, the use of derivative instruments may result in losses greater than if they had not been used may limit the amount of appreciation the clients can realize on an investment. Additionally, amounts paid from a client's assets as premiums and cash or other assets held in margin accounts with respect to derivative instruments are not otherwise available to the client for investment purposes.

Derivatives may be purchased on established exchanges or through privately-negotiated transactions referred to as over-the-counter ("OTC") derivatives. Economic payouts on Exchange-traded derivatives generally are guaranteed by the clearing agency which is the issuer or counterparty to such derivatives. This guarantee is usually supported by a daily payment system (i.e., margin requirements) operated by the clearing agency in order to reduce overall credit risk. As a result, unless the clearing agency defaults, there is relatively little counterparty credit risk associated with derivatives purchased on an exchange. OTC derivatives are either exchanged-cleared, similar exchange-traded derivatives described above, or bilateral which is directly between two counterparties. Bilateral OTC derivatives contracts are subject to potential loss due to counterparty default. Daily variation margin payment requirements mitigate the severity of loss under a counterparty default scenario. .

Liquidity Risk. The lack of liquidity in certain investments may significantly impede FPCM's ability to respond to adverse changes in the performance of such investments and may adversely affect the value of a client's interests. Because certain investments may be illiquid, FPCM's ability to promptly sell one or more such investments in response to changing economic, financial and investment conditions is limited.

Liquidity of Fixed Income Markets Risk. At times, the fixed income markets may experience significant reductions in liquidity. While such events may sometimes be attributable to changes in interest rates or other factors, the cause is not always apparent. During such periods of market illiquidity, FPCM may not be able to sell assets in the clients' portfolios or may only be able to do so at unfavorable prices. Such "liquidity risk" could adversely impact the value of a client's portfolio, and may be difficult or impossible to hedge against.

Counterparty Risk. FPCM may establish relationships to obtain financing, derivative intermediation and prime brokerage services that permit a client to invest in a variety of markets. The main risk is one of loss due to non-performance of a counterparty in an existing financing or derivatives transaction due to default of that counterparty. The other type of risk is the opportunity cost of not being able to maintain a leveraged position due to a loss of secured financing for a particular securities position. A bankruptcy or

fraud at one of the counterparties may cause a fund to lose its assets held by the counterparty or to be unable to access those assets for an extended period of time.

Information Security Risk from Cyberattacks. FPCM and service providers and intermediaries depend on information technology and other operational systems. Despite implementation of a variety of risk management and security measures, the FPCM information technology and other systems, and those of others, could be subject to information security risks resulting from cyberattacks, unauthorized tampering or other security breaches, resulting in a failure to maintain the security, availability, integrity and confidentiality of data assets. For instance, cyberattacks may (i) cause the release of information related to clients, their assets or other confidential information, (ii) subject the assets and their service providers to regulatory fines or financial losses, (iii) cause FPCM to incur substantial costs associated with increases and upgrades to cybersecurity protection, (iv) litigation and (v) cause reputational damage. Cyberattacks are viewed as an emerging risk and the scope of the risk and related mitigation techniques are subject to continuing changes.

BREXIT RISK: On January 31, 2020, the United Kingdom (“UK”) exited the European Union (“EU”) (following a non-binding referendum in June 2016) with a transition period in relation to existing laws and regulations until December 31, 2020. There is still a high degree of uncertainty and as such, it is not possible to confirm with any certainty what might be the terms of any trade agreement between the UK and EU. A passporting regime previously allowed regulated entities licensed or those authorized in the UK (and each other European Economic Area (“EEA”) country) to operate on a cross-border basis in other EEA countries without the need for a separate license or authorization. On January 1, 2021, the UK became a “third country” and as such, FPCM and AAMEL can no longer rely on passporting rights. Despite any measures taken by the Adviser and its Affiliates, the Adviser’s ability to market and provide investment services in the EU may be adversely affected by Brexit. This may lead to increased uncertainty and volatility, all of which FPCM continues to monitor.

LIBOR RELATED RISKS: Regulators, Central Clearing Houses, and the administrator of LIBOR have taken actions resulting in changes to the way LIBOR is determined, resulting in the discontinuance of reliance on LIBOR as a benchmark rate and the establishment of alternative reference rate. FPCM continues to monitor how markets will respond to new rates, and cannot predict the effect of any changes to, or discontinuation of, LIBOR on new or existing financial instruments to which Client(s) have exposure. Any changes to, or discontinuation of, LIBOR may have an adverse effect on interest rates or certain derivatives and floating-rate securities held by Clients or other assets or liabilities managed for Clients whose value is tied to LIBOR or to a LIBOR alternative.

PUBLIC HEALTH CRISES (e.g. Covid-19): We are currently experiencing a major public health crisis as a result of the “SARS-CoV-2” (sometimes referred to as the “coronavirus” and abbreviated as “COVID-19”) pandemic. This or other similar events have and can cause a large number of illnesses or deaths, have had and could continue to have a major impact on the global economy and financial markets, including financial market volatility and changes in interest rates, which could negatively impact client investments. In addition, this has resulted in disruptions to commercial activity relating to the imposition of quarantines and travel restrictions, failures to contain the outbreak and could negatively impact the Adviser’s ability to effectively identify, monitor, operate and dispose of client investments.

Item 9 - Disciplinary Information

FPCM has no information to disclose. The firm and its employees have not been involved in any legal or disciplinary events that are material to a client's evaluation of FPCM's advisory business or the integrity of FPCM's management.

Item 10 - Other Financial Industry Activities and Affiliations

FPCM is affiliated with other institutions owned by, or under common control of, its American International Group, Inc. (“AIG”) parent companies. Certain employees of FPCM are “dual hatted” employees, or associated persons, of its affiliates. This can create real or perceived conflicts of interest which are addressed herein.

Affiliate Clients

American International Group, Inc. (“AIG”), the parent company of FPCM, is a global insurance company that provides a range of insurance products to support its clients in business and in life, including: general property/casualty, life insurance, and retirement and financial services through its General Insurance, Life and Retirement and Investments business units. FPCM provides investment advisory and asset management services to AIG, and AIG subsidiaries, which are typically insurance companies.

Affiliated Advisers

AIG Credit Management, LLC (“ACM”), a wholly owned subsidiary of AIG, is an investment adviser registered with the U.S. SEC. ACM and its majority-controlled affiliate Relying Adviser, CLO Advisors provide discretionary investment advisory services to separately managed accounts and private investment vehicles (“Funds”) that invest primarily in senior bank loan assets. Each Fund is typically a structured debt vehicle known as a Collateralized Loan Obligation, or a “CLO Fund.” Funds are organized in the Cayman Islands as an exempted company, or in Delaware as a limited liability company.

AIG Asset Management (U.S.), LLC (“AMG”) is a registered investment adviser with the U.S. SEC. AMG provides investment advisory and asset management services to AIG, its affiliates, and unaffiliated institutional clients and also manages private investment vehicles (“Funds”) of affiliated and unaffiliated investors. AMG also serves as a sub-adviser to domestic and international affiliates, and unaffiliated investment managers, in the management of institutional client accounts and Funds.

AIG Asset Management (Europe) Limited (“AAMEL”) is a wholly owned subsidiary of AIG, and is an affiliated investment manager authorized by the Financial Conduct Authority (“FCA”) in the United Kingdom. AMG manages certain portfolios of AAMEL clients through a sub-advisory agreement. Pursuant to a Participating Affiliate Agreement between the AMG and AAMEL, AAMEL provides discretionary asset management for certain AMG client portfolios. As a result of the wind down of the business, FPCM has entered into a Participating Affiliate Agreement with AAMEL to provide portfolio management expertise with respect to certain fund investments. As such, certain employees of AAMEL may be considered “supervised persons” of FPCM when performing duties for FPCM accounts and funds.

Broker-dealer Affiliate

AIG Global Capital Markets Securities, LLC (“GCMS”), is wholly owned by AIG and is registered as a broker-dealer with the Financial Industry Regulatory Authority (“FINRA”), and the U.S. SEC, and is also a member of the Securities Investor Protection Corporation (“SIPC”). GCMS is used for limited activities on behalf of AIG affiliates consistent with its Membership Agreement with FINRA. GCMS may trade fixed income securities on an agency basis. From time to time it will act as a placement agent or otherwise affect a variety of different types of private placements and/or debt-related transactions on an agency “best efforts” basis, and GCMS receives fees and compensation for such services. GCMS may act as a placement agent in the placement of funds or securities where AMG, or a related person, is the issuer, sponsor, investment manager, or serves in a similar capacity.

Other Affiliated Entities

Other entities that sponsor or syndicate investments are, or may be deemed to be, related persons of FPCM by being under common control with FPCM. These entities will be made known to clients through the legal documents and materials that accompany investments in these securities, partnerships, or participations.

Sub-advisory or Other Relationships with Affiliates

FPCM may sub-advise management of client strategies to, or recommend a Fund managed by, an affiliated adviser named in Item 10. In addition, as a result of the wind down of the business, FPCM has entered into a Participating Affiliate Agreement with AAMEL to provide portfolio management expertise with respect to certain fund investments. In these instances, FPCM does not evaluate these affiliated advisers using the same processes it would to evaluate an unaffiliated investment manager because:

- FPCM and its affiliated advisers are under common control,
- FPCM and affiliated advisers are generally held to a common set of internal policies, procedures, and Code of Ethics, and
- FPCM and affiliated advisers often share certain advisory and back office functions with employees in “dual hatted” capacities.

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

Code of Ethics

FPCM maintains a Code of Ethics (“the Code”) as required by applicable SEC rules. The Code requires employees to conduct business in an honest and forthright manner in accordance with the highest of ethical standards and consistent with our fiduciary duty. In addition, the Code requires employees to put Client interests ahead of our own and disclose actual and potential material conflicts of interest. The Code of Ethics includes an employee personal securities trading policy and other policies designed to identify and mitigate potential conflicts of interest described below.

A copy of the Code of Ethics is available upon request by any client or prospective client.

Personal Securities Trading Policy

FPCM maintains personal securities trading standards that govern the trading activities of its employees, and those deemed supervised persons under the SEC’s definition, as well as their household members and dependents. Subject to certain limited exceptions, employees are required by standards to:

- Report personal securities accounts to our Compliance unit;
- Maintain brokerage accounts only with certain approved brokers that report transaction information to our Compliance unit;
- Pre-clear personal securities transactions;
- Annually report securities holdings to the Compliance unit.

The supervised persons and investment personnel are subject to additional restrictions under the policy, including the following:

- Investment personnel are generally prohibited from purchasing securities in initial public offerings;
- Investment personnel are prohibited from trading any security within seven days before or after FPCM trades such security (or an equivalent security) for client accounts.
- Other Supervised persons of FPCM may not trade any security on the same day that FPCM trades such security (or an equivalent security) for Client accounts;

FPCM compares personal trading activity versus firm trading and potential violations are investigated and, if necessary, disciplinary actions are taken by the Compliance unit.

Supervised persons receive annual training regarding the personal securities trading must annually certify that they have read and understand the Code.

Gifts and Entertainment Policy

Employees of FPCM may occasionally give or receive gifts, meals or entertainment of moderate value, subject to compliance with applicable laws, regulations, and rules of self-regulatory organizations. FPCM maintains a policy to address the conflicts of interest related to gifts and entertainment, such as the appearance of having given or received something of value that influenced FPCM’s business decisions or the business decisions of FPCM’s clients. The policy requires the reporting and pre-clearance of gifts, meals and entertainment given or received which exceed certain thresholds. In addition, supervised persons are prohibited from soliciting the receipt of gifts, meals or entertainment. Senior management periodically reviews summaries of gifts and entertainment activities to detect trends of abuse, conflicts of interest, or possible policy violations.

Political Contributions Policy

As required by the Advisers Act, and various state and local laws, FPCM maintains policies relating to political contributions and “pay to play” conflicts of interest. Under the political contributions policy, all supervised persons (and their spouses and dependent children) must obtain pre-approval before making a political contribution. This policy also prohibits making a political contribution with the intent of influencing a public official regarding the award of a contract to FPCM or its affiliates.

Outside Business Activities Policy

Given the nature of FPCM’s business, FPCM’s duties to its clients and the role of investment advisory professionals generally, employees that engage in outside business activities may face numerous conflicts of interest. Outside business activities include, but are not limited to, serving as a partner, officer, director, owner or trustee of, or an employee or consultant to a corporation, partnership, limited liability company, association or other organization that is not owned, in whole or in part, or otherwise affiliated with FPCM. To avoid such conflicts, employees must disclose all outside business activities and receive written pre-approval from the Compliance unit prior to pursuing any outside business activities.

Participation or Interest in Client Transactions

It is possible that FPCM engages in investment opportunities on behalf of client accounts and Funds in which FPCM, or FPCM’s affiliates, have a material financial interest. This financial interest may come in the form of:

- FPCM’s own investment in an opportunity,
- FPCM’s management of AIG affiliate client accounts with competing interests,
- FPCM’s management of AIG affiliate client accounts with investments in the same opportunities,
- FPCM’s management of a pooled investment vehicle comprised of AIG affiliates and unaffiliated clients,
- FPCM recommends an unaffiliated client purchase, or sell, an investment from, or to, an affiliate,
- FPCM recommends a client invest in a Fund or other opportunity managed by an affiliated investment adviser, or
- Other instances where the potential for divided loyalty may arise.

FPCM addresses these conflicts with policies and procedures designed to minimize potential conflicts of interest. These include:

Pari Passu Investments

Where FPCM elects or is required to own a portion of the Funds it manages, or where affiliates of FPCM own the Funds it manages, or where affiliates of FPCM invest in the same investment opportunity as an unaffiliated client - FPCM’s and its affiliate’s financial interests are aligned with the financial interests of unaffiliated clients and investors.

Allocation Policies

FPCM maintains objective policies and procedures intended to provide a fair and equitable allocation of opportunities to its affiliated and unaffiliated clients, and Funds.

Information Barrier Policy

FPCM may manage portfolios for AIG affiliate clients containing investments where FPCM manages portfolios for unaffiliated clients with exposure to the same issuer through different investments that have competing interests. Should this scenario arise, FPCM will manage this conflict by implementing an information barrier that limits communication between the portfolio managers, ensuring each portfolio manager’s fiduciary duty lies solely with the portfolio manager’s respective clients. Should the same portfolio manager be responsible for both portfolios, the matter will be escalated to the investment committee to determine appropriate actions to minimize conflicts of interest.

Principal Transactions Policy

A principal transaction is one in which an Adviser purchases or sells for its own account or the account of its affiliates. A principal transaction may occur when an entity affiliated with FPCM, such as a limited-liability company controlled by the affiliate, is used to originate a loan and securitize it for purchase in a client's portfolio. A principal transaction may also occur when FPCM recommends an unaffiliated client purchase or sell an investment from or to an affiliated client. When engaging in any such principal transaction, FPCM will comply with the requirements of Section 206(3) of the Advisers Act by: (i) disclosing to the Client in writing the material terms of the transaction; and (ii) obtaining the written consent of the Client for each transaction.

Cross Transactions Policy

FPCM may engage in agency cross transactions where FPCM arranges a transaction on a client's behalf in which FPCM, or an affiliate of FPCM, acts as broker for both the client and another person on the other side of the transaction. Such transactions may be subject to customary mark ups in the price at which transactions are effected or subject to customary commissions.

FPCM also engages in cross transactions where FPCM acts as investment adviser to clients on both sides of the transaction. Clients should understand that, in connection with any such cross transactions, there is an inherent conflict of interest in that FPCM represents clients on both sides of the transaction, and for agency cross transactions FPCM or its affiliate receive additional compensation, or economic benefits, from both parties to the transaction and that FPCM or its affiliate, may have a potentially conflicting division of loyalties and responsibilities regarding the parties to the transaction. FPCM will comply with applicable requirements under Section 206(3)-2 of the Advisers Act when engaging in these transactions. When required, clients may provide prospective consent to cross transactions through the investment management agreement. Clients should understand they are under no obligation to provide this consent, and may revoke their consent at any time.

Disclosure of Funds Managed by Affiliates


In addition, FPCM may, from time to time, recommend funds that are affiliated with or sponsored by affiliates of AIG, or funds for which FPCM or other AIG affiliates act as an investment adviser. In such instances, FPCM shall disclose (by providing a copy of the current offering materials relating to such fund) the nature of FPCM's (or its affiliate's) relationship with such fund and the fee which FPCM or such affiliate will receive as a result of such subscription to such fund.

Other Conflicts of Interest

Potential Conflicts of Interest Arising from Co-Investment Opportunities and Additional Compensation

FPCM may from time to time originate or arrange transactions in which both FPCM's clients and third party investors, who are not clients of FPCM, participate as co-lenders or co-investors. While the circumstances vary, the decision to seek additional third party co-investors may arise, among other reasons, as a function of (i) the size, nature, risk profile, target return profile and type of investment opportunity; (ii) principles of diversification of assets, including, without limitation, in respect of geography, investment size and sector; (iii) the investment guidelines, limitations and investment strategies of FPCM's clients; (iv) then-existing cash availability of FPCM's clients; (v) the magnitude of the investment; (vi) a determination by FPCM that the opportunity is inappropriate, in whole or in part, for one or more of FPCM's clients; (vii) liquidity considerations, and (viii) legal, regulatory, tax or contractual restrictions or consequences affecting FPCM's clients' ability to participate in the investment.

In connection with these transactions, FPCM may earn and retain "up-front" or recurring origination, arrangement, structuring, servicing or other customary fees in respect of such third-party investors' participation. Such fee income creates a conflict of interest because there is an inherent incentive for FPCM to maximize the compensation. For example, FPCM will be faced with a conflict of interest when allocating scarce investment opportunities given the possibility of greater fees from third parties that pay such fees as opposed to client accounts that do not. Areas in which scarce investment opportunities exist



include commercial mortgage loans, equity real estate investments, middle market loans, directly-originated private placements notes, privately negotiated structured credit transactions, side-by-side investment opportunities, primary investments in alternative investment funds, direct or indirect investments in and co-investments alongside alternative investment funds, and new issue securities. FPCM may also have an incentive to originate or arrange transactions, funded in part by client accounts, with a view toward attracting fee generating co-investments by third parties rather than furthering the investment objectives of its clients.

To address these types of conflicts, FPCM has adopted policies and procedures pursuant to which allocation decisions may not be influenced by fee arrangements and investment opportunities will be allocated in a manner that we believe to be consistent with our obligations as an investment adviser. See Item 12 for additional information on FPCM's allocation policies.

Portfolio Manager Compensation

FPCM compensates portfolio managers with a salary, short-term incentive payment, and long-term incentive payments (e.g. restricted stock subject to a vesting schedule) which is based on the overall financial performance of AIG, Inc. and specific business units within AIG. A factor in determining a portion of portfolio managers' incentive payment is the performance of the portfolios they manage versus a benchmark. This benchmark may not be the benchmark portfolios are aligned with in marketing materials, or the specific benchmark of your account or strategy. Additionally, linking compensation to portfolio performance may appear to be a conflict of interest in that portfolio managers may be incentivized to take unnecessary risks in an effort to earn greater compensation. We address this risk by clearly defining the investment parameters of each strategy and through our investment oversight processes noted in this Brochure.

Other relationships

FPCM and its affiliated advisers may have business relationships with companies or other entities in which FPCM may invest client assets or another business relationship. For example, FPCM may engage a service providing company for producing client performance reports, and invest client funds in securities issued by the service providing company. This may appear to be a conflict of interest. FPCM addresses this conflict by having internal policies dedicated to segregating portfolio management from procurement processes.

Item 12 - Brokerage Practices

FPCM has complete discretion, without obtaining specific client consent, to: (i) buy or sell investments; (ii) the amount of the investments to be bought or sold; (iii) the broker or dealer to be used in such purchase or sale; and (iv) the commission rates paid in connection with such purchase or sale. Unless otherwise specified in a specific client's investment management agreement.

From time to time, FPCM may suggest that clients use specific brokers, dealers, or banks for the purposes of the effecting of securities transactions.

FPCM will use unaffiliated firms to solicit investors for the purpose of distributing private placement securities managed by FPCM. Such firms shall generally be broker-dealers or banks that may also maintain registrations that allow such firms to engage in other types of businesses outside of their broker-dealer or banking activities.

FPCM's best execution policies require that a client's investments or trades be placed for execution only with approved brokers or dealers. FPCM maintains a list of approved broker-dealers eligible to effect the clients' transactions. The factors considered in selecting and approving brokers-dealers that may be used to execute trades for a client's accounts include, but are not limited to: (i) quality of execution – accuracy and timeliness of execution, clearance and error/dispute resolution; (ii) reputation, financial strength and stability; (iii) willingness to execute transactions on terms requested or required; (iv) access to investment opportunities; (v) on-going reliability; (vi) overall costs of execution (i.e., net price paid or received) including commissions, mark-ups, mark-downs or spreads in the context of the firm's knowledge of negotiated transaction costs available in the market; (vii) nature of the investment or security and the available market makers; (viii) desired timing of the transaction and size of transaction; (ix) confidentiality of execution; and (x) market knowledge. In seeking best execution, the determinative factor is not always the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of broker-dealer or bank services. Accordingly, although FPCM will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for the client's transactions.

In lieu of executing a purchase or sale transaction in the open market via a broker-dealer, FPCM may engage in a cross transaction between client accounts in which one client account will purchase securities held by another client account with such cross transactions executed directly or through unaffiliated broker-dealers. FPCM may effect a cross transaction under certain circumstances including, for example, if, as a result of divergent liquidity or strategic objectives, FPCM determines to reduce one client account's exposure to a particular investment and increase another client account's exposure to that investment. In doing so, FPCM must determine that the cross transaction is in the best interests of all client accounts involved and at an objectively set, fair, price.

FPCM's general policies relative to the execution of the client's securities and brokerage transactions are as follows:

The client may direct FPCM to use a particular broker, dealer, or bank (subject to FPCM's right to decline and/or terminate the engagement) to execute some or all transactions for the client's account. In such an event, the client will negotiate terms and arrangements for the account with that broker-dealer, and FPCM

will not seek better execution services or prices from other broker-dealers or be able to “batch” the client’s transactions for execution through other brokers, dealers, or banks with orders for other accounts managed by FPCM. As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

Consistent with obtaining best execution, transactions for a client’s account may be effected through other brokers, dealers, or banks in return for execution, research products and/or services, which assist FPCM in its investment decision-making process. Such research generally will be used to service all of FPCM’s clients, but brokerage commissions paid by client may be used to pay for research that is not used in managing the client’s account. The account may pay to a broker-dealer or bank a commission greater than another qualified broker-dealer or bank might charge to effect the same transaction where FPCM determines in good faith that the commission is reasonable in relation to the value of the brokerage and research services received.

All transactions for clients where such “soft dollar” transactions will be effected shall be in compliance with Section 28(e) of the U.S. Securities Exchange Act of 1934, as amended. Currently, FPCM does not enter into soft dollar arrangements.

Trade Aggregation Policy

Transactions for the client’s account generally will be effected independently, unless FPCM can purchase or sell the same securities for several clients at approximately the same time. FPCM may (but is not obligated to) combine or “batch” such orders when it determines, exercising its judgement in good faith, that batching is fair and equitable and would allow FPCM to obtain best execution and to negotiate more favorable transaction terms. To the extent that FPCM elects to aggregate client orders for the purchase or sale of securities, including securities in which FPCM’s principal(s) and/or associated person(s) may invest, FPCM shall generally do so in a manner that is fair and equitable to all clients. Generally, transaction prices and costs will be averaged and allocated *pro rata* among all clients participating in a trade. However, in the case of a partially filled order, due to the nature of fixed income investments, it may not always be in clients’ best interest to allocate the order in an exact *pro rata* manner (ie. instances that create odd-lots which will limit future liquidity). In the case of a partially filled order, FPCM will deviate from a *pro rata* allocation a) when creating round-lots is in the best interest of all clients, b) when a *pro rata* allocation results in de minimus lot sizes, c) when a *pro rata* allocation results in a lot size below an investment minimum, or d) in other circumstances where FPCM determines allocating the investment in a different manner is in the best interest of its clients. In determining how to allocate an aggregated trade, FPCM will seek to treat all clients fair and equitably over time.

Allocation of Investment Opportunities Policy

FPCM’s investment allocation policy is to treat all clients fairly and equitably over time. FPCM applies a solutions-oriented approach that recognizes and prioritizes the individual investment needs, objectives, cash flow, liabilities, and maturity timelines unique to each client account. Although FPCM manages accounts with similar investment objectives that may be grouped with other similar accounts for displaying composite performance of a strategy, due to the nature of fixed income investing and trading there is generally no “model portfolio” consistently applied across all accounts. For example, a portion of FPCM’s clients implement investment strategies closely aligned with clients’ cash and liquidity management needs. Due to each client’s inception date, the nature of fixed income trading, and the

timing of each client's cash flows, it's extremely rare that the same exact security will be held across all client accounts. More often, when it is time to make an investment in a client account, the account is assessed relative to all investment opportunities in the market at that time to identify investments most appropriate for that client's unique mandate, rather than assessing the client account relative to holdings in other client accounts with the same or similar strategy.

Although each of FPCM's clients is highly unique, in order to promote the fair and equitable treatment of client accounts in similar situations, FPCM categorizes accounts with similar investment objectives, mandates, or strategies into Account Groupings. When an investment opportunity is identified, FPCM portfolio managers look to the Account Groupings that correspond with the type of security to identify allocable accounts with available cash above a minimum threshold. When determining available cash, the portfolio management team considers client preferences, account-specific allocations to cash, and upcoming cash flows which will exclude an account from being considered for an investment, even if it may have a cash position above the minimum threshold. For example, a client currently has a cash position of \$2,000,000 and the client requires \$5,000,000 in cash in one week. The minimum available cash threshold is \$1,000,000. Although the client has a cash position above the minimum threshold, the portfolio management team will generally not include this account in an allocation because the portfolio is currently raising cash to meet an upcoming withdrawal.

From the accounts with available cash, the portfolio management team will identify eligible accounts and determine target investment allocation amounts based on (i) whether the risk-return profile of the proposed investment is consistent with the accounts' objectives and program, ii) whether such objectives are considered in light of the specific investment under consideration or in the context of the portfolio's overall holdings; (iii) the potential for the proposed investment to create an imbalance in the account's portfolio (taking into account expected inflows and outflows of capital); (iv) liquidity requirements of the account; (v) potentially adverse tax consequences; (vi) regulatory and other restrictions that would or could limit an account's ability to participate in proposed investment; and (vii) the need to re-size risk in the account's portfolio. Generally, due to the nature of fixed income trading, the portfolio management team attempts to achieve exposure to an issuer in each client account through a single lot of the same maturity – rather than multiple lots of different maturities in the same client account. Therefore, an account in the same Account Group with no exposure to the issuer will be considered for allocation prior to an account with existing exposure to the issuer – even if the account with existing exposure is not up against a guideline limit.

Through broker-dealer dialogue and market data information, the portfolio management team may often be aware of the available amount of a security prior to executing a trade – and identify that the amount available is greater than the aggregate of the target investment amount for all eligible accounts. In these instances, the target allocation amounts will generally be split pro rata across all eligible accounts based on each account's market value availability limit in the security, subject to minimum investment sizes and the ability to create round lots that are in each client's best interest in order to achieve favorable executions in the future. Should the portfolio manager deviate from this pro rata allocation, based on all the considerations mentioned so far, it should be done so in a manner that treats clients fair and equitably over time.

If the portfolio management is not aware of the limited availability of the security until execution, the investment will be allocated according to the Trade Aggregation Policy above.

New Issue Municipal Bonds Allocation Methodology

Municipal issuances are often structured with serial maturities and smaller amounts outstanding per maturity than typical corporate issuances. In order for the Adviser to seek to acquire new issue bonds consistent with client's investment objectives and improve the chance of acquiring such bonds in round-lot quantities, the Adviser will indicate orders with flexibility among similar maturities and allocate to each client a larger round-lot of a single maturity or maturities than allocate across all clients a smaller pro-rated amount of all acquired maturities of the same issuance. Round-lots put clients in the most favorable position should they seek to liquidate the securities in the future and as such allocations are subject to minimums and must be in tradeable increments. The portfolio management team records the intended target allocations for each client account prior to submitting final bids to the dealer.

With respect to municipal new issue, the default allocation method for a partial fill is to allocate each participating client account as close to the intended target allocation as possible. As noted earlier, this does not mean pro rata across all bonds received; it will more likely result in allocating the entirety of each CUSIP to single accounts, based on previously recorded intended target allocations, which were determined to be the most appropriate based on the previously mentioned factors.

Trade Errors

FPCM strives to ensure that trades are executed in a timely and accurate manner. Yet, in the course of carrying out trading and investing responsibilities on behalf of client accounts, FPCM's personnel may make trade errors. Trade errors may include: (i) placement of orders (either purchases or sales) in excess of the amount of investment that FPCM intended to complete; (ii) the sale of an investment when it should have been purchased; (iii) the purchase of an investment when it should have been sold; (iv) the purchase or sale of the wrong investment; (v) the purchase or sale of an investment contrary to regulatory restrictions or the investment guidelines or restrictions of a client; and (vi) incorrect allocation.

FPCM endeavors to detect trade errors prior to settlement and correct them in an expeditious manner. If an error should incur, FPCM will reimburse a client for losses suffered as a result of a trade error caused by FPCM's bad faith, fraud, willful misconduct or gross negligence. Generally FPCM and its personnel will not be liable to any client for any act or omission, absent bad faith, gross negligence, willful misconduct or fraud. In addition, the clients will likely be required to indemnify such persons against any losses they may incur by reason of any act or omission related to a client, absent bad faith, gross negligence, willful misconduct or fraud. As a result of these provisions, such client (and not FPCM) will be responsible for any losses resulting from trading and allocation errors and similar human errors, absent bad faith, gross negligence, willful misconduct or fraud.

To the extent an error is caused by a counterparty, such as a broker-dealer, FPCM will attempt to recover any loss associated with such error from such counterparty. Any losses resulting from trade errors may be borne by a client unless such errors are due to actions by FPCM for which FPCM would not be entitled to indemnification.

Item 13 - Review of Accounts

FPCM will review the client's accounts on a regular and routine basis. Client accounts shall be reviewed for best execution, suitability, and service and to assess systemic, portfolio-level and position-specific risks.

Reviews for suitability and service will be conducted in regularly scheduled meetings, at least once a quarter, with oversight by a designated principal.

Transaction suitability with respect to investment guidelines and client objectives will be reviewed.

For fund clients, a designated principal will review investment activity and compare executed transactions to the relevant fund document, such as the Offering Memorandum.

For non-fund clients, the client's investment objectives will be used to review for suitability.

As part of the review, transactions that may not fit a particular client's stated investment objectives or FPCM's understanding of the client's objectives will be flagged and reviewed in more detail. In the event that an impermissible entry or other trading error with respect to a client account is identified during the review, such error will be identified and corrected as expeditiously as possible and in accordance with FPCM's trading error correction policies.

Investors in the funds receive unaudited reports on a monthly or quarterly basis, providing summary financial and other information about the fund in which they are invested. Investors in the funds receive audited financial statements of the fund in which they are invested annually.

While all clients generally receive similar information, to the extent a client requests information that is not otherwise provided in a regular reports to clients, such information may provide such client with greater insight into the investment vehicle's activities. This may enhance such client's ability to make investment decisions and possibly affect such client's decision to make a purchase in or request a redemption. FPCM, in its sole discretion, may make additional information available to inquiring clients as it deems appropriate. Prior to releasing such additional information, depending on the information involved, FPCM may require a client to enter into a confidentiality agreement.

Item 14 - Client Referrals and Other Compensation

FPCM may enter into agreements with various independent solicitors or limited partners (collectively “solicitors”) that refer investors for investment advisory services or to private investment funds for which FPCM provides investment advisory services. FPCM may charge investors introduced by solicitors a premium on the fees or costs charged by the fund versus other investors who were not introduced by the solicitors. Any such agreements must be handled in accordance with the provisions of Rule 206(4)-3 under the Investment Advisers Act of 1940, as amended.

Item 15 - Custody

For all investment advisory accounts, clients receive either a regular monthly/quarterly statement from a qualified custodian or a monthly/quarterly report from the fund administrator. In the case where investors are receiving fund administrator statements, there is annual audit of the fund which is furnished to fund investors upon request. FPCM provides supplemental regular reporting, recognizing that clients should view custodian and fund administrator statements as their primary source of information.

In connection with the management of investments for certain investors, FPCM may have, or may be deemed to have, custody of certain funds or securities of clients. Rule 206(4)-2 (the “Custody Rule”) of the Advisers Act, defines custody as holding client securities or assets or having any authority to obtain possession of them, including the authority to withdraw funds or securities from a client’s accounts or ownership of or access to client funds or securities (such as through fee deductions).

The Custody Rule imposes on advisers, with custody of clients’ funds or securities, certain requirements concerning reports to such clients (including underlying investors) and surprise examinations relating to such clients’ funds or securities. However, the adviser need not comply with such requirements with respect to pooled investment vehicles subject to audit and delivery if each pooled investment vehicle: (i) is audited at least annually by an independent public accountant; and (ii) distributes its audited financial statements prepared in accordance with generally accepted accounting principles to its investors, all limited partners, members or other beneficial owners within 120 days (180 days in the applicable case of a fund of fund adviser) of its fiscal year-end.

Item 16 - Investment Discretion

FPCM may exercise discretion over the following areas/items:

- The specific securities to be bought or sold on the client's behalf
- The amount of securities to be bought or sold on the client's behalf
- The particular broker or dealer to be used for arranging client securities transactions

FPCM will have general authority to exercise its full discretion on the above named factors without restriction, unless specified otherwise in a specific client's investment management agreement. FPCM shall observe any specific limitations that may be imposed by the client in relation to this discretionary authority. The limits on the discretionary authority on securities and amounts to be bought or sold will be identified in the investment management agreement and the operating policy statement and the investment objectives of the fund. The limits on the types of securities are to those available under the investment management agreement and the operating agreement specific to each fund, which is a client. There are no limits on the amounts of such securities purchases.

FPCM will review brokers, dealers, and banks for their financial wherewithal and ongoing operational strength as part of making a decision on the purchase of investments from such firms. FPCM operates in its full discretion to select such brokers or dealers because there may be only a few, select firms in which the value of products, research, and services to be given to FPCM are a factor in that FPCM looks to purchase the investment products that best serve the needs of the funds and FPCM's other clients. FPCM does receive research and services from such brokers, dealers, or banks; however, such factors are negligible in the overall discretionary decision to use such broker, dealer, or bank. Research is generally used; however, and each client typically is restricted to certain investment products, therefore, certain specific research or services received may only be applicable to a singular client.

Item 17 - Voting Client Securities

FPCM may vote proxies on client securities depending upon the client agreement, and if permitted by the client. FPCM will endeavor to vote proxies in a manner consistent with the best interests of the clients.

While the decision whether or not to vote a proxy must be made on a case-by-case basis, FPCM may determine not to vote a proxy if FPCM believes the proposal is not adverse to the best interests of the clients. FPCM has procedures and policies for voting proxies, a copy of which is available upon request.

As a fiduciary, an investment adviser with proxy voting authority has a duty to monitor corporate events and to vote proxies, as well as a duty to cast votes in the best interest of its clients and not subrogate any client interests to its own interests. Rule 206(4)-6 under the Advisers Act places specific requirements on registered investment advisers with proxy voting authority.



Item 18 - Financial Information

FPCM does not require or solicit prepayment of advisory fees.

FPCM does not have any financial conditions that are likely to impair our ability to meet any contractual commitments to clients.

FPCM has not been the subject of a bankruptcy petition at any time.

