

Item 1. Cover Page

# MONACHIL CAPITAL PARTNERS LP

Form ADV, Part 2A  
(the “*Brochure*”)

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This Brochure provides information about the qualifications and business practices of Monachil Capital Partners LP (the “Adviser”). If you have any questions about the contents of this brochure, please contact Jim Leahy at (212) 257-5783 or [jleahy@orical.org](mailto:jleahy@orical.org). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

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

## **Item 2. Material Changes**

This is the Adviser's first Form ADV filing as a SEC Registered Investment Adviser; therefore, there are no material changes to report. Our current and future investors are encouraged to read this Brochure, as well as all of the governing documents applicable to their current or prospective investment, in their entirety. To receive an additional current copy of this Brochure free of charge, please contact Jim Leahy at (212) 257-5783 or [jleahy@orical.org](mailto:jleahy@orical.org).

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#### **Item 4. Advisory Business**

Monachil Capital Partners LP (the “Adviser”) is an investment advisory firm with its principal place of business in Greenwich, Connecticut. The Adviser was founded in 2020 by Ali Meli (the “Founder”). Mr. Meli is the sole owner of the Adviser.

The Adviser provides investment advisory services to its advisory clients (each a “Client and collectively, “Clients”) which include (i) pooled investment vehicles (“Private Funds”) and (ii) a non-diversified, closed-end management investment company registered under the Investment Company Act of 1940, as amended, structured as an interval fund (the “Interval Fund”), for which the Adviser serves as the investment adviser.

The Adviser tailors its advisory services to the specified investment mandates of its Clients, consistent with the Client’s governing documents, which may include, among other things, a private placement memorandum, limited liability company agreement, management or investment advisory agreement, and/or subscription agreement (individually and collectively, the “Governing Documents”). The Governing Documents for the Interval Fund include a prospectus and statement of additional information. Any client or prospective client should closely review the applicable Governing Documents with respect to, among other things, the terms, conditions and risks of investing in such Client.

The Adviser specializes in an array of credit and asset backed sectors including secured and unsecured consumer credit, small business credit, asset backed loans and leases, infrastructure contracted assets, corporate debt and pools of corporate loans, securitizations and structured finance instruments backed by such assets, loans backed by pools of assets and other types of credit instruments such as receivables, factoring, and royalties. The Adviser also engages in other investment products such as (but not limited to) pools of performing and non-performing loans as well as credit facilities backed by such assets, loans, securities, collateralized debt obligations, collateralized loan obligations, and obligations of US and foreign issuers, including emerging and developing market borrowers. The Adviser’s Clients may hold investment assets directly or through special purpose vehicles, subsidiaries, parallel funds, alternative investment vehicles or other entities. The Adviser may invest in shares of other pooled investment vehicles, including business development companies, and registered investment companies. For investments in jurisdictions outside the United States, the Adviser may hedge certain risks associated with such investments, including currency risk and certain forms of sovereign risk. The Adviser may also act as the originator of loans and other credit assets.

The types of investments the Adviser engages in are varied and include debt instruments, structured credit investments, convertible securities, warrants, preferred shares (and other equity investments), options, credit and other derivatives such as swaps, forward contracts, total return swaps and credit default swaps on single names and indices, and options on such instruments. The Adviser may also enter into repurchase agreements and reverse repurchase agreements and other security lending and borrowing transactions to hedge a Client’s portfolio. Investments may

also include securities that are not freely tradable in the United States, such as Regulation S securities as well as cash and cash equivalents.

A Client's investment portfolio will generally fit within four broad categories: (i) credit facilities and asset-backed loans secured with pools of loans or other assets; (ii) structures where the originator co-invests with the Client, (iii) purchases of pools of loans, and (iv) purchases of asset-backed securities ("ABS"), such as collateralized loan obligations and other securitizations.

As of December 31, 2021, the Adviser managed approximately \$30,085,655 in regulatory assets under management on a discretionary basis.

The Adviser does not participate in wrap fee programs.

## **Item 5. Fees and Compensation**

The Adviser, or one of its affiliates, typically receives compensation for providing investment advisory services from each of its Clients in the form of (1) an annual management or advisory fee of up to 1.75% per annum based on a percentage of assets managed ("Management Fee") (generally based on capital committed or the cost basis of portfolio investments); and (2) performance-based compensation of up to 20% of all net income and gains and losses derived from portfolio investments which is typically referred to as carried interest or an incentive fee ("Carried Interest"). The Clients' advisory agreements and other constituent documents provide for a preferred rate of return to the Clients, typically on a fixed basis in the range of 7%. Additionally, consistent with the Governing Documents of each Client, the Client typically bears certain out-of-pocket expenses incurred by the Adviser in connection with the services provided to the Client.

The Interval Fund pays the Adviser a Management Fee that consists of two components: (i) an advisory fee, and (ii) an incentive fee. The advisory fee is paid at the annual rate of 1.25%, accrued daily and payable monthly in arrears, based upon the Interval Fund's daily Managed Assets during such period. "Managed Assets" means the total assets of the Interval Fund (including any assets attributable to money borrowed for investment purposes) minus the sum of the Interval Fund's accrued liabilities (other than money borrowed for investment purposes). The incentive fee is calculated and payable quarterly in arrears based upon the Fund's "pre-incentive fee net investment income" for the immediately preceding fiscal quarter. The incentive fee component is subject to a hurdle rate, expressed as a rate of return on the Interval Fund's adjusted capital equal to 1.50% per quarter (or an annualized hurdle rate of 6.00%), subject to a "catch-up" feature.

The details of how the Adviser calculates its Management Fee and Carried Interest is set forth in each Client's Governing Documents. Fees for advisory services are negotiable. The Adviser only receives performance-based compensation when distributions occur in accordance with the relevant Governing Documents for each Client relationship.

If applicable, the Adviser deducts its Management Fees directly from Clients' accounts quarterly in arrears. Clients who pay Management Fees in advance may be refunded a prorated portion of the fee if the advisory relationship is terminated prior to the end of the relevant billing period.

Clients may bear any and all fees, costs and expenses attributable to the activities of the Clients or the Adviser incurred for the benefit of the Clients, in accordance with the terms of the investment advisory agreements or other Governing Documents.

Fees costs and expenses attributable to the activities of the Clients or the Adviser and/or its affiliates on behalf of the Clients include, but are not limited to, those related to the evaluation, discovery, investigation, development, origination, acquisition, managing, holding, monitoring, restructuring or disposition of investments (whether or not consummated). These include, but are not limited to, the fees, costs and expenses (including disbursements) related to: loan fees, private placement fees, brokerage and sales fees, commissions, appraisal fees, research fees and dealer spreads; any affiliated or unaffiliated service providers (including fixed fees (such as retainers) and/or performance-based fees), including persons providing tax or accounting services and any agent in respect of any investment including any service provider that is engaged to service any assets or pools of assets including loans; charges by underlying investment vehicles; interest and clearing and settlement charges, commitment fees, taxes, including transfer taxes and premiums, and underwriting commissions and discounts; fees, costs and expenses relating to short sales; fees, costs and expenses related to market data (including, without limitation, expenses incurred in connection with any multimedia, analytical, database, news or third-party research or information services and market data providers and any computer hardware and connectivity hardware incorporated into the cost of obtaining such research and market data); legal, accounting, audit, investment banking, and third party industry and due diligence experts (including, without limitation, for credit and risk analytics, collateral review and loss mitigation); fees, costs and expenses any finders, senior advisors, originators, consultants and other persons acting in a similar capacity (in each case, whether or not such persons are engaged by the Adviser and/or its affiliates in respect of a client in a dedicated or exclusive capacity), including fixed fees (such as retainers) and/or performance based fees and allocations, in each case, whether in the form of cash, options, warrants, stock or otherwise, and including expenses of any of the foregoing persons, including communications (including internet access fees), travel (including international cellular charges), meals, lodging as well as late car services; fees, costs and expenses incurred in connection with organizing, maintaining and operating entities controlled the Adviser and/or its affiliates that facilitates a Client's investments (including rent, salaries and ancillary costs of such entities, costs and expenses of service providers of such entities, and expenses related to the corporate governance of such entities); any management fees and/or performance based compensation of any third-party advisor or sponsor in connection with a Client's direct or indirect purchase of securities issued by CLOs, CDOs, other ABS vehicles, exchange traded funds, closed-end funds, business development companies and other investment vehicles; interest and related expenses and custodial, depository, trustee, record keeping and other administrative services; operations and reconciliation; any and all fees, costs and expenses incurred in connection with hedging and the incurrence of leverage and indebtedness, including borrowings, dollar rolls, repurchase agreements, reverse purchase agreements, credit facilities, securitizations, margin financing and derivatives and swaps, including any principal or interest on borrowings and indebtedness or related fees, costs and expenses to obtain such arrangements; formation, organization, operation, winding up, dissolution and termination of any direct or indirect subsidiary, special purpose entity, alternative investment vehicle and/or co-investment vehicle; and all other fees, costs and expenses (including amounts payable to affiliates of the Adviser) related to the sourcing, evaluation,

discovery, investigation, development, acquisition, operation, monitoring, pricing, underwriting, servicing, or disposition of potential or actual investments (whether or not consummated).

Other fees, costs and expense attributable to the activities of the Clients or the Adviser and/or its affiliates on behalf of the Clients include, but are not limited to, any and all fees, costs and expenses relating to: (i) implementing or maintaining third-party or proprietary software tools, programs or other technology for the benefit of the Clients (including, without limitation, any and all costs and expenses of any investment, books and records, portfolio compliance and reporting systems and similar systems and services, including, without limitation, consultant, software licensing, data management and recovery services fees); and any tools, programs, subscriptions or other systems providing market data and any computer hardware and connectivity hardware incorporated into the cost of obtaining such research and market data), analytical, database, news or third-party research or information services to Clients; (ii) any and all fees, costs and expenses (including disbursements) of attorneys, auditors, accountants, tax professionals and administrators relating to Client matters; (iii) all costs associated with creating, printing and distributing Client financial statements, reports, notices, tax returns and Schedule K-1s (or similar schedules); (iv) taxes and other governmental charges; (v) any and all fees, costs and expenses relating to the maintenance of registered offices, corporate licensing and similar expenses; (vi) any and all insurance services, premiums or expenses, including review, errors, omissions, fidelity, crime, cybersecurity, general partner liability, directors' and officers' liability and similar coverage; (vii) any and all fees, costs, and expenses (including accounting, legal or regulatory fees and expenses) incurred to comply with any law or regulation (including ongoing compliance, filing, recordkeeping and reporting obligations, related software, and fees, costs and expenses incurred in implementing or maintaining such software) or in connection with any litigation or governmental inquiry, investigation or proceeding, including the amount of any judgments, settlements or fines paid in connection therewith; (viii) distributions to the Clients (or investors therein); (ix) meetings with some or all of the Clients or investors therein; (x) out-of-pocket expenses incurred by members of any board or advisory committee (including, without limitation, travel, meal, and lodging expenses); (xi) the formation, marketing, maintenance, dissolution, winding up or termination of Client accounts or entities, entities controlled by the Adviser and/or its affiliates (including, without limitation, out-of-pocket legal, accounting, tax, regulatory, filing, capital raising, printing, translation, distribution, travel, lodging and meals); (xii) any amendments, modifications, revisions or restatements to the investment advisory agreements and/or other Governing Documents, including, without limitation, related entities (including the constituent documents of any direct or indirect subsidiary, special purpose entity, alternative investment vehicle, and/or co-investment vehicle, as applicable); (xiii) the negotiation and preparation of, and compliance with, side letters and most favored nations processes (as applicable); (xiv) valuation (including, without limitation and as applicable, any and all fees, costs and expenses associated with advisors, independent pricing services and third-party valuation consultants); (xv) communications (including internet access), lodging, travel, cellular phone and late cars and meals and other similar costs, fees and expenses (including for the personnel of the Adviser and its affiliates and third parties); (xvi) any postage or shipping costs and expenses related to Client matters; and (xvii) Client indemnification obligations and management fee obligations.

Additional information on fees incurred by Clients can be found in each Client's applicable Governing Documents. For example, investors in the Interval Fund will pay a maximum sales

charge of 5.75% and a servicing fee of 0.25%. Neither the Adviser nor any of its Supervised Persons (as defined below) accept compensation in connection with the sale of interests in the Clients.

Any Clients that invest in parallel share joint expenses on a pro rata basis, as applicable (unless tax, regulatory or other reasons dictate otherwise).

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

As discussed in Item 5, the Adviser has entered into performance fee arrangements with each of its Clients. Such fees are set forth in detail in each of its Clients' Governing Documents.

Performance-based compensation may create an incentive for the Adviser to cause a Client to make investments that are riskier and more speculative than it would otherwise make. Performance based fee arrangements may also create an incentive to favor higher performance fee paying Clients over other Clients in the devotion of time, resources and allocation of investment opportunities.

To manage these potential conflicts, the Adviser has adopted an allocation policy to ensure that investment opportunities are allocated fairly and equitably over time.

#### **Item 7. Types of Clients**

The Adviser provides investment supervisory services to the Clients. Investment advice is provided directly to the Clients and not individually to investors in any Client. The Adviser's Clients are Private Funds and the Interval Fund. Investors in these vehicles include or may in the future include:

- individuals;
- pension and profit sharing plans (domestic and foreign);
- segregated accounts formed by insurance companies;
- family offices;
- trusts, estates, charitable organizations and endowments; and
- limited liability companies, corporations and other institutional investors.

Investors in Private Funds that are U.S. persons must be "Accredited Investors" under Regulation D under the Securities Act and "Qualified Clients" under the Advisers Act so as to be eligible to be charged a performance fee.

Generally, the Clients have a stated minimum investment amount as described in the relevant Governing Documents. The Adviser typically has the discretion to waive minimum investment requirements for investment in the Clients.

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



The Adviser's approach to investing relies on a number of key principles, including (i) a flexible allocation strategy; (ii) independent credit analysis (iii) diversification across products, sectors, originators and regions; (iii) structuring transactions to ensure alignment of interest through recourse, including by negotiating bespoke terms and covenants and relying on bankruptcy remote structures; (iv) ongoing monitoring of completed deals, including capturing performance information from servicers; and (v) potentially phased increase of exposure to originators over time by gradually acquiring additional assets and increasing the size of the investment.

The Adviser examines a diverse variety of opportunities to identify investment opportunities that may provide a Client with positive risk return opportunities. The analysis and process could include (i) reviewing the operational capabilities of the origination partner, (ii) reviewing the financial and credit profile and conducting due diligence of the origination and servicing partner, (iii) negotiating the terms and the covenants of the loan with the aim to minimize risks from a deterioration in the performance of the loans or increases in defaults, (iv) structuring the transaction through special purpose vehicles or other bankruptcy remote structures and developing backup servicing plans to protect the investments in the event of a possible failure of the servicing partner, (v) reviewing loan origination history and performance of historical portfolios originated and serviced by the originator and servicer, (vi) reviewing any intercreditor terms to the extent there are other creditors in the borrower capital structure, and (vii) on-site visiting and discussing with the servicer's staff, vendors and professional services providers.

The Adviser expects that its Client's investments will be in a variety of forms, including secured and unsecured credit facilities, asset-backed loans, and pools of assets to be phased in over time. As such, ongoing monitoring of positions in the portfolio plays an important role in risk management and the investment strategy. The Adviser expects to regularly review the performance of each Client's investments.

Risk management is an important feature of the Adviser's strategy. The Adviser manages certain identified risks through a multi-tier framework that includes a combination of term negotiation, deal structuring, and hedging. Identified risks include those related to asset quality, and the performance of the originator and servicer. The Adviser will rely on its experience to implement the risk management process.

Despite the Adviser's methodologies and strategies, there is always the possibility that the Adviser may not correctly predict or evaluate the future performance of certain investments. Investing in securities involves a substantial degree of risk. An investment in a Client is illiquid, highly speculative and not a complete investment program. A Client may lose all or a substantial portion of its investments, and investors in the Clients must be prepared to bear the risk of a complete loss of their investments.

Below briefly describes some of the risks associated with the Clients' investments, but the following explanation of certain risks is not exhaustive. Additional risks and uncertainties applicable to Clients exist. For a further discussion of the risks applicable to an investment in a Client, investors and prospective investors in that Client must also review that Client's Governing

Documents, including, for example, the private placement memorandum or prospectus, which contain additional explanations of strategies and risks that are not discussed in this section.

## **CLIENT STRUCTURE RISKS**

*LIMITED OPERATING HISTORY.* The Clients have limited or no operating history. As such the Clients are subject to all of the business risks and uncertainties associated with any new business, including the risk that the Client will not achieve its investment objectives and that the value of an investor's interest could decline.

The Client may not succeed in meeting its objective, and its value may decrease; there is no assurance that the Client will grow or maintain economically viable size, which may result in increased expenses or a determination to liquidate.

*MINIMAL CAPITALIZATION.* The Interval Fund is not obligated to raise any specific amount of capital prior to commencing operations. There is a risk that the amount of capital actually raised by the Interval Fund through the offering of its shares may be insufficient to achieve profitability or allow the Interval Fund to realize its investment objective. An inability to raise additional capital may adversely affect the Interval Fund's financial condition, liquidity and results of operations, as well as its compliance with regulatory requirements. Further, if the Interval Fund is unable to raise sufficient capital, investors may bear higher expenses due to a lack of economies of scale.

*REPURCHASE OFFERS; LIMITED LIQUIDITY.* It is anticipated that all of the Adviser's Clients will be highly illiquid. The Interval Fund, for example, is a closed-end investment company structured as an "interval fund" and, as such, has adopted a fundamental policy to make quarterly repurchase offers, at per-class NAV, of not less than 5% of the Interval Fund's outstanding Shares on the repurchase request deadline. Pursuant to this policy, the Interval Fund will offer to purchase only a small portion of its Shares each quarter, and there is no guarantee that Shareholders will be able to sell all of the Shares that they desire to sell in any particular repurchase offer. Investments in a Client are therefore suitable only for investors who can bear the risks associated with the limited to no liquidity and should be viewed as a long-term investment.

*ILLIQUID INVESTMENTS.* Client investments are expected to include pools of consumer assets, credit assets and other structured finance assets the return or recovery prospect of which involves uncertainty, and which are also subject to legal and other restrictions on transfer or for which no liquid market exists. These instruments may be illiquid at the time an investment is made or may become and potentially stay illiquid during the pendency of an investment.

The market prices, if any, for such investments may not be readily ascertainable, and the Client could typically be unable to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. Any possible 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 Client may not be able to readily dispose of such illiquid investments and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale.

*DISTRIBUTION POLICY.* The Interval Fund's distribution policy is to make monthly distributions of substantially all of its net investment income. Distributions cannot be assured, and the amount of each distribution is likely to vary. Distributions will be paid at least annually in amounts representing substantially all of the net investment income not previously distributed in a quarterly distribution and net capital gains, if any, earned each year. All or a portion of an annual distribution may consist solely of a return of capital (*i.e.*, from a Shareholder's original investment) and not a return of net investment income. Shareholders should not assume that the source of a distribution from the Interval Fund is net investment income. Shareholders should note that return of capital will reduce the tax basis of their shares and potentially increase the taxable gain, if any, upon disposition of their shares.

*SUBSIDIARY RISK.* By investing through a wholly owned subsidiary formed under the laws of the Cayman Islands, the Interval Fund is indirectly exposed to the risks associated with the subsidiary's investments in securities that are not freely tradable in the U.S., such as Regulation S securities, as well as certain other securities that can only be purchased or held by a non-U.S. person or where it may be advantageous for the asset to be held by a non-U.S. person ("other restricted non-U.S. securities"). Other Clients may also invest in other restricted non-U.S. securities. Regulation S securities are debt or equity securities of U.S. and foreign issuers offered through private offerings exempt from registration with the SEC pursuant to Regulation S of the 1933 Act. Offerings of Regulation S securities may be conducted outside of the United States, and Regulation S securities may be relatively less liquid as a result of legal or contractual restrictions on resale. Although Regulation S securities may be resold in privately negotiated transactions, the price realized from these sales could be less than the price originally paid by the subsidiary. Further, companies whose securities are not publicly traded may not be subject to the disclosure of other investor protection requirements that would be applicable if their securities were publicly traded. Accordingly, Regulation S securities may involve a high degree of business and financial risk and may result in substantial losses. There can be no assurance that the investment objective of the subsidiary will be achieved. The Subsidiary is not registered under the 1940 Act, and, unless otherwise noted in this prospectus, is not subject to all the investor protections of the 1940 Act. However, the Interval Fund wholly owns and controls the subsidiary, and the Interval Fund and the subsidiary are both managed by Adviser making it unlikely that the subsidiary will take action contrary to the interests of the Interval Fund and its investors. The Board of Trustees of the Interval Fund has oversight responsibility for the investment activities of the Interval Fund, including its investment in the subsidiary, and the Fund's role as sole shareholder of the subsidiary. The subsidiary is subject to the same investment restrictions and limitations, and follows the same compliance policies and

procedures, as the Interval Fund. Changes in the laws of the United States and/or the Cayman Islands could result in the inability of the Interval Fund and/or the subsidiary to operate as described in the prospectus and the statement of additional information and could adversely affect the Interval Fund. Changes in the laws of the United States and/or the Cayman Islands could adversely affect the performance of the Interval Fund and/or the subsidiary. For example, the Cayman Islands currently does not impose certain taxes on exempted companies like the subsidiary, including income and capital gains tax, among others. If Cayman Islands laws were changed to require such entities to pay Cayman Islands taxes, the investment returns of the Fund would likely decrease.

*LEVERAGE.* The Clients will likely use leverage. The use of leverage increases both risk of loss and profit potential. The Interval Fund is subject to the Investment Company Act requirement that an investment company satisfy an asset coverage requirement of 300% of its indebtedness, including amounts borrowed, measured at the time the investment company incurs the indebtedness (the “Asset Coverage Requirement”). This means that at any given time the value of the Interval Fund’s total indebtedness may not exceed one-third the value of its total assets (including such indebtedness). The interests of persons with whom the Interval Fund enters into leverage arrangements will not necessarily be aligned with the interests of the Interval Fund’s investors and such persons will have claims on the Interval Fund’s assets that are senior to those of the Interval Fund’s investors. In addition to the risks created by a Client’s use of leverage, the Client is subject to the additional risk that it would be unable to timely, or at all, obtain leverage borrowing. The Client might also be required to de-leverage, selling securities at a potentially inopportune time and incurring tax consequences. Further, the Client’s ability to generate income from the use of leverage would be adversely affected.

The Clients anticipate that any money borrowed from a bank or other financial institution for investment purposes will accrue interest based on shorter-term interest rates that would be periodically reset. So long as the Client’s portfolio provides a higher rate of return, net of expenses, than the interest rate on borrowed money, as reset periodically, the leverage may cause investors to receive a higher current rate of return than if the Client were not leveraged. If, however, long-term and/or short-term rates rise, the interest rate on borrowed money could exceed the rate of return on securities held by the Client, reducing returns to investors. Developments in the credit markets may adversely affect the ability of the Client to borrow for investment purposes and may increase the costs of such borrowings, which would reduce returns to investors. There is no assurance that a leveraging strategy will be successful. Leverage involves risks and special considerations, including the likelihood of greater volatility of NAV, market price and dividend rates and the fact that the Management Fee payable to the Adviser will be higher if the Client uses leverage than if the Client did not use leverage, and may provide a financial incentive to the Adviser to increase the Client’s use of leverage.

*NON-DIVERSIFIED STATUS.* The Interval Fund is a “non-diversified” investment company. Thus, there are no percentage limitations imposed by the Investment Company Act on the Interval Fund’s assets that may be invested, directly or indirectly, in the securities of any one

issuer. The portfolios of other Clients may be similarly concentrated. Consequently, if one or more securities are allocated a relatively large percentage of a Client's assets, losses suffered by such securities could result in a higher reduction in the Client's capital than if such capital had been more proportionately allocated among a larger number of securities. The Interval Fund may also be more susceptible to any single economic or regulatory occurrence than a diversified investment company.

*LEGAL, TAX AND REGULATORY.* Legal, tax and regulatory changes could occur that may materially adversely affect the Clients. For example, the regulatory environment for leveraged investors is evolving, and changes in the direct or indirect regulation of leveraged investors may materially adversely affect the ability of a Client to pursue its investment objective or strategies. Increased regulatory oversight and other legislation or regulation could result. Such legislation or regulation could pose additional risks and result in material adverse consequences to the Client and/or limit potential investment strategies that would have otherwise been used by the Client in order to seek to obtain higher returns.

*DEPENDENCE ON THE ADVISER.* The success of each Client depends upon the ability of the Adviser to develop and implement investment strategies that achieve the investment objective of the Client. Investors will have no right or power to participate in the management or control of the Client.

*MANAGEMENT RISK.* The value of the Client changes based on the performance of the securities in which it invests. The Adviser's judgment about the attractiveness, value and potential appreciation of a particular sector and securities in which the Client invests may prove to be incorrect and may not produce the desired results.

*INCENTIVE FEE RISK.* The Adviser is entitled to receive incentive compensation from certain Clients on income regardless of any capital losses. In such case, the Client may be required to pay the Adviser incentive compensation for a fiscal quarter even if there is a decline in the value of the Fund's portfolio or if the Fund incurs a net loss for that quarter.

An incentive fee structure to the Adviser may create an incentive for it to make investments on a Client's behalf that are risky or more speculative than would be the case in the absence of such compensation arrangement. An incentive fee structure may encourage the Adviser to use leverage to increase the return on a Client's investments. The use of leverage may increase the likelihood of default, which would disfavor investors. Such a practice could result in the Client investing in more speculative securities than would otherwise be in its best interests, which could result in higher investment losses, particularly during cyclical economic downturns.

*RISKS RELATING TO DUE DILIGENCE.* Before making portfolio investments, the Adviser will typically conduct due diligence that it deems reasonable and appropriate based on facts and circumstances. Due diligence generally entails evaluation of important and complex business, financial, tax, accounting and legal issues. Due diligence also entails operational

evaluation of the company issuing portfolio investments, including evaluating the staffing and technological resources available to service the investments, as well as the financial well-being of the company. Outside consultants, legal advisors, accountants, investment banks and other third parties may be involved in the due diligence process to varying degrees depending on the type of investment. If the Adviser is unable to timely engage third-party providers, its ability to evaluate and acquire more complex targets could be adversely affected.

When conducting due diligence and making an assessment regarding an investment, the Adviser will rely on the resources available to it, including information provided by the target of the investment and, in some circumstances, third-party investigations. The due diligence investigation that the Adviser carries out with respect to any investment opportunity may not reveal or highlight all relevant facts that are necessary or helpful in evaluating such investment opportunity. There can be no assurance that the Client will be able to detect or prevent irregular accounting, employee misconduct or other fraudulent practices (including, without limitation, violations of applicable anti-bribery laws, including the U.S. Foreign Corrupt Practices Act (the “FCPA”) and the U.K. Bribery Act (the “Bribery Act”)) during the due diligence phase or during its efforts to monitor the company on an ongoing basis. In the event of fraud by any company or any of its affiliates, the Client may suffer a partial or total loss of capital invested in that company. An additional concern, particularly in the case of investments in loans, is the possibility of material misrepresentation or omission on the part of the company or the seller. Such inaccuracy or incompleteness may adversely affect the value of the Client’s securities and/or instruments in such company and/or the valuation of the collateral underlying the loans or adversely affect the ability of the Client to perfect or effectuate a lien on the collateral securing the loan. The Client will rely upon the accuracy and completeness of representations made by companies and/or their former owners in the due diligence process to the extent reasonable when it makes investments, but cannot guarantee such accuracy or completeness.

*BROKER SELECTION.* The Adviser may engage the services of brokers and dealers for creating investment transactions, both, for the purchase and the sale of assets. Portfolio transactions for each Client will be allocated to brokers and dealers on the basis of best execution and in consideration of such broker’s or dealer’s ability to effect such transactions, its facilities, its reliability and financial responsibility. Accordingly, the commissions and other transaction costs (which may include dealer markups or markdowns) charged to the Client by brokers or dealers in the foregoing circumstances may be higher than those charged by other brokers or dealers that may not offer such products or services.

*PORTFOLIO TURNOVER.* The Client may sell securities without regard to the length of time they have been held to take advantage of new investment opportunities, when the Adviser feels either the securities no longer meet its investment criteria or the potential for capital appreciation has lessened, or for other reasons. The Client’s portfolio turnover rate may vary from year to year. A high portfolio turnover rate (100% or more) increases the Client’s transaction costs (including brokerage commissions and dealer costs), which would adversely impact the Client’s performance. Higher portfolio turnover may result in the realization of more

short-term capital gains than if the Client had lower portfolio turnover. The turnover rate will not be a limiting factor, however, if the Adviser considers portfolio changes appropriate.

*NON-QUALIFICATION AS A REGULATED INVESTMENT COMPANY.* If for any taxable year the Interval Fund were to fail to qualify as a regulated investment company under Subchapter M of Subtitle A, Chapter 1, of the Internal Revenue Code of 1986, as amended (the “Code”), all of its taxable income would be subject to tax at regular corporate rates without any deduction for distributions. To qualify as a regulated investment company, the Interval Fund must meet three numerical requirements each year regarding (i) the diversification of the assets it holds, (ii) the income it earns, and (iii) the amount of taxable income that it distributes to Shareholders. Until the Interval Fund reaches \$60 million in assets, it is likely the Interval Fund will not be able to satisfy the diversification requirements necessary to qualify as a RIC under the Code.

*CYBERSECURITY RISK.* Cybersecurity refers to the combination of technologies, processes and procedures established to protect information technology systems and data from unauthorized access, attack or damage. The Client and its affiliates and third-party service providers are subject to cybersecurity risks. Cybersecurity risks have significantly increased in recent years and the Client could suffer such losses in the future. The Client’s and its affiliates’ and third-party service providers’ computer systems, software and networks may be vulnerable to unauthorized access, computer viruses or other malicious code and other events that could have a security impact. If one or more of such events occur, this potentially could jeopardize confidential and other information, including nonpublic personal information and sensitive business data, processed and stored in, and transmitted through, computer systems and networks, or otherwise cause interruptions or malfunctions in the Client’s operations or the operations of its respective affiliates and third-party service providers. This could result in significant losses, reputational damage, litigation, regulatory fines or penalties, or otherwise adversely affect the Client’s business, financial condition or results of operations. Privacy and information security laws and regulation changes, and compliance with those changes, may result in cost increases due to system changes and the development of new administrative processes. In addition, the Client may be required to expend significant additional resources to modify the Client’s protective measures and to investigate and remediate vulnerabilities or other exposures arising from operational and security risks.

*OPERATIONAL RISK.* An investment in the any Client, can involve operational risks arising from factors such as processing errors, human errors, inadequate or failed internal or external processes, failures in systems and technology, changes in personnel and errors caused by third-party service providers. The occurrence of any of these failures, errors or breaches could result in a loss of information, regulatory scrutiny, reputational damage or other events, any of which could have a material adverse effect on the Client. While the Client seeks to minimize such events through controls and oversight, there may still be failures that could cause losses to the Client.

*RELIANCE ON TECHNOLOGY.* Each Client's business is highly dependent on the communications and information systems of the Adviser and its third-party service providers. In addition, certain of these systems are provided to the Adviser by third-party service providers. Any failure or interruption of such systems, including as a result of the termination of an agreement with any such third-party service provider, could cause delays or other problems in the Client's activities. This, in turn, could have a material adverse effect on the Client's operating results.

*BUSINESS CONTINUITY.* Various force majeure events, including acts of God, natural disasters like fire, flood or earthquakes, wars, terrorist acts, outbreaks of infectious disease, epidemics, pandemics or other serious public health concerns, cyber-attacks, technology and/or power failures, labor strikes, or geopolitical or other extraordinary, or other unforeseen circumstances or events, may materially disrupt the Adviser's business and operations, or the business and operations of any counterparty or service provider to the Adviser or the Client, and the Client may be adversely affected thereby. For example, if a significant number of the Adviser's personnel were to be unavailable in a force majeure event (such as war, terror attack or an outbreak of infectious disease), the Adviser's ability to effectively conduct the Client's business could be severely compromised. In addition, the cost to the Client, the Adviser or its affiliates of repairing or replacing damaged assets or systems resulting from such force majeure event could be considerable. While the Adviser has adopted certain policies and procedures designed to restore and/or continue the Adviser's business and operations in such situations, there is no guarantee that such policies and procedures will be effective in any of such situations or will be implemented in time, and the Client may be adversely affected thereby.

## **INVESTMENT-RELATED RISKS**

### **GENERAL RISKS**

*MARKET RISK.* An investment in a Client is subject to investment risk, including the possible loss of the entire principal amount invested. An investment in a Client represents an indirect investment in the securities owned by the Client. The value of these securities, like other market investments, may move up or down, sometimes rapidly and unpredictably. The value of an investor's ownership interest in a Client at any point in time may be worth less than the value of the investor's original investment, even after taking into account any reinvestment of dividends and distributions. U.S. and foreign securities markets may additionally be impacted by negative external and or direct and indirect economic factors such as global trade policies, economic growth and market conditions, interest rates, war, terrorism, natural and environmental disasters, public health emergencies and political events. The adverse impact of any one or more of these events on the market value of fund investments could be significant and cause losses.

*CREDIT RISK.* One of the fundamental risks associated with each Client's investments is credit risk, which is the risk that an issuer or borrower will be unable to make principal and interest payments on its outstanding debt obligations when due or otherwise defaults on its



obligations to the Client and/or that the guarantors or other sources of credit support for such persons do not satisfy their obligations. The Client's return would be adversely impacted if an issuer of debt securities or a borrower under a loan in which the Client's invests becomes unable to make such payments when due. Although the Client may make investments that the Adviser believes are secured by specific collateral the value of which may initially exceed the principal amount of such investments or the Client's fair value of such investments, there can be no assurance that the liquidation of any such collateral would satisfy the borrower's obligation in the event of non-payment of scheduled interest or principal payments with respect to such investment, or that such collateral could be readily liquidated. In addition, in the event of bankruptcy of a borrower, the Client could experience delays or limitations with respect to its ability to enforce rights against and realize the benefits of the collateral securing an investment.

*COUNTERPARTY RISK.* Many of the markets in which the Client effects its transactions are "over the counter" or "inter-dealer" markets. The participants in these markets are typically not subject to credit evaluation and regulatory oversight as are members of "exchange based" markets. These risks may differ materially from those associated with transactions effected on an exchange, which generally are backed by clearing organization guarantees, daily marking to market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered into directly between two counterparties generally do not benefit from such protections. This exposes the Client to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not *bona fide*) or because of a credit or liquidity problem, thus causing the Client to suffer a loss. Such counterparty risk is accentuated in the case of contracts with longer maturities where events may intervene to prevent settlement, or where the Client has concentrated its transactions with a single or small group of counterparties. The Client is not restricted from dealing with any particular counterparty or from concentrating its investments with one counterparty. The ability of the Client to transact business with any one or number of counterparties, the lack of any independent evaluation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Client.

*FRAUD RISK.* A major concern when investing in loans and other debt securities is the possibility of a material misrepresentation or omission on the part of the borrower. Such inaccuracy or incompleteness may adversely affect the valuation of the collateral underlying the loans or may adversely affect the ability of the Client to perfect or effectuate a lien on the collateral securing the loan. The Client relies upon the accuracy and completeness of representations made by borrowers to the extent reasonable when it makes its investments, but cannot guarantee such accuracy or completeness. Under certain circumstances, payments to the Client may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

*GENERAL ECONOMIC AND MARKET CONDITIONS.* The success of the Client's investment program may 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. These factors may affect the level and volatility of securities prices and the liquidity of investments held by the Client. Unexpected volatility or illiquidity could impair the Client's profitability or result in losses.

*MARKET DISRUPTION RISK:* Recently, the onset of an infectious respiratory disease called COVID-19, caused by a novel coronavirus known as SARS-CoV-2 has had, and is expected to continue to have, a severely adverse impact on the economies of many nations, individual companies and the market in general. The Adviser cannot predict the likelihood of occurrence or the effects of similar pandemics and epidemics in the future on the U.S. and other economies, or the investments in the Client's portfolio or the potential for success of the Client. Certain markets have experienced temporary closures, extreme volatility, severe losses, reduced liquidity and increased trading costs. These events will have an impact on the Client and its investments and could impact the Client's ability to purchase or sell securities. Other infectious illness outbreaks in the future may result in similar impacts.

*EUROZONE RISK.* The Client may invest from time to time in European companies and companies that may be affected by the Eurozone economy. Ongoing concerns regarding the sovereign debt of various Eurozone countries, including the potential for investors to incur substantial write-downs, reductions in the face value of sovereign debt and/or sovereign defaults, as well as the possibility that one or more countries might leave the EU or the Eurozone create risks that could materially and adversely affect the Client's investments. Sovereign debt defaults and EU and/or Eurozone exits could have material adverse effects on the Client's investments in European companies, including, but not limited to, the availability of credit to support such companies' financing needs, uncertainty and disruption in relation to financing, increased currency risk in relation to contracts denominated in Euros and wider economic disruption in markets served by those companies, while austerity and/or other measures introduced to limit or contain these issues may themselves lead to economic contraction and resulting adverse effects for the Client. Legal uncertainty about the fund of Euro denominated obligations following any breakup or exits from the Eurozone, particularly in the case of investments in companies in affected countries, could also have material adverse effects on the Client.

*BREXIT AND CONSEQUENCES.* The Client may invest a portion of its capital in debt securities issued by issuers domiciled in Europe, including issuers domiciled in the United Kingdom ("U.K."). The government of the U.K. held an in-or-out referendum on the U.K.'s membership in the EU on June 23, 2016. The referendum resulted in a vote in favor of the exit of the U.K. from the EU ("Brexit"). On January 31, 2020, the UK officially withdrew from the EU and entered an 11-month transition period during which the United Kingdom remained part of the European Union single market and customs union, the laws of which governed the economic, trade, and security relations between the United Kingdom and European Union. The transition period concluded on December 31, 2020, and the United Kingdom left the European Union single market and customs union under the terms of a new trade agreement. The agreement governs the new relationship between the United Kingdom and European Union with respect to

trading goods and services, but critical aspects of the relationship remain unresolved and subject to further negotiation and agreement. It is not currently possible to determine the full extent to which Brexit will impact financial markets and potentially, Client investments. The longer term economic, legal, political and social framework to be put in place between the United Kingdom and the European Union remain unclear at this stage and are likely to lead to ongoing political and economic uncertainty and periods of exacerbated volatility in both the United Kingdom and in wider European markets for some time. In particular, the decision made in the United Kingdom referendum may lead to a call for similar referenda in other European jurisdictions which may cause increased economic volatility and uncertainty in the European and global markets. This volatility and uncertainty may have an adverse effect on the economy generally and the Client's ability, and the ability of its investments, to execute respective strategies and to receive attractive returns.

*RISKS OF SECURITIES ACTIVITIES.* The Client will invest and trade in a variety of different securities, and utilize a variety of investment instruments and techniques. Each security and each instrument and technique involves the risk of loss of capital. While the Adviser will attempt to moderate these risks, there can be no assurance that the Client's investment activities will be successful or that the investors in the Client will not suffer losses.

*HEDGING TRANSACTIONS.* The Client may utilize financial instruments, both for investment purposes and for risk management purposes: (i) to protect against possible changes in the market value of the Client's investment portfolio resulting from fluctuations in the securities markets and changes in interest rates, foreign currency and prices of reference investments; (ii) to limit losses; (iii) to enhance or preserve future returns, spreads or gains on any investment in the Client's portfolio; or (iv) to hedge the interest rate or currency exchange rate on any of the Client's liabilities or assets. The success of the Client's hedging strategy will depend, in part, upon the Adviser'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 portfolio investments being hedged. Since the characteristics of many securities change as markets change or time passes, the success of the Client's hedging strategy will also be subject to the Adviser's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. While the Client may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Client than if it had not engaged in such hedging transactions. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of the Client's portfolio holdings.

*INVESTMENT OPPORTUNITIES.* If it is determined by the Adviser that it would be appropriate for the Client and one or more other accounts managed by the Adviser to participate in an investment opportunity, the Adviser will seek to execute orders for the Client and all of the participating other accounts on an equitable basis, taking into account such factors as the relative amounts of capital available for new investments or net asset value, as applicable, and the investment programs and portfolio positions of the Client and the other accounts for which participation is appropriate. Orders may be combined for all such accounts, and if any order is

not filled at the same price, they may be allocated on an average price basis. Similarly, if an order on behalf of more than one account cannot be fully executed under prevailing market conditions, securities may be allocated among the different accounts on a basis which the Adviser or its affiliates consider equitable .

*CO-INVESTMENT OPPORTUNITIES.* To the extent permitted, the Adviser may, from time to time, have a Client co-invest with other investors in particular investments. The Adviser is not obligated to arrange co-investment opportunities, and no other investor will be obligated to participate in such an opportunity. Co-Investments involve the Client directly acquiring an interest in an operating company, project or property generally alongside an investment by an Adviser that leads the transaction. Co-Investments are generally structured such that the lead and co-investors collectively hold a controlling interest of the operating company, project or property. Co-Investments can include investments in a stream of cash flows such as tax receivables. The Adviser has sole discretion as to the amount (if any) of a co-investment opportunity that will be allocated to a particular investor and may allocate co-investment opportunities instead to third parties taking into account such factors as the Adviser determines appropriate based on the relevant facts and circumstances, which may include one or more of the following: (i) the potential co-investor's interest in making co-investments; (ii) the potential co-investor's willingness to pay fees and expenses associated with the co-investment opportunity; (iii) the potential co-investor's capacity to evaluate, commit to and fund the co-investment opportunity (and any follow-on investments) in the time period required; (iv) the potential co-investor's reliability and history of making similar co-investments; (v) the character or nature of the co-investment opportunity, including its size, structure, geographic location, relevant industry, and tax characteristics; (vi) any specialized knowledge, skills or access that the Adviser believes the potential co-investor may possess that may enhance the value of a proposed investment and/or the ability of the vehicle to consummate that investment; (vii) the level of demand for participation in the co-investment opportunity; (viii) the potential co-investor's interest in investing in the Client or other vehicles or accounts managed by the Adviser or its affiliates; and (ix) any other matter that causes the Adviser to believe that an investment by a particular co-investor would be in the best interests of the vehicle. Capital committed to a Co-Investment is typically invested immediately, mitigating J-Curve and creating a more predictable cash flow dynamic, but may also involve a commitment to fund additional capital under certain circumstances.]

*DEPENDENCE ON KEY PERSONNEL.* The Adviser is dependent upon the experience and expertise of certain key personnel in providing services with respect to the Client's investments. If the Adviser were to lose the services of these individuals, its ability to service the Client would be adversely affected. As with any managed fund, the Adviser may not be successful in selecting the best-performing securities or investment techniques for the Client's portfolio and the Client's performance may lag behind that of similar funds. The Adviser has informed its Clients that the Adviser's investment professionals are actively involved in providing advisory and portfolio management services to multiple Clients and will not be able to devote all of their time to any one Client's business and affairs.

*LACK OF EXCLUSIVITY.* The Adviser's investment management agreements do not require the Adviser to devote all or any specified portion of its time to managing any particular Client's affairs, but only to devote so much time to such affairs as it believes is necessary in good faith. The Adviser and its personnel will not be restricted from forming other accounts, from entering into other investment advisory relationships or from engaging in other business activities, even if such activities may be in competition with existing Clients and/or may involve substantial time and resources of the Adviser. These activities could be viewed as creating a conflict of interest in that the time and effort of the Adviser and its personnel will not be devoted exclusively to the business of any particular Client but will be allocated among the business of managing the investment portfolios of multiple Clients.

*DIFFERING COMPENSATION ARRANGEMENTS WITH OTHER ACCOUNTS.* The Adviser could be subject to a conflict of interest because varying compensation arrangements among its various Clients could incentivize the Adviser to manage such Clients differently. These and other differences could make the investments made on behalf of one Client less profitable to the Adviser than certain other Clients. In addition, the Adviser faces a conflict of interest to the extent that employees of the Adviser have a greater financial interest in one Client over another Client (or another account with overlapping trading strategies). To mitigate such conflicts of interest, the Adviser generally follows documented policies and procedures in allocating trading opportunities among its client accounts, which do not take into account the fees and/or allocations to which such accounts are subject or the financial interest that employees of the Adviser may have in any particular Client or account.

## **STRATEGY-SPECIFIC RISKS**

The following are some of the specific risks of the Adviser's investment strategy:

*DEBT SECURITIES.* Under normal market conditions, and unless otherwise specified in a particular Client's Governing Documents, the Adviser anticipates that each Client will primarily invest in debt and debt-related securities. One of the fundamental risks associated with such investments is credit risk, which is the risk that a borrower will be unable to make principal and interest payments on its outstanding debt obligations when due. Adverse changes in the financial condition of a borrower or in general economic conditions (or both) may impair the ability of such person or entity to make such payments and result in defaults on, and declines in, the value of its debt. A Client's return to its investors would be adversely impacted if a borrower and issuer of debt securities in which the Client invests becomes unable to make such payments when due. Other risk factors include interest rate risk (a rise in interest rates causes a decline in the value of debt securities) and prepayment risk (the debtor may pay its obligation early, reducing the amount of interest payments). These risks could affect the value of a particular investment, possibly causing the Client's share price and total return to be reduced and fluctuate more than other types of investments.

*INTEREST RATE RISK.* The Client is subject to the risks of changes in interest rates. While it is expected that the majority of each Client's investments will be in floating rate loans, which typically re-price every 90 days, some of a Client's investments may be in fixed rate loans and similar debt obligations. The value of such fixed rate loans are susceptible to general changes in interest rates. A decline in interest rates could reduce the amount of current income the Client is able to achieve from interest on fixed-income securities and convertible debt. An increase in interest rates could reduce the value of any fixed income securities and convertible securities owned by the Client. To the extent that the cash flow from a fixed income security is known in advance, the present value (*i.e.*, discounted value) of that cash flow decreases as interest rates increase; to the extent that the cash flow is contingent, the dollar value of the payment may be linked to then prevailing interest rates. Moreover, the value of many fixed income securities depends on the shape of the yield curve, not just on a single interest rate. Thus, for example, a callable cash flow, the coupons of which depend on a short rate such as three-month LIBOR, may shorten (*i.e.*, be called away) if the long rate decreases. In this way, such securities are exposed to the difference between long rates and short rates.*LIBOR RISK.* Instruments in which a Client invests may pay interest at floating rates based on LIBOR or may be subject to interest caps or floors based on LIBOR. The Client and issuers of instruments in which the Client invests may also obtain financing at floating rates based on LIBOR. The underlying collateral of CLOs in which a Client invests may pay interest at floating rates based on LIBOR.

Regulators and law-enforcement agencies from a number of governments, including entities in the United States, Japan, Canada and the United Kingdom, conducted civil and criminal investigations into whether the banks that contribute to the British Bankers' Association, or the "BBA," in connection with the calculation of daily LIBOR may have been manipulating or attempting to manipulate LIBOR. Several financial institutions have reached settlements with the Commodity Futures Trading Commission, the U.S. Department of Justice Fraud Section and the United Kingdom Financial Conduct Authority in connection with investigations by such authorities into submissions made by such financial institutions to the bodies that set LIBOR and other interbank offered rates. Additional investigations remain ongoing with respect to other major banks. There can be no assurance that there will not be additional admissions or findings of rate-setting manipulation or that manipulations of LIBOR or other similar interbank offered rates will not be shown to have occurred. Additional findings of manipulation may decrease the confidence of the market in LIBOR and lead market participants to look for alternative, non-LIBOR based types of financing, such as fixed rate loans or bonds or floating rate loans based on non-LIBOR indices.

Recently regulators around the world have determined to phase-out LIBOR by the end of 2021. At that point, all US dollar-denominated loans, derivatives and debt will reference a new rate - the Secured Overnight Funding Rate ("SOFR") - which is a median of rates that market participants pay to borrow cash on an overnight basis, using Treasury securities as collateral. The transition from LIBOR to SOFR has been in the works for years, and recently has started to gather momentum and, not incidentally, generate complications. Both SOFR and LIBOR reflect short-term borrowing costs, but key differences between them make the transition less than straightforward. SOFR relies entirely on transaction data, whereas LIBOR is based partially on "expert judgment." Also, SOFR is purely a daily rate - an overnight rate - as opposed to LIBOR's seven varying rates on terms of one day to one year. Further, LIBOR incorporates a built-in credit-risk component because it represents the average cost of borrowing by a bank; by contrast,

SOFR represents a “risk free” rate because it is based on US Treasury securities. Given these differences, USD LIBOR can’t simply be “swapped out” with SOFR in existing contracts that reference LIBOR—at least not without appropriate adjustments. To account for the differences in SOFR and LIBOR during the transition (and in the event that LIBOR sunsets before 2021), regulators are encouraging institutions to include “fallback” clauses in all new contracts. These clauses outline exactly how differences between SOFR and LIBOR will be calculated.

This transition could have adverse impacts on newly issued financial instruments and existing financial instruments which reference LIBOR. While some instruments may contemplate a scenario where LIBOR is no longer available by providing for an alternative rate setting methodology, not all instruments may have such provisions and there is significant uncertainty regarding the effectiveness of any such alternative methodologies. Abandonment of LIBOR could lead to significant short-term and long-term uncertainty and market instability. It remains uncertain how such changes would be implemented and the effects such changes would have on the Client, issuers of instruments in which the Client invests and financial markets generally.

*VALUATION RISK.* Unlike publicly traded common stock which trades on national exchanges, there is no central place or exchange for most of a Client’s investments to trade. Due to the lack of centralized information and trading, the valuation of loans or fixed-income instruments may carry more risk than that of common stock. Uncertainties in the conditions of the financial market, unreliable reference data, lack of transparency and inconsistency of valuation models and processes may lead to inaccurate asset pricing. In addition, other market participants may value securities differently than the Client. As a result, the Client may be subject to the risk that when an instrument is sold in the market, the amount received by the Client is less than the value of such loans or fixed-income instruments carried on the Client’s books.

Investors in a Client should recognize that valuations of illiquid assets involve various judgments and consideration of factors that may be subjective. As a result, the NAV of the Client, as determined based on the fair value of its investments, may vary from the amount ultimately received by the Client from its investments. This could adversely affect investors whose ownership interests are repurchased as well as new investors and remaining investors.

The Adviser may utilize independent pricing services to value certain portfolio instruments at their market value. If the pricing services are unable to provide a market value or if a significant event occurs such that the valuation(s) provided are deemed unreliable, the Client may value portfolio instrument(s) at their fair value, which is generally the amount an owner might reasonably expect to receive upon a current sale. The fair value of investments that are not publicly traded may not be readily determinable. When an external event such as a purchase transaction, public offering or subsequent sale occurs, the Client considers the pricing indicated by the external event to corroborate the Client’s valuation. Because such valuations, and particularly valuations of private investments, are inherently uncertain, may fluctuate over short periods of time and may be based on estimates, the Client’s determinations of fair value may differ materially from the values that would have been used if a ready market for these investments existed and may differ materially from the values that the Client may ultimately realize.

*REGULATION S SECURITIES RISK.* A Client may seek to provide direct or indirect exposure to Regulation S securities that are not freely tradable in the U.S. The Client may also invest directly in Regulation S securities that are freely tradable in the U.S. Regulation S securities are debt or equity securities of U.S. and foreign issuers offered through private offerings exempt from registration with the SEC pursuant to Regulation S of the 1933 Act. Offerings of Regulation S securities may be conducted outside of the United States, and Regulation S securities may be relatively less liquid as a result of legal or contractual restrictions on resale. Although Regulation S securities may be resold in privately negotiated transactions, the price realized from these sales could be less than the price originally paid by the Client. Further, companies whose securities are not publicly traded may not be subject to the disclosure of other investor protection requirements that would be applicable if their securities were publicly traded. Accordingly, Regulation S securities may involve a high degree of business and financial risk and may result in substantial losses

Regulation S securities may be less liquid than publicly traded securities. Regulation S securities may not be subject to the disclosure and other investor protection requirements that would be applicable to publicly traded securities. As a result, Regulation S securities may involve a high degree of business and financial risk and may result in losses.

*EXTENSION RISK.* Rising interest rates tend to extend the duration of long-term, fixed rate securities, making them more sensitive to changes in interest rates. The value of longer-term securities generally changes more in response to changes in interest rates than shorter-term securities. As a result, in a period of rising interest rates, securities may exhibit additional volatility and may lose value.

*PREPAYMENT RISK.* When interest rates decline, fixed income securities with stated interest rates may have their principal paid earlier than expected. This may result in the Client having to reinvest that money at lower prevailing interest rates, which can reduce the returns of the Client.

*REINVESTMENT RISK.* Income from the Client's portfolio will decline if and when the Client invests the proceeds from matured, traded or called debt obligations at market interest rates that are below the portfolio's current earnings rate. For instance, during periods of declining interest rates, an issuer of debt obligations may exercise an option to redeem securities prior to maturity, forcing the Client to invest in lower-yielding securities. The Client also may choose to sell higher yielding portfolio securities and to purchase lower yielding securities to achieve greater portfolio diversification, because the portfolio managers believe the current holdings are overvalued or for other investment-related reasons. A decline in income received by the Client from its investments is likely to have a negative effect on dividend levels, NAV and/or overall return of the Client's shares.

*INFLATION/DEFLATION RISK.* Inflation risk is the risk that the value of assets or income from the Client's investments will be worth less in the future as inflation decreases the value of payments at future dates. As inflation increases, the real value of the Client's portfolio could decline. Deflation risk is the risk that prices throughout the economy decline over time. Deflation may have an adverse effect on the creditworthiness of issuers and may make issuer default more likely, which may result in a decline in the value of the Client's portfolio.



*ILLIQUID PORTFOLIO INVESTMENTS.* Each Client is expected to invest in securities that are subject to legal or other restrictions on transfer or for which no liquid market exists. The market prices, if any, for such securities may be volatile and the Client may not be able to sell them when the Adviser to do so or to realize what the Adviser perceives to be their fair value in the event of a sale. 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. Restricted securities may sell at prices that are lower than similar securities that are not subject to restrictions on resale.

Investors acquiring direct loans hoping to recoup their entire principal must generally hold their loans through maturity. Direct loans may not be registered under the Securities Act, and are not listed on any securities exchange. Accordingly, those loan investments may not be transferred unless they are first registered under the Securities Act and all applicable state or foreign securities laws or the transfer qualifies for exemption from such registration. A reliable secondary market has yet to develop, nor may one ever develop for direct loans and, as such, these investments should be considered illiquid. Until an active secondary market develops, the Client intends to primarily hold its direct loans until maturity. The Client may not be able to sell any of its direct loans even under circumstances when the Adviser believes it would be in the best interests of the Client to sell such investments. In such circumstances, the overall returns to the Client from its direct loans may be adversely affected. Moreover, certain direct loans may be subject to certain additional significant restrictions on transferability. Although the Client may attempt to increase its liquidity by borrowing from a bank or other institution, its assets may not readily be accepted as collateral for such borrowing.

*FOCUSED INVESTMENT RISK.* To the extent that a Client focuses its investments in a particular industry, the Client's NAV will be more susceptible to events or factors affecting companies in that industry. These may include, but are not limited to, governmental regulation, inflation, rising interest rates, cost increases in raw materials, fuel and other operating expenses, technological innovations that may render existing products and equipment obsolete, competition from new entrants, high research and development costs, increased costs associated with compliance with environmental or other regulation and other economic, market, political or other developments specific to that industry. Also, a Client may invest a substantial portion of its assets in companies in related sectors that may share common characteristics, are often subject to similar business risks and regulatory burdens and whose securities may react similarly to the types of events and factors described above, which will subject the Client to greater risk. The Client also will be subject to focused investment risk to the extent that it invests a substantial portion of its assets in a particular country or geographic region.

*HIGH YIELD DEBT.* A Client may invest in high yield debt (or "junk bonds"). A substantial portion of the high yield debt in which a Client invests are likely to be rated below investment-grade by one or more nationally recognized statistical rating organizations or are unrated but of comparable credit quality to obligations rated below investment-grade, and have

greater credit and liquidity risk than more highly rated debt obligations. Lower-rated securities may include securities that have the lowest rating or are in default. High yield debt is generally unsecured and may be subordinate to other obligations of the obligor. The lower rating of high yield debt reflects a greater possibility that adverse changes in the financial condition of the borrower or in general economic conditions (including, for example, a substantial period of rising interest rates or declining earnings) or both may impair the ability of the borrower to make payment of principal and interest. High yield debt has historically experienced greater default rates than has been the case for investment-grade securities. The Client may also invest in equity securities issued by entities with unrated or below investment-grade debt.

Many issuers of high yield debt are highly leveraged, and their relatively high debt-to-equity ratios create increased risks that their operations might not generate sufficient cash flow to service their debt obligations. In addition, many issuers of high yield debt may be in poor financial condition, experiencing poor operating results, having substantial capital needs or negative net worth or be facing special competitive or product obsolescence problems, and may include companies involved in bankruptcy or other reorganizations or liquidation proceedings. High yield debt may be more susceptible to real or perceived adverse economic and individual corporate developments than would investment grade debt securities. Many of these securities are not publicly traded, and therefore it may be difficult to accurately value certain portfolio securities and to obtain information as to the true condition of the issuers. Overall declines in the below investment-grade bond and other markets may adversely affect such issuers by inhibiting their ability to refinance their debt at maturity. Because investment in high yield debt involves greater investment risk, achievement of the Client's investment objectives will be more dependent on the Adviser's analysis than would be the case if the Client were investing in higher quality debt securities.

High yield debt may also be in the form of zero-coupon or deferred interest bonds, which are bonds which are issued at a significant discount from face value. The original discount approximates the total amount of interest the bonds will accrue and compound over the period until maturity or the first interest accrual date at a rate of interest reflecting the market rate of the security at the time of issuance. While zero-coupon bonds do not require the periodic payment of interest, deferred interest bonds generally provide for a period of delay before the regular payment of interest begins. Such investments experience greater volatility in market value due to changes in the interest rates than bonds that provide for regular payments of interest.

Investing in lower-rated securities involves special risks in addition to the risks associated with investments in higher-rated fixed income securities, including a high degree of credit risk. Lower-rated securities may be regarded as predominately speculative with respect to the issuer's continuing ability to meet principal and interest payments. Analysis of the creditworthiness of issuers/issues of lower-rated securities may be more complex than for issuers/issues of higher quality debt securities. Securities that are in the lowest rating category are considered to have extremely poor prospects of ever attaining any real investment standing, to have a current identifiable vulnerability to default and/or to be unlikely to have the capacity to pay interest and

repay principal. The secondary markets on which lower-rated securities are traded may be less liquid than the market for higher grade securities. Less liquidity in the secondary trading markets could adversely affect and cause large fluctuations in the value of the Client's portfolio. Adverse publicity and investor perceptions, whether or not based on Client mental analysis, may decrease the values and liquidity of lower-rated securities, especially in a thinly traded market.

The use of credit ratings as the sole method of evaluating lower-rated securities can involve certain risks. For example, credit ratings evaluate the safety of principal and interest payments, not the market value risk of lower-rated securities. Also, credit rating agencies may fail to change credit ratings in a timely fashion to reflect events since the security was rated.

*ASSET-BACKED SECURITIES.* Clients will likely invest in Asset-backed securities which often involve risks that are different from or more acute than risks associated with other types of debt instruments. For instance, asset-backed securities may be particularly sensitive to changes in prevailing interest rates. In addition, the underlying assets are subject to prepayments that shorten the securities' weighted average maturity and may lower their return. Asset-backed securities are also subject to risks associated with their structure and the nature of the assets underlying the security and the servicing of those assets. Payment of interest and repayment of principal on asset-backed securities is largely dependent upon the cash flows generated by the assets backing the securities and, in certain cases, supported by letters of credit, surety bonds or other credit enhancements. The values of asset-backed securities may be substantially dependent on the servicing of the underlying asset pools, and are therefore subject to risks associated with the negligence by, or defalcation of, their servicers. Furthermore, debtors may be entitled to the protection of a number of state and federal consumer credit laws with respect to the assets underlying these securities, which may give the debtor the right to avoid or reduce payment. In addition, due to their often complicated structures, various asset-backed securities may be difficult to value and may constitute illiquid investments. If many borrowers on the underlying loans default, losses could exceed the credit enhancement level and result in losses to investors in asset-backed securities.

An investment in subordinated (residual) classes of asset-backed securities is typically considered to be an illiquid and highly speculative investment, as losses on the underlying assets are first absorbed by the subordinated classes. The risks associated with an investment in such subordinated classes of asset-backed securities include credit risk, regulatory risk pertaining to the Client's ability to collect on such securities and liquidity risk.

*COLLATERALIZED LOAN OBLIGATIONS ("CLOs") AND COLLATERALIZED DEBT OBLIGATIONS ("CDOs").* A Client is likely to invest in CLOs and CDOs. CLOs and CDOs are created by the grouping of certain private loans and other lender assets/collateral into pools. A sponsoring organization establishes a special purpose vehicle to hold the assets/collateral and issue securities. Interests in these pools are sold as individual securities. Payments of principal and interest are passed through to investors and are typically supported by some form of credit enhancement, such as a letter of credit, surety bond, limited guaranty or senior/subordination. Payments from the asset pools may be divided into several different tranches of debt securities,

offering investors various maturity and credit risk characteristics. Some tranches entitled to receive regular installments of principal and interest, other tranches entitled to receive regular installments of interest, with principal payable at maturity or upon specified call dates, and other tranches only entitled to receive payments of principal and accrued interest at maturity or upon specified call dates. Different tranches of securities will bear different interest rates, which may be fixed or floating.

Investors in CLOs and CDOs bear the credit risk of the assets/collateral. Tranches are categorized as senior, mezzanine, and subordinated/equity, according to their degree of credit risk. If there are defaults or the CDO's collateral otherwise underperforms, scheduled payments to senior tranches take precedence over those of mezzanine tranches, and scheduled payments to mezzanine tranches take precedence over those to subordinated/equity tranches. Senior and mezzanine tranches are typically rated, with the former receiving S&P Global Ratings ("S&P") ratings of A to AAA and the latter receiving ratings of B to BBB. The ratings reflect both the credit quality of underlying collateral as well as how much protection a given tranche is afforded by tranches that are subordinate to it.

Because the loans held in the pool often may be prepaid without penalty or premium, CLOs and CDOs can be subject to higher prepayment risks than most other types of debt instruments. Prepayments may result in a capital loss to the Client to the extent that the prepaid securities purchased at a market discount from their stated principal amount will accelerate the recognition of interest income by the Client, which would be taxed as ordinary income when distributed to the Shareholders. The credit characteristics of CLOs and CDOs also differ in a number of respects from those of traditional debt securities. The credit quality of most CLOs and CDOs depends primarily upon the credit quality of the assets/collateral underlying such securities, how well the entity issuing the securities is insulated from the credit risk of the originator or any other affiliated entities, and the amount and quality of any credit enhancement to such securities.

CLOs and CDOs are typically privately offered and sold, and thus, are not registered under the securities laws, which means less information about the security may be available as compared to publicly offered securities and only certain institutions may buy and sell them. As a result, investments in CLOs and CDOs may be characterized by the Client as illiquid securities. An active dealer market may exist for CLOs and CDOs that can be resold in Rule 144A transactions, but there can be no assurance that such a market will exist or will be active enough for the Client to sell such securities.

In addition to the typical risks associated with fixed-income securities and asset-backed securities, CLOs and CDOs carry other risks including, but not limited to: (i) the possibility that distributions from collateral securities will not be adequate to make interest or other payments; (ii) the risk that the collateral may default, decline in value or quality, or be downgraded by a rating agency; (iii) the Client may invest in tranches of CLOs and CDOs that are subordinate to other tranches, diminishing the likelihood of payment; (iv) the structure and complexity of the transaction and the legal documents could lead to disputes with the issuer or unexpected investment results; (v) risk of forced "fire sale" liquidation due to technical defaults such as coverage test failures; and (vi) the manager of the CLO or CDO may perform poorly.

*STRUCTURED PRODUCTS.* The CLOs and other CDOs in which the Clients will likely invest are structured products. Holders of structured products bear risks of the underlying assets and are subject to counterparty risk.

The Client may have the right to receive payments only from the structured product, and generally does not have direct rights against the issuer or the entity that sold the assets to be securitized. While certain structured products enable the investor to acquire interests in a pool of securities without the brokerage and other expenses associated with directly holding the same securities, investors in structured products generally pay their share of the structured product's administrative and other expenses. Although it is difficult to predict whether the prices of assets underlying structured products will rise or fall, these prices (and, therefore, the prices of structured products) will be influenced by the same types of political and economic events that affect issuers of securities and capital markets generally. If the issuer of a structured product uses shorter-term financing to purchase longer-term securities, the issuer may be forced to sell its securities at below-market prices if it experiences difficulty in obtaining short-term financing, which may adversely affect the value of the structured products owned by the Client.

Certain structured products may be thinly traded or have a limited trading market. CLOs and credit-linked notes are typically privately offered and sold.

*REPURCHASE AGREEMENTS AND REVERSE REPURCHASE AGREEMENTS.* Repurchase agreements carry certain risks not associated with direct investments in securities, including a possible decline in the market value of the underlying obligations. If their value becomes less than the repurchase price, plus any agreed-upon additional amount, the counterparty must provide additional collateral so that at all times the collateral is at least equal to the repurchase price plus any agreed-upon additional amount. The difference between the total amount to be received upon repurchase of the obligations and the price that was paid by the Client upon acquisition is accrued as interest and included in its net investment income.

Repurchase agreements involving obligations other than U.S. Government securities (such as commercial paper and Corporate Bonds) may be subject to special risks and may not have the benefit of certain protections in the event of the counterparty's insolvency. In the event of the bankruptcy or other default of a seller of a repurchase agreement, the Client could experience both delays in liquidating the underlying securities and losses, including (i) possible decline in the value of the underlying security during the period in which the Client seeks to enforce its rights thereto; (ii) possible lack of access to income on the underlying security during this period; and (iii) expenses of enforcing its rights.

Reverse repurchase agreements involve the risk that the buyer of the securities sold by the Client might be unable to deliver them when the Client seeks to repurchase. In the event that the buyer of securities under a reverse repurchase agreement files for bankruptcy or becomes insolvent, the buyer, trustee or receiver may receive an extension of time to determine whether to enforce the Client's obligation to repurchase the securities, and the Client's use of the proceeds of the reverse repurchase agreement may effectively be restricted pending such decision.

*MEZZANINE DEBT.* A portion of the Client's debt investments may be made in certain high yield securities known as mezzanine investments, which are subordinated debt securities that may be issued together with an equity security (e.g., with attached warrants). Those mezzanine investments may be issued with or without registration rights. Mezzanine investments can be unsecured and generally subordinate to other obligations of the issuer. The expected average life of the Client's mezzanine investments may be significantly shorter than the maturity of these investments due to prepayment rights. Mezzanine investments share all of the risks of other high yield securities and are subject to greater risk of loss of principal and interest than higher-rated securities. 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. Because investors generally perceive that there are greater risks associated with the lower-rated securities, the yields and prices of those securities may tend to fluctuate more than those for higher-rated securities. The Client does not anticipate a market for its mezzanine investments, which can adversely affect the prices at which these securities can be sold. In addition, 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 those lower-rated securities. Mezzanine securities are often even more subordinated than other high yield debt, as they often represent the most junior debt security in an issuer's capital structure.

*DISTRESSED SECURITIES.* Certain of the companies in whose securities the Client may invest may be in transition, out of favor, financially leveraged or troubled, or potentially troubled, and may be or have recently been involved in major strategic actions, restructurings, bankruptcy, reorganization or liquidation. These characteristics of these companies can cause their securities to be particularly risky, although they also may offer the potential for high returns. These companies' securities may be considered speculative, and the ability of the companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic factors affecting a particular industry or specific developments within the companies. Such investments can result in significant or even total losses. In addition, the markets for distressed investment assets are frequently illiquid. Also, among the risks inherent in investments in a troubled issuer is that it frequently may be difficult to obtain information as to the true financial condition of such issuer. The Adviser's judgments about the credit quality of a financially distressed issuer and the relative value of its securities may prove to be wrong.

In liquidation (both in and out of bankruptcy) and other forms of corporate reorganization, there exists the risk that the reorganization either will be unsuccessful (due to, for example, failure to obtain requisite approvals), will be delayed (for example, until various liabilities, actual or contingent, have been satisfied) 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 Client of the security in respect to which such distribution was made. Consequently, the Client will be subject to significant uncertainty as to when, and in what manner, and for what value obligations evidenced by securities of financially distressed issuers will eventually be satisfied (e.g., through a liquidation of the issuer's assets, an exchange offer or plan of reorganization, or a payment of some amount in satisfaction of the obligation). In certain transactions, the Client may not be "hedged" against market fluctuations, or, in liquidation situations, may not accurately value the assets of the company being liquidated. This can result in losses, even if the proposed transaction is consummated.

*EQUITY INVESTMENTS.* When a Client invests in loans and debt securities, the Client may acquire warrants or other equity securities of borrowers as well. The Client may also invest in warrants and equity securities directly. To the extent the Client holds equity investments, the Client will attempt to dispose of them and realize gains upon the disposition of such equity investments. However, the equity interests the Client receives may not appreciate in value and, may decline in value. As a result, the Client may not be able to realize gains from its equity interests, and any gains that the Client does realize on the disposition of any equity interests may not be sufficient to offset any other losses the Client experiences.

Warrants are securities that give the holder the right, but not the obligation, to purchase equity securities of the company issuing the warrants, or a related company, at a fixed price either on a date certain or during a set period. The price of a warrant tends to be more volatile than, and may not correlate exactly to, the price of the underlying security. If the market price of the underlying security is below the exercise price of the warrant on its expiration date, the warrant will generally expire without value. Investing in warrants can provide a greater potential for profit or loss than an equivalent investment in the underlying security, and, thus, can be a speculative investment. The value of a warrant may decline because of a decline in the value of the underlying security, the passage of time, changes in interest rates or in the dividend or other policies of the company whose equity underlies the warrant or a change in the perception as to the future price of the underlying security, or any combination thereof. Warrants do not carry with them the right to dividends or voting rights with respect to the securities that they entitle the holder to purchase, and they do not represent any rights in the assets of the issuer.

*PREFERRED SECURITIES.* A Client may invest in preferred securities. There are various risks associated with investing in preferred securities, including credit risk, interest rate risk, deferral and omission of distributions, subordination to bonds and other debt securities in a company's capital structure, limited liquidity, limited voting rights and special redemption rights. Interest rate risk is, in general, the risk that the price of a debt security falls when interest rates rise. Securities with longer maturities tend to be more sensitive to interest rate changes. Credit risk is the risk that an issuer of a security may not be able to make principal and interest or dividend payments on the security as they become due. Holders of preferred securities may not receive dividends, or the payment can be deferred for some period of time. In bankruptcy, creditors are generally paid before the holders of preferred securities.

*CONVERTIBLE SECURITIES.* A Client may invest in convertible securities. Convertible securities are hybrid securities that have characteristics of both bonds and common stocks and are subject to risks associated with both debt securities and equity securities. Convertible securities are similar to fixed-income securities because they usually pay a fixed interest rate (or dividend) and are obligated to repay principal on a given date in the future. The market value of fixed-income and preferred securities tends to decline as interest rates increase and tends to increase as interest rates decline. If a convertible security held by the Client is called for redemption, the Client will be required to surrender the security for redemption, convert it into the issuing company's common stock or cash or sell it to a third party at a time

that may be unfavorable to the Client. In addition, the Client may invest in fixed-income and preferred securities rated less than investment grade that are sometimes referred to as high yield. These securities are speculative investments that carry greater risks and are more susceptible to real or perceived adverse economic and competitive industry conditions than higher quality securities. Such securities also may be subject to resale restrictions.

*INVESTMENT FUNDS.* A Client may invest in shares of open-end (mutual) funds, exchange-traded funds (“ETFs”), closed-end funds and business development companies (“BDCs”). The Client will incur higher and duplicative expenses, including advisory fees, when it invests in shares of such funds (including money market funds). There is also the risk that the Client may suffer losses due to the investment practices of such funds (such as the use of derivatives). The ETFs in which the Client invests that attempt to track an index may not be able to replicate exactly the performance of the indices they track, due to transactions costs and other expenses of the ETFs. The shares of closed-end funds frequently trade at a discount to their net asset value. There can be no assurance that the market discount on shares of any closed-end fund purchased by the Client will ever decrease, and it is possible that the discount may increase.

*PRIVATE INVESTMENT FUNDS.* A Client may invest in private investment funds that are not registered as investment companies. As a result, the Client as an investor in these funds would not have the benefit of certain protections afforded to investors in registered investment companies. Investments in private investment funds generally will be illiquid and generally may not be transferred without the consent of the Client. The Client may be unable to liquidate its investment in a private investment fund when desired (and may incur losses as a result), or may be required to sell such investment regardless of whether it desires to do so. Upon its withdrawal of all or a portion of its interest in a private investment fund, the Client may receive securities that are illiquid or difficult to value. The Client may not be able to withdraw from a private investment fund except at certain designated times, thereby limiting the ability of the Client to withdraw assets from the private fund due to poor performance or other reasons. The fees paid by private investment funds to their advisers and general partners or managing members often are higher than those paid by registered funds and generally include a percentage of gains. The Client will bear its proportionate share of the management fees and other expenses that are charged by a private investment fund in addition to the Management Fee and other expenses paid by the Client.

*DERIVATIVE INSTRUMENTS.* A Client may use options, swaps, futures contracts, forward agreements and other derivatives contracts. The Client’s derivative investments have risks, including the imperfect correlation between the value of such instruments and the underlying asset, rate or index, which creates the possibility that the loss on such instruments may be greater than the gain in the value of the underlying asset, rate or index; the loss of principal; the possible default of the other party to the transaction; and illiquidity of the derivative investments. If a counterparty becomes bankrupt or otherwise fails to perform its obligations under a derivative contract due to financial difficulties, the Client may experience significant delays in obtaining any recovery under the derivative contract in a bankruptcy or other reorganization proceeding, or may not recover at all. In addition, in the event of the insolvency of a counterparty to a derivative transaction, the derivative contract would typically be terminated at its fair market value. If the Client is owed this fair market value in the



termination of the derivative contract and its claim is unsecured, the Client will be treated as a general creditor of such counterparty, and will not have any claim with respect to the underlying security. Certain of the derivative investments in which the Client may invest may, in certain circumstances, give rise to a form of financial leverage, which may magnify the risk of owning such instruments. The ability to successfully use derivative investments depends on the ability of the Adviser to predict pertinent market movements, which cannot be assured. In addition, amounts paid by the Client as premiums and cash or other assets held in margin accounts with respect to the Client's derivative investments would not be available to the Client for other investment purposes, which may result in lost opportunities for gain.

The derivative instruments and techniques that a Client may principally use include:

- *Futures.* A futures contract is a standardized agreement to buy or sell a specific quantity of an underlying instrument at a specific price at a specific future time. The value of a futures contract tends to increase and decrease in tandem with the value of the underlying instrument. Depending on the terms of the particular contract, futures contracts are settled through either physical delivery of the underlying instrument on the settlement date or by payment of a cash settlement amount on the settlement date. A decision as to whether, when and how to use futures involves the exercise of skill and judgment and even a well-conceived futures transaction may be unsuccessful because of market behavior or unexpected events. In addition to the derivatives risks discussed above, the prices of futures can be highly volatile, using futures can lower total return, and the potential loss from futures can exceed the Client's initial investment in such contracts.
- *Options.* If the Client buys an option, it buys a legal contract giving it the right to buy or sell a specific amount of the underlying instrument or futures contract on the underlying instrument at an agreed-upon price typically in exchange for a premium paid by the Client. If the Client sells an option, it sells to another person the right to buy from or sell to the Client a specific amount of the underlying instrument or futures contract on the underlying instrument at an agreed-upon price typically in exchange for a premium received by the Client. A decision as to whether, when and how to use options involves the exercise of skill and judgment and even a well-conceived option transaction may be unsuccessful because of market behavior or unexpected events. The prices of options can be highly volatile and the use of options can lower total returns.
- *Swaps.* A swap contract is an agreement between two parties pursuant to which the parties exchange payments at specified dates on the basis of a specified notional amount, with the payments calculated by reference to specified securities, indexes, reference rates, currencies or other instruments. Most swap agreements provide that when the period payment dates for both parties are the same, the payments are made on a net basis (*i.e.*, the two payment streams are netted out, with only the net amount paid by one party to the other). The Client's obligations or rights under a swap contract entered into on a net basis will generally be equal only to the net amount to be paid or received under the agreement, based on the relative values of the positions held by each

counterparty. Swap agreements are particularly subject to counterparty credit, liquidity, valuation, correlation and leverage risk. Certain standardized swaps are now subject to mandatory central clearing requirements and others are now required to be exchange-traded. While central clearing and exchange-trading are intended to reduce counterparty and liquidity risk, they do not make swap transactions risk-free. Swaps could result in losses if interest rate or foreign currency exchange rates or credit quality changes are not correctly anticipated by the Client or if the reference index, security or investments do not perform as expected. The Client's use of swaps may include those based on the credit of an underlying security, commonly referred to as "credit default swaps." Where the Client is the buyer of a credit default swap contract, it would be entitled to receive the par (or other agreed-upon) value of a referenced debt obligation from the counterparty to the contract only in the event of a default or similar event by a third party on the debt obligation. If no default occurs, the Client would have paid to the counterparty a periodic stream of payments over the term of the contract and received no benefit from the contract. When the Client is the seller of a credit default swap contract, it receives the stream of payments but is obligated to pay an amount equal to the par (or other agreed-upon) value of a referenced debt obligation upon the default or similar event of that obligation. The use of credit default swaps can result in losses if the Client's assumptions regarding the creditworthiness of the underlying obligation prove to be incorrect. The Client will "cover" its swap positions by segregating an amount of cash and/or liquid securities as required by the Investment Company Act and applicable SEC interpretations and guidance from time to time.

*SEGREGATION AND COVERAGE RISK.* Certain portfolio management techniques, such as, among other things, entering into swap agreements, using reverse repurchase agreements, futures contracts or other derivative transactions, may be considered senior securities under the Investment Company Act unless steps are taken to segregate (or earmark on the Client's books) the Client's assets or otherwise cover its obligations. To avoid having these instruments considered senior securities, in some cases the Client segregates or earmarks liquid assets with a value equal (on a daily mark-to-market basis) to its obligations under these types of transactions, enters into offsetting transactions or otherwise covers such transactions. In cases where the Client does not cover such transactions, such instruments may be considered senior securities and the Client's use of such transactions will be required to comply with the restrictions on senior securities under the Investment Company Act. The Client may be unable to use segregated assets for certain other purposes, which could result in the Client earning a lower return on its portfolio than it might otherwise earn if it did not have to segregate those assets in respect of or otherwise cover such portfolio positions. To the extent the Client's assets are segregated or committed as cover, it could limit the Client's investment flexibility. Segregating assets and covering positions will not limit or offset losses on related positions.

*NON-U.S. INVESTMENTS.* Clients expect to invest a portion of their assets outside of the U.S., including in emerging markets.. Non-U.S. securities or instruments involve certain risk factors not typically associated with investing in U.S. securities or instruments, including risks

relating to the following: (i) currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar and the various foreign currencies in which the Client's foreign investments are denominated, and costs associated with conversion of investment principal and income from one currency into another; (ii) exposure to fluctuations in interest rates payable with respect to the instruments in which the Client invests; (iii) differences in conventions relating to documentation, settlement, corporate actions, stakeholder rights and other matters; (iv) differences between the U.S. and foreign securities markets, including potential price volatility in and relative liquidity of some foreign securities markets, the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less government supervision and regulation; (v) certain economic, social and political risks, including potential exchange control regulations and restrictions on foreign investment and repatriation of capital, the risks of political, economic or social instability, including the risk of sovereign defaults, regulatory change, and the possibility of expropriation or confiscatory taxation or the imposition of withholding or other taxes on dividends, interest, capital gains, other income, gross sales or disposition proceeds; (vi) the possible imposition of foreign taxes on income, gains and gross sale or other proceeds recognized with respect to such securities or instruments; and (vii) differing and potentially less well-developed or well-tested corporate laws regarding the rights of creditors and other stakeholders (including the rights of secured parties), fiduciary duties and the protection of investors.

Additionally, in emerging and developing markets, there is often less government supervision and regulation of business and industry practices, stock exchanges, over-the-counter markets, brokers, dealers, counterparties and issuers than in other more established markets. Any regulatory supervision which is in place may be subject to manipulation or control. Some emerging and developing market countries do not have mature legal systems comparable to those of more developed countries. Moreover, the process of legal and regulatory reform may not be proceeding at the same pace as market developments, which could result in investment risk. Legislation to safeguard the rights of private ownership may not yet be in place in certain areas, and there may be the risk of conflict among local, regional and national requirements. In certain cases, the laws and regulations governing investments in securities or financial instruments may not exist or may be subject to inconsistent or arbitrary appreciation or interpretation. Both the independence of judicial systems and their immunity from economic, political or nationalistic influences remain largely untested in many countries. The Client may also encounter difficulties in pursuing legal remedies or in obtaining and enforcing judgments in non-U.S. courts. Due to the foregoing risks and complications, the costs associated with investments in emerging market securities generally are higher than for securities and other instruments of issuers based in developed countries.

In addition, economic problems in a single country are increasingly affecting other markets and economies. A continuation of this trend could adversely affect global economic conditions and world markets and, in turn, could adversely affect the Partnership's performance. Existing and new laws and regulations in non-U.S. jurisdictions in which the Client may invest may affect the Client's investments in such jurisdictions in a manner that differs adversely from the results that would occur under U.S. laws and regulations applied to similar facts. The implementation or interpretation of such laws and regulations as they relate to the Clients' activities are largely outside the Client's control. Moreover, while the Adviser intends to exercise caution in relation

to the foregoing risks where known, there can be no assurance that these and other risks of investing in non-U.S. markets will not adversely affect the assets of the Client that are held in certain countries and the Client's performance.

*CURRENCY RISK.* Clients will likely engage in practices and strategies that will result in exposure to fluctuations in foreign exchange rates, in which case the Client will be subject to foreign currency risk. Ownership interests in a Client are generally U.S. dollar denominated and the distributions paid by the Client to investors are likely to be paid in U.S. dollars. However, a portion of the Client's assets may be denominated directly in foreign (non-U.S.) currencies or in securities that trade in, and receive revenues in, foreign (non-U.S.) currencies, or in derivatives that provide exposure to foreign (non-U.S.) currencies, it will be subject to the risk that those currencies will decline in value relative to the U.S. dollar, or, in the case of hedging positions, that the U.S. dollar will decline in value relative to the currency being hedged.

Currency rates in foreign (non-U.S.) countries may fluctuate significantly over short periods of time for a number of reasons, including changes in interest rates, rates of inflation, balance of payments and governmental surpluses or deficits, intervention (or the failure to intervene) by U.S. or foreign (non-U.S.) governments, central banks or supranational entities such as the International Monetary Fund, or by the imposition of currency controls or other political developments in the United States or abroad. These fluctuations may have a significant adverse impact on the value of the Client's portfolio and/or the level of Client distributions made to investors. The Clients will likely hedge exposure to reduce the risk of loss due to fluctuations in currency exchange rates relative to the U.S. dollar. There is no assurance, however, that these strategies will be available or will be used by the Client or, if used, that they will be successful. As a result, the Client's investments in foreign currency-denominated securities may reduce the returns of the Client.

Currency risk may be particularly high to the extent that a Client invests in foreign (non-U.S.) currencies or engages in foreign currency transactions that are economically tied to emerging market countries. These currency transactions may present market, credit, currency, liquidity, legal, political and other risks different from, or greater than, the risks of investing in developed foreign (non-U.S.) currencies or engaging in foreign currency transactions that are economically tied to developed foreign countries.

*INVESTMENTS IN CASH, CASH-EQUIVALENT INVESTMENTS OR MONEY MARKET FUNDS.* A portion of a Client's assets may be invested in cash, cash-equivalent investments or money market funds when, for example, other investments are unattractive, to provide a reserve for anticipated obligations of the Client or for other temporary purposes. Although such a practice may assist in the preservation of capital, the assumption of cash positions may also impact overall investment return. Cash investment practices of the Client may be expected, therefore, to affect total investment performance of the Client. Although a money market fund seeks to preserve a \$1.00 per share net asset value, it cannot guarantee it will do so. The sponsor of a money market fund has no legal obligation to provide financial support to the money market fund and investors in money market funds should not expect that the sponsor will provide support to a money market fund at any time.

## **Item 9. Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a Client's or prospective Client's evaluation of the Adviser or the integrity of Adviser's management. The Adviser has no disciplinary events to report.

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

Neither the Adviser nor any of its management persons is registered, or has an application pending to register, as a broker-dealer. Mr. Ali is a registered representative of Foreside Financial Services, LLC ("Foreside") which is the distributor and principal underwriter of the Interval Fund, one of the Adviser's Clients. Mr. Leahy is a registered representative and principal of Supervision Brokerage LLC. Mr. Joseph McNeila is in the process of registering as a representative of Foreside.

Neither Adviser nor any of its management persons is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities. Certain of the Adviser's Clients and affiliates are exempt from registering as commodity pool operators pursuant to Commodity Exchange Act Section 4.13(a)(3).

The Adviser and/or its management persons do not have a financial industry relationship or arrangement with a related person as set forth in the instructions to the Brochure that is material to its advisory business or to its clients.

The Adviser has the ability to recommend or select other investment advisers for its Clients, but does not currently do so. The Adviser does not have other business relationships with other investment advisers that create a conflict of interest.

In addition, supervised persons of the Adviser may provide certain services to public or private entities, which may include service on the board of directors or other committees of portfolio companies or other entities. Fees or other economic benefits may be received in connection with such services, which may be paid directly or indirectly to a Client or retained by the supervised person or the Client.

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

The Adviser has adopted a code of ethics (the "Code") which requires that all of the Advisers officers and employees and other supervised persons (collectively, "Supervised Persons") act with integrity, place the interests of Clients above their own, avoid actual and potential conflicts of interest and comply with applicable provisions of relevant securities laws. The Code also requires Supervised Persons to pre-clear certain personal securities transactions, report certain personal

securities transactions on at least a quarterly basis and provide the Adviser with a summary of certain holdings annually.

The Adviser will provide a copy of the Code to any Client or prospective Client upon request.

In the ordinary course of conducting the Advisers advisory activities, the interests of a Client will from time to time conflict with the Adviser's interests and those of other Clients. Certain of these conflicts of interest, as well as a description of how we address them, are described below.

The Adviser will deal with all conflicts of interest using its best judgment, but in its sole discretion. In doing so, the Adviser will consider various factors, including the interests of each Client with respect to the immediate issue and/or with respect to the longer-term course of dealing among such Clients. When acting as a fiduciary, the Adviser owes Clients a duty of loyalty. This includes the duty to address, or at minimum disclose, conflicts of interest that may exist between different Clients; between the Adviser and Clients; or between the Adviser's employees and Clients. Where potential conflicts arise from the Adviser's fiduciary activities, the Adviser will take steps to mitigate, or at least disclose, them. Conflicts arising from fiduciary activities that the Adviser cannot avoid (or chose not to avoid) are mitigated through written policies that the Adviser believes protect the interests of its Clients as a whole. In these cases – which include issues such as personal trading and Client entertainment, discussed below – regulators have generally prescribed detailed rules or principles for investment firms to follow.

By complying with these rules, using robust compliance practices, the Adviser believes that it handles these conflicts appropriately.

The material conflicts of interest include those discussed below, although the discussion below does not necessarily describe all of the conflicts that a Client potentially faces. Other conflicts are disclosed throughout this Brochure which should be read in its entirety:

A cross transaction involves the buying or selling of securities from one Client account to another. Cross transactions may give rise to conflicts of interest between Clients. For example, one Client could be advantaged to the detriment of another Client in the event that the securities being exchanged are not priced in a manner that reflects their fair value. In addition, the Adviser could use its investment authority to transfer unappealing securities from one Client to another Client. The Adviser may engage in cross trading under limited circumstances. However, the Adviser will only do so when it believes such cross trading is in the best interest of both Clients. In such circumstances, neither the Adviser nor its affiliates will receive transaction-based compensation from the trade. In addition, under certain circumstances a cross transaction may be considered to be a "principal transaction" under the Advisers Act. To the extent that any such cross transaction may be viewed as a principal transaction, the Adviser will conduct such transaction in accordance with Section 206(3) of the Advisers Act.

The Adviser, its investment professionals and principals and related persons may invest in each Client. The Adviser does not believe that these investments cause a conflict of interest between the Adviser and a Client but rather function to better align the interests of the investors with our own interests since our own capital is being invested alongside the investors' capital. However, these arrangements also give rise to potential conflicts of interest. For example, our professionals

have an incentive to influence the allocation of an attractive investment opportunity to the Client in which they stand to personally earn the greatest return.

By virtue of our capital investment in the Clients, we may be considered to participate, directly or indirectly, in transactions effected for the Clients. The foregoing relationships, fees and any other actual or potential conflicts of interest arising therefrom are disclosed in the Governing Documents. Any such investments are made in conformity with the Code which has procedures regarding the use of confidential information and personal investing.

Certain inherent conflicts of interest arise from the fact that we carry on investment activities for multiple clients. The portfolio strategies of one Client could conflict with the transactions, strategies and instruments in which another Client invests. We may buy for Clients securities of issuers in which another Client has made, or is making, a senior or subordinate investment, which may create conflicts of interest. For example, if one Client is invested in debt securities of an issuer and another Client is invested in equity securities of the same issuer, if the issuer experiences financial or operating challenges which impact the price of its securities, decisions relating to actions to be taken may raise conflicts of interest between these Clients.

We serve as the investment advisor to the Clients and receive management fees for providing investment advisory services to the Clients. One or more of our affiliates serves as the managing member or general partner to the Clients and either we or such affiliates may receive performance fees based on the unrealized or realized net profits of that Client. These management fees and performance fees may exceed the compensation we receive for providing investment advisory services to other client accounts. We would, therefore, have a financial incentive to allocate investment opportunities to the higher paying Client. This conflict of interest is mitigated by having policies and procedures that require the Adviser to allocate investment opportunities in a fair manner without regard to either the level of fees earned from any Client or how much we have invested in a particular Client.

We and/or our principals, employees and affiliates are often investors in the Clients. We may offer advice to qualified existing and prospective clients regarding investing in the Clients. We and/or our principals and affiliates may receive management and performance fees in connection with management or similar services that we and/or our principals or our affiliates provide to investments of the Clients. These relationships create potential conflicts of interest because we may have a financial incentive to favor the Clients over other client accounts.

Clients may compete with each other for access to our resources. There are minimal restrictions prohibiting us from forming, sponsoring, owning and/or managing additional investment vehicles or accounts that have overlapping investment objectives or investment criteria. We may devote more time, attention or resources to some of these potentially competing funds than to others or present an opportunity to certain funds that we do not or cannot present to all. This could have a material adverse effect on a fund's ability to acquire assets, generate cash flow and income, and make distributions.

Neither we nor any of our related persons is obligated to allocate any specific amount of time to any Client. We and our related persons intend to devote as much time as we deem necessary for

the conduct of each Client's operation and portfolio management, and will allocate investment opportunities in accordance with our trade allocation policy described below.

Investment opportunities will arise that fall within the investment objectives or strategies of two or more Clients. We therefore expect to encounter situations in which we must determine how to allocate investment opportunities among various Clients. We may confront conflict concerns when allocating scarce investment opportunities, given the benefit to us of favoring Clients that pay a higher fee or generate more income for us. To address this conflict of interest, we have adopted an allocation policy that is intended to fairly and equitably allocate investment opportunities among competing Clients.

In general, Mr. Meli will be responsible for determining whether an investment opportunity is permissible for a particular Client pursuant to the Governing Documents of such Client account as well as applicable laws, rules and regulations and will allocate investment opportunities accordingly. Upon determining that an investment opportunity is permissible for a particular Client account, allocations shall generally be made among Clients in accordance with our standard allocation rule. Adviser's standard allocation rule is that investment opportunities will be allocated pro-rata among Clients with the same investment strategy.

Notwithstanding the foregoing, an investment opportunity may, in the discretion of Mr. Meli from time to time, be allocated in a manner other than in accordance with our standard allocation rule based on a variety of considerations, including, but not limited to, the following:

- Investment restrictions in governing documents or financing agreements.
- Liquidity (e.g., allocation size may vary depending on a client account's cash availability).
- Tax considerations.
- Regulatory considerations.
- Current portfolio composition and risk management.
- Investment objectives and policies.
- Investment opportunities other than the prospective investment opportunity may be available to certain Client accounts under their investment objectives and policies. Such other investment opportunities may be more attractive from a risk/reward perspective for such Client account than an allocation of the prospective investment, in which case the allocation of such investment may not be made or may be reduced.
- Disclosures previously made to Client accounts or investors in such Client accounts regarding allocations.
- Any other information determined to be relevant to the fair allocation of securities or other instruments.

While we base our allocation decisions on the information available to us at the time, this information may prove to be incomplete or otherwise flawed. Furthermore, the weight we ascribe certain considerations will evolve over time in response to, among other things, changes in market conditions, the competition we face for investments and the mix of opportunities available to our Clients.



We enter into side letter agreements and other similar arrangements with certain investors in the Clients providing such investors with customized terms, which often results in preferential treatment, with respect to, among other things,

- the fee structure, including reduced management and/or performance fees;
- the offering of co-investment opportunities;
- the ability to opt out of certain types of investments;
- the reporting obligations of the applicable Client;
- consent rights with respect to certain amendments to documents that govern their rights and obligations and those of the applicable Client;
- the right to transfer interests in the applicable Client;
- additional confidentiality protections;
- the right to disclose certain information to underlying investors or to the public;
- structuring rights with respect to certain types of investments; or
- any other terms, whether economic, procedural or otherwise.

We will consider many factors in deciding whether to accord investors customized terms via a side letter and expect to grant preferential treatment to the following types of investors:

- investors that have made or have proposed to make relatively large commitments to the Clients or that are anticipated to be important to future fundraising efforts;
- investors that are subject to specific legal, tax or regulatory status or other requirements or policies applicable to them; and
- other investors meeting other criteria we consider reasonable in our discretion.

We have no obligation to offer any such additional rights, terms or conditions to any other investor, except to the extent required by the Governing Documents of the applicable Client or otherwise agreed to by us or the managing member. Once invested in a Client, investors generally cannot impose additional investment guidelines or restrictions on the Client.

Our Code of Ethics has policies and procedures to address the following additional conflicts of interest. While we do not believe that there are any conflicts that pose material risks to Client interests, we note some additional potential conflicts that are inherent in our structure and activities. We also have included brief descriptions of the procedures we use to mitigate their effects.

We have established policies and procedures reasonably designed to prevent the misuse by us and our Supervised Persons of material information regarding issuers of securities that has not been publicly disseminated ("material non-public information"). In general, under the procedures, when we are in possession of material non-public information related to a publicly-traded security or the issuer of such security, whether acquired unintentionally or otherwise, neither we nor any Supervised Person is permitted to render investment advice as to, or otherwise trade or recommend a trade in, the securities of such issuer until such time as the information that we have is no longer deemed to be material non-public information.

Our Code sets forth procedures regarding gifts and business entertainment to address the potential conflicts of interest surrounding these practices. A further explanation of our gift and business entertainment policy can be found in our Code.

Due to the potential for conflicts of interest, we have established procedures relating to political contributions which are designed to comply with applicable federal and state law. All Supervised Persons are required to seek preapproval before making any political contribution.

We determine the value of securities held in Client accounts, including illiquid securities, whether or not a public market exists for securities of the same class or type. We value illiquid securities in good faith and in accordance with Generally Accepted Accounting Principles.

Our judgments as to the value of investments in each Client are subject to review and audit by the Client's auditors.

We, our principals and our affiliates may engage in a broad spectrum of finance and investment activities that are independent from, and may from time to time conflict with, Clients. In the future, there might arise instances where our interests conflict with the interests of Clients and/or Client investors. We, our principals and our affiliates may engage in transactions with, provide services to, invest in, advise, sponsor and/or act as Adviser to portfolio companies, investment vehicles and other persons or entities that may have similar structures and investment objectives and policies to those of our Clients and that may compete with Clients for investment opportunities and that may co-invest with Clients in certain transactions.

Due to these other activities, we may not be able to take action that might benefit our Clients because of confidential information we, our principals or our affiliates acquire or obligations we, our principals or our affiliates incur in connection with these other activities or because our principals, an affiliate or employee or other related person serves as an officer or director of, or consultant to, a company in which a Client has invested or otherwise might invest.

Although we, our principals and our affiliates will invest our own capital in the Clients along with the other investors, our interests and those of affiliates may under some circumstances differ from those of a Client and/or investors. Such conflicting interests could potentially affect our decisions in purchasing, holding and disposing of the investments of a Client.

Except as may otherwise be provided under the terms of a Client's Governing Documents, we will generally select Clients' service providers and will determine the compensation of such providers without review by or the consent of an advisory board or other independent party. Clients bear the fees, costs and expenses related to such services. This creates an incentive for us to select service providers based on the potential benefit to us, rather than to Clients.

We may engage the same service provider to provide services to a Client that also provides services to us, which creates a potential conflict of interest to the extent the interests of such parties are not aligned. For example, a law firm may at the same time act as legal counsel to a Client and Adviser.

We address these conflicts of interest by using reasonable diligence to ascertain whether each service provider (including law firms) provides its service on a "best execution" basis, taking into

account factors such as expertise, operational and regulatory controls, availability and quality of service and the competitiveness of compensation rates in comparison with other service providers.

## **Item 12. Brokerage Practices**

The factors that the Adviser considers in selecting or recommending broker-dealers for Client transactions and determining the reasonableness of their compensation are described below.

Securities transactions for Clients are executed through brokers selected by the Adviser in its sole discretion and without the consent of the Clients. In placing portfolio transactions, the Adviser will seek to obtain the best execution for the Clients, taking into account the following factors but not limited to: the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); the operational efficiency with which transactions are effected and the efficiency of error resolution, taking into account the size of order and difficulty of execution; the financial strength, integrity and stability of the broker; special execution capabilities; clearance; settlement; reputation; on-line pricing; block trading and block positioning capabilities; willingness to execute related or unrelated difficult transactions in the future; order of call; on-line access to computerized data regarding Clients' accounts; performance measurement data; the quality, comprehensiveness and frequency of available research and related services considered of value; the availability of stocks to borrow for short trades; and the competitiveness of commission rates in comparison with other brokers satisfying the Adviser's other selection criteria.

"Soft Dollar" Policy: The Adviser has the authority to engage in soft dollar arrangements. The Adviser will do so in accordance with the policies and procedures described below.

A portion of expenses for research related products and services might be paid with "soft dollars" generated through the Clients' trading activities. It is anticipated that the use of commissions or "soft dollars" to pay for research products or services will fall within the safe harbor created by Section 28(e) of the Securities Exchange Act of 1934, as amended. In addition to research services, the Adviser may be offered other non-monetary benefits by broker-dealers that it may engage to execute securities transactions on behalf of Clients. These benefits may take the form of special execution capabilities, clearance, settlement, online pricing, block trading and block positioning capabilities, willingness to execute related or unrelated difficult transactions in the future, order of call, online access to computerized data regarding Clients' accounts, performance measurement data, consultations, economic and market information, portfolio strategy advice, industry and company comments, technical data, recommendations, general reports, efficiency of execution and error resolution, quotation equipment and services, the availability of stocks to borrow for short trades, custody, travel, record keeping and similar services. These other services may also include but are not limited to payment of all or a portion of the Clients' or the Adviser's or its affiliates' newswire and quotation equipment and services (e.g., Reuters, Bloomberg); data processing charges; and periodical subscription fees.

The Adviser has the option to use "soft dollars" generated by Clients to pay for the research and non-research related services described above. The term "soft dollars" refers to the receipt by an

investment adviser of products and services provided by brokers, without any cash payment by the investment adviser, based on the volume of brokerage commission revenues generated from securities transactions executed through those brokers on behalf of the investment adviser's clients. The products and services available from brokers include both internally generated items (such as research reports prepared by employees of the broker) as well as items acquired by the broker from third parties (such as quotation equipment). Section 28(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), provides a "safe harbor" to investment managers who use soft dollars generated by their advised accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to the investment adviser in the performance of investment decision-making responsibilities. At present, the Adviser only uses soft dollars to pay for research related expenses that are within the safe harbor of Section 28(e) of the Exchange Act.

The use of brokerage commissions to obtain investment research services creates a conflict of interest between the Adviser and Clients because the Clients pay for such products and services that are not exclusively for the benefit of Clients and that may be primarily or exclusively for the benefit of the Adviser. To the extent that the Adviser is able to acquire these products and services without expending its own resources (including management fees paid by Clients), the Adviser's use of soft-dollars would tend to increase the Adviser's profitability. In addition, the availability of these non-monetary benefits may influence the Adviser to select one broker rather than another to perform services for Clients. In the event that Adviser uses soft dollar benefits, the Adviser will use such benefits to service all Client accounts rather than only those accounts that paid for the benefits.

When the Adviser uses Client brokerage commissions (or markups or markdowns) to obtain research or other products or services, the Adviser receives a benefit because the Adviser does not have to produce or pay for the research, products or services.

The Adviser may have an incentive to select or recommend a broker-dealer based on the Adviser's interest in receiving the research or other products or services, rather than on Clients' interest in receiving most favorable execution.

The Adviser may cause Clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up).

Other Uses and Products: The Adviser may use some products or services not only as "research" and as brokerage (i.e., to assist in making investment decisions for Clients or to perform functions incidental to transaction execution) but for the Adviser's administrative and other purposes as well. In these instances, the Adviser may make a reasonable allocation of the cost of the products and services so that only the portion of the cost that is attributable to making investment decisions and executing transactions is paid with commission dollars and the Adviser bears the cost of the balance. The Adviser's interest in making such an allocation differs from Clients' interest, in that the Adviser has an incentive to designate as much as possible of the cost as research and brokerage in order to minimize the portion that the Adviser must pay directly.

Brokerage for Client Referrals: The Adviser reserves the right to pay a fee or commission, in its sole discretion, to brokers or other persons who introduce Clients or investors to the Adviser,

provided that any such fee or commission will be paid solely by the Adviser or its affiliates and no portion thereof will be paid by Clients. As a result, the Adviser may have an incentive to select or recommend a broker based on the Adviser's interest in receiving Client or investor referrals rather than on Clients' or investors' interest in receiving most favorable execution. Because such referrals, if any, are likely to benefit the Adviser and its affiliates but will provide an insignificant (if any) benefit to Clients and investors, the Adviser will have a conflict of interest when allocating brokerage business to a broker who has referred Clients or investors to the Adviser. To prevent Client brokerage commissions from being used to pay referral fees, the Adviser will not allocate Client brokerage business to a referring broker unless the Adviser determines in good faith that the commissions payable to such broker are not materially higher than those available from non-referring brokers offering services of substantially equal value.

During the last fiscal year, there were no directed Client transactions to a particular broker-dealer in return for Client referrals.

Directed Brokerage: The Adviser does not recommend, request, or require a Client to direct the Adviser to execute transactions through a specified broker-dealer.

The Adviser does not permit a Client to direct the Adviser to execute transactions through a specified broker-dealer except, if agreed to in the relevant investment management agreement.

Aggregation of Orders: The Adviser may aggregate purchase and sale orders of investments held by a Client's account with similar orders being made simultaneously for other accounts or entities if, in the Adviser's reasonable judgment, such aggregation is reasonably likely to result in an overall economic benefit to such Client based on an evaluation that the Client will be benefited by relatively better purchase or sale prices, lower commission expenses or beneficial timing of transactions, or a combination of these and other factors. In many instances, the purchase or sale of investments for a Client's account will be effected simultaneously with the purchase or sale of like investments for other accounts or entities. Such transactions may be made at slightly different prices, due to the volume of investments purchased or sold. In such event, the average price of all investments purchased or sold in such transactions may be determined, at the Adviser's sole discretion, and the Client's account may be charged or credited, as the case may be, with the average transaction price.

Allocation of Trades: The Adviser may at times determine that certain investments will be suitable for acquisition by Clients and by other accounts managed by the Adviser, possibly including the Adviser's own accounts or accounts of an affiliate. If that occurs, and the Adviser is not able to acquire the desired aggregate amount of such securities on terms and conditions which the Adviser deems advisable, the Adviser will endeavor in good faith to allocate the limited amount of such securities acquired among the various accounts for which the Adviser considers them to be suitable. The Adviser may make such allocations among the accounts in any manner which it considers to be fair under the circumstances, including but not limited to allocations based on relative account sizes, the degree of risk involved in the securities acquired, and the extent to which a position in such securities is consistent with the investment policies and strategies of the various accounts involved. It is the Adviser's policy to ensure that investment allocations are made among Clients in a manner that is fair and equitable over time.

### **Item 13. Review of Accounts**

The Adviser's Portfolio Managers periodically and regularly review the accounts of the Clients to confirm that each Client is maintained in accordance with its stated investment objectives. Ongoing monitoring of positions in each Clients' portfolio plays an important role in the risk management and the investment strategy of each Client.

Each Private Fund may provide to its investors (i) audited financial statements annually within 120 days of year end; (ii) unaudited financial statements for the first three quarters of each fiscal year; (iii) annual tax information necessary for each investor's U.S. federal income tax returns. All reports are sent to investors either electronically or by mail, as per each investor's subscription documents. Upon request or pursuant to side letters, certain investors may receive additional information and reporting that other investors may not receive.

The Interval Fund may provide to its investors (i) audited financial statements annually within 60 days of year end; (ii) unaudited financial statements semi-annually within 60 days; (iii) annual tax information necessary for each investor's U.S. federal income tax returns; and (iv) reports regarding the Interval Fund's operations each quarter. All reports are sent to investors either electronically or by mail, as per each investor's subscription documents and alternatively will be available on the Interval Fund's website.

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

The Adviser may receive certain research or other services from broker-dealers through "soft dollar" arrangements. "Soft dollar" arrangements may create an incentive for the Adviser to select or recommend broker-dealers based on the Adviser's interest in receiving the research or other products or services and may result in the selection of a broker-dealer on the basis of considerations that are not limited to the lowest commission rates and may result in higher transaction costs than would otherwise be obtainable by the Adviser on behalf of the Clients. The Adviser's soft dollar transactions are only effected in compliance with the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934.

The Adviser may use broker-dealers, placement agents and other persons to refer Clients and investors and pay a marketing fee or commission in connection with such activities, including ongoing payments, at the Adviser's own expense. In certain cases, the Adviser reserves the right to deduct a percentage of the amount invested by a Client or investor to pay sales fees or charges, on a fully disclosed basis, to a broker-dealer, placement agent or other person based upon the investment of the Client or investor introduced to the Adviser by such broker-dealer, placement agent or other person. Any such sales fees or charges shall be assessed against the referred Client or investor and shall reduce the amount actually invested by the Client or investor with the Adviser.

### **Item 15. Custody**

Rule 206(4)-2 promulgated under the Investment Advisers Act (the “Custody Rule”) (and certain related rules and regulations under the Investment Advisers Act) imposes certain obligations on registered investment advisers that have custody or possession of any funds or securities in which any client has any beneficial interest. An investment adviser is deemed to have custody or possession of client funds or securities if the adviser directly or indirectly holds client funds or securities or has the authority to obtain possession of them (regardless of whether the exercise of that authority or ability would be lawful).

The Adviser is required to maintain the funds and securities (except for securities that meet the privately offered securities exemption in the Custody Rule) over which it has custody with a “qualified custodian,” as defined under such rule.

Rule 206(4)-2 generally imposes on advisers with custody of clients’ funds or securities certain requirements concerning reports to such clients (including underlying investors in certain circumstances) 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 if the 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 the client, or, in certain circumstances, all limited partners, members or other beneficial owners. To the extent that clients or certain investors receive quarterly, or more frequent, account statements directly from a broker-dealer, bank or other qualified custodian, recipients should carefully review such statements.

In order to comply with the Custody Rule, the Private Funds are audited annually and the Adviser delivers to investors in each Private Fund a copy of the annual audited financial statements within 120 days of the fiscal year end.

#### **Item 16. Investment Discretion**

The Adviser is retained on a discretionary basis pursuant to the terms of each Client’s Governing Documents. Before accepting their subscriptions for interests, the Adviser provides or makes available to all investors in the Clients the relevant Governing Documents, including, but not limited to, a private placement memorandum, prospectus or other disclosure document that sets forth, in detail, the relevant investment strategy and program as well as the Client’s limited liability company (or analogous) agreement. By completing the subscription documents to acquire an interest in one of the Clients, investors may give the Adviser complete authority to manage their investments in accordance with the private placement memorandum, prospectus or other disclosure document they each received. If engaged on a discretionary basis, the Adviser is not required to contact an investor prior to transacting any business once such investor executes these documents. Investment advice is provided directly to the Clients and not to investors in the Clients individually.

#### **Item 17. Voting Client Securities**

The Adviser votes Client proxies when it has discretionary authority to do so. It is the Adviser’s policy to vote in a manner which it believes is in the best interest of the Clients, whether that is to

increase shareholder value the most, decrease shareholder value the least, or with another objective in mind. Consideration is given to both the short and long-term implications of the proposal when voting. The Adviser may abstain from voting for a variety of different reasons including but not limited to: (i) if it deems that abstinence is in its Client's best interests, (ii) when it has determined that the vote is immaterial to the value of the securities held, (iii) if the costs related to the vote are disproportionate to the expected value of the vote, or (iv) if the Adviser has sold the related security since the record date. Unless otherwise agreed to with a Client, the Adviser has discretion to vote proxies and does not take direction from its Clients.

When necessary, the Adviser monitors for potential conflicts of interest between its Client's interest and its own within the proxy voting process. In addition, if the Adviser receives proxies for the same security held by more than one Adviser Client, the Adviser will vote the securities in the best interest of all of the Adviser Clients. The Adviser will monitor for any conflict of interests between such Clients. In addition, certain Client investments may not have any proxies to vote due to the nature of the asset.

To the extent Adviser is deemed to have voting authority on behalf of a Client and actually exercises such authority, additional information about Adviser's proxy voting policies and procedures, or information about how Adviser voted proxies, would be available by contacting Jim Leahy at (212) 257-5783 or [jleahy@orical.org](mailto:jleahy@orical.org).

#### **Item 18. Financial Information**

Adviser does not require nor does it solicit prepayment of more than \$1,200 in fees per Client, six months or more in advance.

Adviser is not aware of any financial condition that is likely to impair its ability to meet its contractual commitments to its Clients.

Adviser has never been the subject of a bankruptcy petition.