



This ADV brochure, dated March 30, 2023 provides information about the qualifications and business practices of:

**INVESCO SENIOR SECURED MANAGEMENT, INC. ("ISSM")**

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SEC#: 801-38119

*If you have any questions about the contents of this brochure, please contact our Chief Compliance Officer, Joshua Levit, at (972) 715-5884 or by email at [josh.levit@invesco.com](mailto:josh.levit@invesco.com). Additional information about ISSM is available on the U.S. Securities and Exchange Commission's ("SEC") website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The information in this brochure has not been approved or verified by SEC or by any state securities authority. Registration with the SEC does not imply a certain level of skill or training on the part of ISSM.*

## **Item 2 - Material Changes**

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There were no material changes made to the ISSM brochure since the last annual update on March 29, 2022.

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## **Item 4 - Advisory Business**

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### **Firm Description**

ISSM (also referred to herein as the “firm,” “we” or “our”) was founded in 1990 and became a registered investment adviser with the SEC in 1992. ISSM is headquartered in New York City and has offices located in White Plains, Chicago, Denver and London, UK.

ISSM is directly owned by Invesco Advisers, Inc. Invesco Group Services, Inc. is the sole owner of Invesco Advisers, Inc. and Invesco Ltd. (“Invesco”) is the ultimate parent company of these entities. Invesco is a publicly held global investment management company with offices throughout the world that trades on the New York Stock Exchange (NYSE: IVZ). Invesco is a leading independent global investment management firm dedicated to helping investors worldwide achieve their financial objectives.

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### **Types of Advisory Services**

ISSM provides advisory services to certain U.S. and non-U.S. privately placed investment funds, as well as to affiliated retail open-end and closed-end investment companies (collectively, “Funds” or “Fund Clients”), affiliated exchange traded funds (“ETFs”), and separately managed accounts, sometimes structured as funds of one for institutional investors (“SMAs”) (collectively, “Clients”).

ISSM manages various bank loan strategies seeking current income, primarily with a short duration profile and low correlated returns. ISSM offers four types of investment strategies: 1) Investment activity within the Broadly Syndicated Loan (“BSL”) segment; 2) Lending/Originating Loans to small-to-medium enterprise companies (“Middle Market”) within the Private Debt segment, often referred to as Direct Lending; 3) Special situations or stressed and distressed debt investing; and 4) Collateralized Loan Obligations (“CLOs”). These strategies take advantage of ISSM's experience in analyzing and managing both public and private senior secured corporate loan obligations and other similar assets. ISSM offers various strategies utilizing the above investments that target specific market outcomes and unique credit market opportunities. ISSM can provide investment advisory services to Clients whereby they invest in more than one of the four primary strategies. Advisory services provided to all Clients are fully discretionary where ISSM has the authority to make all investment decisions for its Clients’ accounts subject to any guidelines or restrictions agreed to between ISSM and its Clients.

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### **Client Restrictions**

ISSM provides investment advisory services, on a discretionary basis, and manages Client assets in accordance with agreed upon terms. Levels of customization are available depending on the investment vehicle or mandate. For SMAs, ISSM works closely with its Clients to understand their individual investment goals and objectives and seeks to recommend investment strategies and vehicles to achieve those goals and objectives. Subject to ISSM’s review and acceptance, SMAs

may impose reasonable investment restrictions on ISSM's investment strategies. With respect to Fund Clients, individual investors do not have an ability to impose restrictions on the management of such entities. Further, such Funds are not tailored to address the specific investment objectives or circumstances of any individual investor. With respect to certain privately-offered funds, ISSM may enter into side letters with specific investors supplementing or altering the terms, rights, or provisions of, the applicable governing documents of an applicable Fund.

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### **Assets Under Management**

As of December 31, 2022, ISSM managed \$ 30,659,108,864 in regulatory assets on a discretionary basis and did not manage any assets on a non-discretionary basis.

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## **Item 5 - Fees and Compensation**

The following discussion represents basic compensation arrangements for ISSM. The fee arrangements with clients can vary depending on a variety of factors such as the structure of the fund or vehicle, the size of the account, the investment strategy and the client strategy. ISSM typically receives fees for services based on a percentage of the amount of assets or capital commitments in the client's account, which are referred to as "asset-based fees." Fees are generally in an amount equal to a percentage of the net assets of the Client account or percentage of invested capital as applicable that is assessed according to the current fee schedule set forth in the applicable investment management agreement or within the fund governing documents, which can include side letter agreements, if any, and may vary among Clients. Certain clients also have performance-based fees which are described in further detail in Item 6 - Performance-Based Fees.

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### **SMA's**

Our SMA schedule for BSL strategies is as follows: 50 bps on first \$150 million; 45 bps on second \$150 million; and 42.5 bps on amounts above \$300 million. Fees for SMA's are generally billed quarterly in arrears and are determined by a quarterly defined average NAV dictated by the governing document set forth in each SMA's investment management agreement. Fees are negotiable and calculation methodologies vary by client and other strategies aside from BSL can differ from the above schedule. The amount, timing, manner and calculation of management fees for SMA's are set forth in the management agreement with each Client as these fees are negotiable.

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## **CLOs**

ISSM provides recommendations to purchase and sell certain investments in special purpose vehicles, structured as CLOs, where ISSM's affiliates act as collateral manager. The collateral manager receives a base management fee and a performance fee.

The amount of, and the timing, manner and calculation of the fees for CLOs are set forth in the CLO governing documents. Fees to be charged with respect to a CLO are determined in cooperation with its investors, prior to any investment in such CLO. The amount of such fees is calculated and billed by the trustee or administrator of the CLO. Full disclosure of these fees is found in the applicable CLO governing documents, which may include side letter agreements, if any, and may vary between CLOs.

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## **Affiliated Mutual Funds**

ISSM serves as the sub-adviser to affiliated retail mutual funds and fees for such mutual funds are calculated based on net assets or managed assets with the valuations supporting such fees being calculated based on ISSM's and its affiliates valuation policies and procedures.

Complete information concerning each mutual fund that ISSM sub-advises, including advisory and sub-advisory fees and expenses, is disclosed in the prospectus and statement of additional information for each such mutual fund. All prospectus information can be obtained from Invesco's website: [www.invesco.com](http://www.invesco.com).

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## **Privately Placed Pooled Investment Funds**

Privately placed pooled investment funds' management fees, performance fees and other compensation payable to ISSM by such fund clients, are established by ISSM at the time of the establishment of the relevant fund client. ISSM or its designated affiliate generally receives management fees and an allocation of carried interest in connection with the investment advisory services it provides to funds. Specific details of such compensation and its method of calculation are set out in the governing documents of the relevant Fund Client, which may be supplemented for certain investors by side letter agreements.

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## **Co-Investment Vehicles**

Any fees received with respect to co-investment vehicles are generally negotiated on a vehicle-by-vehicle basis. Certain co-investment vehicles may not charge a management fee and/or carried interest. Typically, co-investors will bear their pro rata share of fees, costs and expenses related to the discovery, investigation, development, acquisition or consummation, ownership, maintenance, monitoring, hedging and disposition of their co-investments and, in accordance with governing documentation, can be required to pay their pro rata share of fees, costs and expenses related to potential investments that are not consummated, commonly in the form of

breakup fees or broken deal expenses. ISSM endeavors to allocate such fees, costs and expenses on a fair and equitable basis. In some instances, co-investors may not agree to pay or otherwise bear fees, costs and expenses related to unconsummated co-investments (and in certain circumstances, co-investors may not bear such fees, costs and expenses because they have not been identified as of the time such potential investment ceases to be pursued). In such event, such fees, costs and expenses will be considered operating expenses of and be borne by the relevant Fund.

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### **Other Fees and Expenses**

ISSM's policy is to allocate expenses among its clients in a fair and equitable manner, consistent with its fiduciary obligations and as permitted by applicable governing documents. In addition to fees listed above, Clients are responsible for paying custodial fees, brokerage commissions, and/or other commission equivalents related to transactions in their advisory accounts billed in accordance with the respective governing documents for the Client.

Clients will incur additional fees and expenses relating to third party services, including but not limited to administration, custodian, transfer agent, accounting, audit, legal and other transaction costs and expenses, including but not limited to transfer fees, registration costs, bank charges, local fees, pricing services and taxes and duties associated with investments. For ISSM's BSL Loan Business, it does not provide custodial, administrative or brokerage services and does not receive any portion of the fees resulting from such services provided to its clients' accounts. Specific details of such expenses and their reimbursement are set out in the governing documents of the relevant Client.

Governing documents for certain Client accounts allow ISSM to charge back broken deal expenses for investments that were not consummated.

All advisory arrangements may be terminated by the client upon assignment by ISSM or by either party upon prior written notice, according to the termination provisions outlined in the relevant governing agreement. If a contract is terminated, all advisory fees will be subject to pro rata adjustment, based upon the date of termination.

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### **Item 6 - Performance-Based Fees**

In addition to asset-based investment management fees, governing documents for certain privately-placed funds, CLOs and SMAs permit ISSM to accept performance-based fees. These Clients are managed side-by-side with other Clients that do not pay such fees. These arrangements can create an incentive for ISSM to favor Clients with performance-based fees when allocating desirable investment opportunities that would otherwise be suitable for Clients that are not charged a performance-based fee managed under the same strategy. Performance-based fees may also create an incentive for ISSM to make investments that are riskier or more speculative than those that might have been made in the absence of such fees.



In order to manage these potential conflicts, ISSM has adopted the policies and procedures described in Item 16 below governing the allocation of investment opportunities. These policies and procedures require ISSM to treat each of its advisory clients in a manner consistent with its fiduciary obligations and prohibits ISSM from favoring any particular account because of the ownership or economic interests of ISSM, its affiliates or employees. Such policies seek to ensure that the allocation of investment opportunities across accounts is fair and equitable over time, and is consistent with applicable laws, rules, and regulations that may apply to ISSM based on the nature of its clients. Under these policies and procedures, and consistent with its fiduciary obligations, ISSM will allocate investment opportunities among Client accounts based upon a number of factors that may include, but are not limited to, investment objectives and guidelines, restrictions, investment strategy, risk tolerance, availability of other investment opportunities and cash available for investment. Middle Market direct lending opportunities are generally allocated pro rata based on capital availability of relevant Clients for such strategy.

## **Item 7 - Types of Clients**

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ISSM provides investment advisory services to privately placed pooled investment funds, including CLOs, as well as mutual funds, ETFs and SMAs. ISSM views the Funds to which it provides investment advisory services as its Fund Clients. ISSM's SMAs are established to provide investment advisory services to a range of institutional and private clients, including, but not limited to, banking institutions, insurance companies, pension and profit-sharing plans, charitable organizations, corporations, other investment advisers and state or municipal government entities.

The terms and conditions of each Client account may vary from Client to Client depending on the type of services provided or the type of Client, and these terms and conditions are negotiated by ISSM in each case. Furthermore, certain Clients, such as private investment funds and CLO vehicles, generally impose certain terms and conditions on their investors as described in more detail in the Fund's or CLO's offering documents.

Please note that this brochure should not be deemed to be a general solicitation and does not constitute an offer to sell or a solicitation of an offer to buy any type of interest in any entity advised by ISSM. Investors and other recipients should be aware that while this brochure may include information about a private investment Fund or CLO vehicle, as necessary or appropriate, it is not a complete discussion of features, risks or conflicts associated with the Fund or CLO vehicle. The private placement memorandum or other offering documents for each private investment Fund or CLO vehicle contain more complete information, and such offering documents may be provided to current and eligible prospective investors only by ISSM or other authorized party. This brochure is designed solely to provide information about the investment advisory services offered by ISSM for the purpose of compliance with certain obligations under the Investment Advisers Act of 1940, as amended (the "Advisers Act") and, as such, responds to relevant regulatory requirements under the Advisers Act, which may differ from the information

provided in offering documents for a Fund or CLO vehicle. To the extent that there is any conflict between discussions herein and similar or related discussions in any Fund or CLO vehicle documents, the Client's governing documents shall govern.

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### **Account Minimums**

The minimum account size for SMAs is typically \$150 million of assets under management. ISSM has the discretion to waive the account minimum. SMAs with assets below the minimum account size may pay a higher percentage rate on their annual fees than the fees paid by SMAs with greater assets under management. For Fund Clients, the minimum investment amounts vary depending on the fund. ISSM has the discretion to waive these minimums.

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

### **Methods of Analysis**

ISSM employs fundamental bottom-up credit analysis that evaluates default risk and recovery value among other factors such as management, cash flow, industry position and dynamics, sponsors and arrangers, capital structure, asset quality and divisibility, recovery and loan-to-value.

We use a proprietary rating which incorporates the probability of default and recovery in the event of default. Credit selection and portfolio construction seeks to balance the relative value against the specified investment objective of each Client.

We conduct in-depth fundamental analysis with specific focus on quantifying intrinsic value. The firm has the ability to leverage our bank loan network of portfolio companies and industry specialists to gain a valuable diligence advantage. Our relationship with sponsors and scale in the leverage loan market affords us one-on-one discussions with management teams.

In our due diligence process, we seek to develop an understanding of the intrinsic value of a business. We focus on a company's key value drivers and their sustainability in order to determine total enterprise value. We focus our diligence efforts on understanding the relevant industry, the company's business model, and related key value drivers. We also leverage our bank loan professionals to evaluate investment opportunities. We benefit significantly from access to the bank loan credit analyst sector-focused teams. We also conduct a detailed review of structural considerations and pertinent legal documentation as an important component of the due diligence process.

ESG considerations are increasingly integrated into ISSM's fundamental research process for the BSL and Middle Market strategies as well as for certain CLO products. ISSM has developed a proprietary framework for rating each issuer from an ESG perspective. The Firm's credit analysts are responsible for independently rating each loan they cover from an ESG perspective. They conduct diligence reviews with issuers' management teams to inform a rigorous, multifaceted

screening process in which each loan is measured on a scale of 1 to 5 (with 1 indicating “negligible risk” and 5 indicating “high risk”) on numerous ESG factors. To derive an issuer level ESG rating, ISSM: 1) Averages the various factors under each E/S/G pillar to determine Pillar Ratings; and 2) Weights each pillar by the industry sector E/S/G pillar weights published by MSCI ESG Research to come up with an ESG Composite Score that along with the E, S and G pillar ratings is approved by ISSM’s Investment Committees (the “ICs”). Beginning in late 2022, the diligence conducted includes a request for metrics related to 14 Principal Adverse Impacts that are required to be requested/reported per the European Sustainable Finance Disclosure Regulation (SFDR). ESG criteria will be reviewed and applied on an ongoing basis and each overall ESG rating will be reviewed formally, at least annually, to support ESG compliant funds and those subject to SFDR. Assessments of ESG factors do not necessarily mean that ISSM will refrain from taking or maintaining a position in a issuer for non-ESG compliant funds. Rather, ISSM will consider the assessments together with other material factors in the context of the specific Client or loan. Held positions in ESG compliant funds that fall out of compliance will be disposed of in a reasonable amount of time or as otherwise specified in client agreements. The Stressed and Distressed Debt Strategy strongly values ESG factors as part of its investment approach but uses a qualitative assessment that includes other considerations to determine eligibility.

ISSM also uses research from third party vendors such as Markit, Bloomberg, Moody’s, S&P, and Thomson Reuters. Additionally, expert networks may be used to facilitate discussion with industry professionals. All third-party research providers are paid in cash.

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## **Investment Strategies**

ISSM invests in public and private debt instruments, primarily floating rate corporate loans and corporate bonds. Strategies include investments in the BSL segment, Stressed and Distressed Debt, as well as the Private Debt/Direct Lending segment of the corporate debt markets. In addition, ISSM invests in the CLO market on behalf of its Clients. The specific investment strategy and corresponding method of analysis and risks for each Client will be specified in more detail in the governing documents of such Client. Investing in each strategy involves risk of loss that Clients should be prepared to bear. The summary of risks below may not be applicable to all Funds or Clients and does not purport to be a complete list or explanation of all risks involved.

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## **Risk of Loss**

The risk factors briefly summarized below may not be applicable to all Funds or Clients. This summary does not purport to be a complete list or explanation of the risks involved in an investment in a Fund Client or SMA. The governing documents of each Client typically include a more detailed summary of material risks applicable to that Client’s investment strategy and structure and should be read in conjunction with the risks below. Investments made by the Clients, involve a number of material risks including, but not limited to, the following:

*Risk of Loss.* Investing in securities, loans or other investment holdings involves risk of loss that Clients should be prepared to bear. There can be no assurance that the investment objectives of a Fund or other Client account, including risk monitoring and diversification goals, will be achieved, and results may vary substantially over time.

*Market Risks and Market Fluctuations.* The success of Funds' and other Client accounts' investment programs depends to a great extent on market factors to which there can be no assurances that ISSM will accurately predict their movements and therefore how they may impact exit strategies. The U.S. and global financial markets and the broader financial environment have been, and continue to be, characterized by uncertainty, volatility, and instability and have been and continue to be impacted by global events such as pandemics, political unrest, and military invasions or acts of war. The volatility can negatively impact investments, and it is unclear what the repercussions of this market turmoil will be or whether measures undertaken in response to such turmoil (whether regulatory or financial in nature) will have a positive or negative effect on market conditions.

*Dependence on the Portfolio Managers.* The success of ISSM's Fund and other Client accounts depends upon the ability of ISSM to develop and implement investment strategies that achieve a Clients' investment objectives. Subjective decisions made by ISSM may cause a Fund or other Client account to incur losses or to miss profit opportunities on which it may otherwise have capitalized. ISSM relies on valuations of underlying investments provided by its portfolio managers in valuing certain more illiquid interests in the Funds and other Client accounts. Operational failures or misconduct by such portfolio managers may result in these valuations being inaccurate, which in turn may adversely impact Funds, other Client accounts and their underlying investors.

*Possession of Material Non-Public Information; Other Investment Restrictions.* To the extent ISSM or its affiliates become privy to material non-public information ("MNPI"), ISSM may be restricted in its ability to make an investment in or withdraw on behalf of a Fund or other Client account from a particular portfolio fund or holding. Additionally, even though it may not be privy to any MNPI, other restrictions could be derived from contractual obligations and/or confidentiality obligations, applicable law and/or internal policies and procedures.

*Illiquid and Long-Term Investments.* Many Client investments are highly illiquid, and there can be no assurance that a Client will be able to realize these investments in a timely manner. The realizable value of a highly illiquid investment at any given time may be less than its intrinsic value. Although certain of these investments may generate current income, the return of capital, and the realization of gains, if any, with respect to these investments will occur only upon the partial or complete disposition of the investment. While an investment may be sold at any time, this can occur a number of years after the investment is made and there can be no assurance that a Client will be able to dispose of an investment at the price and time it wishes to do so.

*Side Letters.* ISSM offers side letters to specific private Fund investors supplementing or altering the terms, rights, or provisions of, the applicable governing documents of an applicable private Fund, including with respect to economic terms, fee structures, excuse rights, information rights, co-investment rights (including the provision of priority allocation rights to investors admitted to a Fund within a prescribed period following the initial closing thereof or making or holding aggregate commitments of a certain size to one or more Funds) and liquidity or transfer rights. While ISSM has no obligation to offer all such additional rights, terms or conditions to any other investor in such Fund, ISSM generally makes side letters available to certain limited partners of the relevant Fund based on commitment or other relevant factors.

*Market Risks.* Events in the world financial markets may materially adversely affect Funds and other Client accounts and the portfolio funds or other interests in which they invest. Market events can cause extreme losses and volatility in securities markets and the failure of certain markets to function normally. Client accounts and their underlying portfolio holdings may be materially and adversely affected by similar or other events in the future and it is impossible to predict when such events may happen, what their impact on world markets will be, or how long they will continue.

*Subscription Credit Facility.* Certain ISSM Funds may obtain one or more subscription lines of credit in order to enable such Funds to make investments, pay management fees or other expenses. Should such credit facilities be utilized, a Fund may be subject to greater risk of loss than if it did not utilize such credit facilities and would incur additional interest and other expenses with respect to such facilities. A credit facility provider would be entitled to all or part of the collateral posted by the applicable Fund should the Fund default on its obligations under the agreement with such credit facility provider.

*Valuations.* Certain Client investments are highly illiquid; thus, there are no readily ascertainable market prices for such investments. For some of these investments, the fair value of the investment represents the value, as determined by the firm in good faith, at which the investment could be sold in an orderly disposition over a reasonable period of time between willing parties other than in a forced or liquidation sale. However, the process of valuing investments for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ from values that would have been determined had an active market existed for such investments and may differ from the prices at which such investments ultimately may be sold. There is no single standard for determining fair value in good faith and in many cases fair value is best expressed as a range of fair values from which a single estimate may be derived. For the Middle Market strategy, fair value is determined in good faith by the firm's pricing team with input from Lincoln International, an independent third-party pricing vendor.

*Non-U.S. Investments.* If permitted under governing documentation, ISSM can make non-U.S. investments on behalf of its Clients. Investments in businesses operating and/or organized outside of the United States, including in emerging markets, will involve risks not typically

associated with investments in U.S. companies. Investments made in businesses operating in emerging market countries will involve additional risks because the economies of such countries may be volatile and may be affected by political and social change and instability.

*Currency Risk.* Client investments and income received from such investments may be denominated in currencies that are not the base currency of the relevant Client account. Changes in currencies may adversely affect the base currency value of portfolio investments, interest, dividends and other revenue streams received by a Client, gains and losses realized on the sale of portfolio investments, and the amount of distributions, if any, to be made to a Client. Where practicable, we enter into hedging transactions on behalf of our Clients designed to reduce such currency risks.

*Hedging.* ISSM, on behalf of a Client, if permitted, can utilize swaps, forward contracts, and other hedging instruments to preserve a return on a particular Client investment or to seek to protect against risks relating to Client investments, including currency exchange rate or interest rate fluctuations. Such transactions have special risks associated with them, including the possible bankruptcy, or insolvency of, or default by the counterparty to the transaction and the illiquidity of the derivative instrument acquired on behalf of the relevant Client relating thereto. Although a Client could benefit from the use of hedging transactions, changes in currency exchange rates or other factors may result in a poorer overall performance for a Client compared to what a Client's performance would have been if it had not entered into hedging transactions and the costs associated with these arrangements may reduce the returns that a Client would have otherwise achieved if these hedging transactions were not entered into on behalf of a Client. In addition, the firm may not utilize hedging transactions, which may result in a poorer overall performance for a Client compared to what a Client's performance would have been if the firm utilized hedging transactions to seek to preserve a return on a particular Client investment or to seek to protect against risks relating to Client investments.

*Carried Interest; Distributions in Kind.* Carried interest may create an incentive for ISSM to make riskier or more speculative investments on behalf of a Client than would be the case in the absence of this arrangement, although ISSM's commitment of capital to the Funds and/or Client accounts should somewhat reduce this incentive. If distributions are made of assets other than cash, the amount of any such distribution will be accounted for at the fair market value of such assets as determined by the firm in accordance with procedures set forth in the applicable governing documents of the Funds and/or Client accounts.

*Cybersecurity Risk.* ISSM and its service providers and other market participants increasingly depend on complex information technology and communications systems to conduct business functions. These systems are subject to different threats or risks that could adversely affect our Funds and Clients, despite the efforts of ISSM and the Funds' and Clients' service providers to adopt technologies, processes and practices intended to mitigate these risks and protect the security of their computer systems, software, networks and other technology asset, as well as the confidentiality, integrity and availability of information belonging to the Funds and Clients.

Cybersecurity attacks include, but are not limited to, electronic and non-electronic attacks to gain unauthorized access to digital systems to obtain client and financial information, compromising the integrity of systems and client data (e.g., misappropriation of assets or sensitive information), or causing operational disruption through taking systems off-line (e.g., denial of service attacks). As the use of technology has become more prevalent, we and the accounts we manage have become potentially more susceptible to operational risks through cybersecurity attacks. These attacks in turn could cause us and Client accounts (including funds) we manage to incur regulatory penalties, reputational damage, additional compliance costs associated with corrective measures, and/or financial loss. Similar adverse consequences could result from cybersecurity incidents affecting issuers of securities in which we invest, counterparties with which we engage in transactions, third-party service providers (e.g., a Client account's custodian), governmental and other regulatory authorities, exchange and other financial market operators, banks, brokers, dealers and other financial institutions and other parties. While we have developed cybersecurity risk management systems and business continuity plans which are designed to reduce the risks associated with these attacks, there are inherent limitations in any cybersecurity risk management system or business continuity plan, including the possibility that certain risks have not been identified. Accordingly, there is no guarantee that such efforts will succeed, especially since we do not directly control the cybersecurity systems of issuers or third-party service providers.

*Bankruptcy and Other Proceedings.* ISSM invests in securities and other obligations and assets of companies involved in bankruptcy or other reorganization and liquidation proceedings. There are significant risks when investing in companies involved in bankruptcy proceedings. Bankruptcy litigation is adversarial and often beyond the control of the creditors. Generally, the duration of a bankruptcy case can only be roughly estimated. Reorganization of a company involves substantial legal, professional and administrative costs. The bankruptcy process is subject to unpredictable and lengthy delays and during the process the company's competitive position may erode, key management may depart, and the company may not be able to invest adequately. In some cases, the company may not be able to reorganize and may be required to liquidate assets.

*Inflation Risk.* Client investments may be exposed to inflation risks. Market prices generally fall as inflation increases because the purchasing power of the future income and repaid principal is expected to be worth less when received by ISSM. Investments that pay a fixed interest rate are especially vulnerable to inflation risk as opposed to variable-rate securities that may be able to participate, over the long term, in rising interest rates which have historically corresponded with long-term inflationary trends. Most high yield investments pay a fixed rate of interest and are therefore vulnerable to inflation risk.

*Interest Rate Risk.* Client investments may be exposed to interest rate risks. Changes in prevailing market interest rates could negatively affect the value of such investments. Market interest rates may be affected by inflation, slow or stagnant domestic and global economic growth or recession, unemployment, money supply, governmental monetary and fiscal policies, international disorders and instability in domestic and foreign financial markets. The historically low interest

rate environment observed over the past several years was created in part by the Federal Reserve Board (“FRB”) and certain foreign central banks keeping the federal funds and equivalent foreign rates at or near zero. In recent years, the FRB and certain foreign central banks began “tapering” their quantitative easing programs, leading to fluctuations in the Federal Funds Rate and equivalent foreign rates. In response to the impact of the COVID-19 pandemic, in March 2020 the FRB announced cuts to the Federal Funds Rate and a new round of quantitative easing, before implementing another round of rate increases in 2022. It is difficult to predict the impact of these rate changes and any future rate changes on various markets. Any additional changes to the monetary policy by the FRB and foreign central banks or other regulatory actions may affect interest rates and/or reduce liquidity for fixed-income investments, particularly those with longer maturities. In addition, decreases in fixed-income dealer market-making capacity may also potentially lead to heightened volatility and reduced liquidity in the fixed-income markets. As a result, the value of the Funds’ investments and share price may decline.

*Credit Risks of Investments in Debt Securities and Bank Loans.* Debt portfolios are subject to credit risk, which is the likelihood that a borrower will default in the payment of principal and/or interest on an instrument, among other covenants and requirements. Financial strength and solvency of a borrower are the primary factors influencing credit risk. Borrowers may face intense competition, changing business and economic conditions or other developments that may adversely affect their performance and increase credit risk. In addition, subordination or lack or inadequacy of collateral or credit enhancement for a debt instrument may affect its credit risk. Credit risk may change over the life of an investment. Further, borrowers may contest enforcement of foreclosure or other remedies, seek bankruptcy protection against such enforcement and/or bring claims for lender liability in response to actions to enforce debt obligations. If any of the above occurred, a Client’s investment in such debt investments could be adversely affected.

*Non-Performing Nature of Debt.* It is anticipated that certain debt investments made on behalf of Clients will be non-performing and possibly in default at the time of such purchase. Furthermore, the obligor or relevant guarantor may also be in bankruptcy or liquidation. There can be no assurance as to the amount and timing of payments, if any, with respect to such loans in which Clients may invest.

*Loans.* Interests in bank loans are governed by the relevant credit agreement and related documentation, under which loan interests may be subject to transfer or assignment restrictions and approvals, which may limit the ability to sell such interests. In some cases, an ISSM Client may acquire a loan investment by participation, rather than by direct assignment. Where a Client holds a loan investment as a participant, it may be subject to certain additional risks as a result of having no direct contractual relationship with the underlying borrower and will be dependent on the record lender to enforce its rights and obligations and will not have any direct rights against the underlying borrower, any direct rights in the collateral, if any, or any right to deal directly with such borrower.



*Nature of Investment in Senior Loans.* Clients may invest in first-lien senior-secured debt and elected second-lien senior-secured debt, which involves a higher degree of risk of a loss of capital. The factors affecting an issuer's first- and second-lien leveraged loans, and its overall capital structure, are complex. Some first-lien loans may not necessarily have priority over all other unsecured debt of an issuer. For example, some first-lien loans may permit other secured obligations (such as overdrafts, swaps or other derivatives made available by members of the syndicate to the company) or involve first liens only on specified assets of an issuer (e.g., excluding real estate). Issuers of first-lien loans may have two tranches of first-lien debt outstanding, each with first liens on separate collateral. Furthermore, any secured debt is secured only to the extent of its lien and only to the extent of underlying assets or incremental proceeds on already secured assets. Moreover, underlying assets are subject to credit, liquidity, and interest rate changes, for example in the event of an economic downturn or a substantial or sudden increase or decrease in interest rates, which could disrupt the market for senior loans. Although the amount and characteristics of the underlying assets selected as collateral may allow Clients to withstand certain assumed deficiencies in payments occasioned by the borrower's default, if any deficiencies exceed such assumed levels or if underlying assets are sold it is possible that the proceeds of such sale or disposition will not be equal to the amount of principal and interest owing to the Clients in respect of their investment. The Client's investments may be subject to early redemption features, refinancing options, prepayment options, or similar provisions which in each case could result in the issuer repaying the principal on an obligation held by the Clients earlier than expected. As a consequence, the Client's ability to achieve its investment objective may be adversely affected.

*Illiquid Investments in Senior Loans.* There is less readily available, reliable information about most senior loans than is the case for many other types of securities or other assets. In addition, in some cases, there could be no minimum rating or other independent evaluation of a borrower or its securities or other assets including loans and similar types of investments limiting a Client's investments, and the firm will rely primarily on its own evaluation of borrower credit quality rather than on any available independent sources. As a result, Clients are particularly dependent on the analytical abilities of the firm. Senior loans generally are not listed on any national securities exchange or automated quotation system and no active trading market exists for many senior loans. As a result, many senior loans are illiquid, meaning that Clients may not be able to sell them quickly at a fair price and/or that the redemptions may be delayed due to illiquidity of the senior loans.

*Nature of Investment in Subordinated Loans.* Subordinated loan investments involve a high degree of risk with no certainty of any return of capital. Although subordinated securities are typically senior to common stock and other equity securities in the capital structure, they may be subordinated to large amounts of senior debt and may be unsecured. Many of the remedies available to subordinated holders are available only after satisfaction of claims of senior creditors. Therefore, in the event that a portfolio company does not generate adequate cash flow to service its debt obligations, the Clients may suffer a partial or total loss of invested capital. The Client's ability to influence a portfolio company's affairs, especially during periods of financial

distress or following an insolvency, is likely to be substantially less than that of senior creditors. For example, under the terms of subordination agreements, senior creditors are typically able to block the acceleration of the subordinated debt or other exercises by the Clients of their rights as a creditor. Accordingly, the Clients may not be able to take the steps necessary to protect its investments in a timely manner or at all. In addition, the debt securities in which the Clients may invest may not be protected by financial covenants or limitations upon additional indebtedness, may have limited liquidity, and may not be rated by a credit rating agency.

*Term Loans, Delayed Draw Term Loans and Revolvers.* For some Clients, if the Client enters into or acquires a commitment with a borrower regarding a delayed draw term loan or a revolver, the Client will be obligated to lend the borrower monies (up to an aggregate stated amount) if called upon to do so by the borrower. These commitments may have the effect of requiring the Client to increase its investment in a borrower at a time when it might not otherwise decide to do so. Delayed draw term loans and revolvers may be subject to restrictions on transfer, and only limited opportunities may exist to resell such instruments. As a result, the Client may be unable to sell such investments at an opportune time or may have to resell them at less than fair market value. In the event that a contractual obligation extends beyond the Client's investment period, the Client would be required to meet such contractual obligations and, if it were unable to do so, would be subject to contractual penalties under such loans.

*Distressed Debt.* ISSM invests in securities and other obligations and assets of companies in special situations involving financial or business distress, including companies involved in bankruptcy or other reorganization and liquidation proceedings. Such investments involve a substantial degree of risk. There is no assurance that ISSM will correctly evaluate the value of the assets collateralizing an investment or the prospects for a successful reorganization or similar action in respect of any company. In any reorganization or liquidation proceeding, a Client may lose its entire investment, be required to accept cash or securities or assets with a value less than their original investment and/or be required to accept payment over an extended period of time. In addition, because of its equity ownership, representation on the board of directors and/or contractual rights, the Client may often be thought to control, participate in the management of or influence the conduct of its companies. This could expose the assets of the Client to claims by a company, its other security holders, its creditors or governmental agencies.

*Middle Market Senior Loan Risk.* Senior loans to middle market companies may carry more inherent risks than loans to larger, publicly-traded entities. Middle market senior loans will generally have ratings or implied or imputed ratings below investment grade. The lower rating of such loans reflects a greater possibility that adverse changes in the financial condition of the borrower or in general economic conditions or both may impair the ability of the borrower to make payment of principal and interest. There is generally no publicly available information about privately-owned middle market companies and some obligors may not meet net income, cash flow and other coverage tests that may be imposed by certain lenders. Further, middle market companies that are obligors of below investment-grade loans may be highly leveraged. The market for lower-rated and comparable non-rated debt instruments and securities is thinner,

often less liquid, and less active than that for higher-rated and comparable non-rated debt instruments and securities, which can adversely affect the prices at which such debt instruments and securities can be sold and may even make it impracticable to sell such debt instruments and securities. In addition to the foregoing, such loans may become nonperforming for a variety of reasons.

*Litigation Risk.* ISSM and its affiliates engage in a broad variety of investment, advisory and banking related activities on a global basis. These activities have subjected, and may in the future subject, ISSM and its personnel to risks of becoming involved in litigation by third parties or proceedings or investigations brought by regulatory authorities. It is difficult to determine what impact, if any, such litigation may have on ISSM and its clients. As a result, there can be no assurance that the foregoing will not have an adverse impact on ISSM or otherwise impede its clients' ability to effectively achieve their investment objectives.

*Regulatory Risks.* Future and ongoing legal and regulatory changes in the United States and around the globe could have a material adverse effect on ISSM and its clients. It is impossible to predict the full effect of such changes, which could, among other things, divert ISSM's time, attention and resources from portfolio management activities and increase operating expenses.

*Natural Disaster/Epidemic Risk.* Natural or environmental disasters, such as earthquakes, fires, floods, hurricanes, tsunamis and other severe weather-related phenomena generally, and widespread disease, including pandemics and epidemics, have been and can be highly disruptive to economies and markets, adversely impacting individual companies, sectors, industries, markets, currencies, interest and inflation rates, credit ratings, investor sentiment, and other factors affecting the value of the strategy's investments. Given the increasing interdependence among global economies and markets, conditions in one country, market, or region are increasingly likely to adversely affect markets, issuers, and/or foreign exchange rates in other countries, including the U.S. These disruptions could prevent ISSM from executing advantageous investment decisions in a timely manner and negatively impact its ability to achieve its client investment objectives. Any such event(s) could have a significant adverse impact on the value and risk profile of Client accounts.

*Coronavirus and Public Health Emergencies.* There continues to be ongoing outbreaks of the highly contagious coronavirus referred to as covid-19 ("COVID-19"). The outbreak of COVID-19 has resulted in numerous deaths, adversely impacted global commercial activity and contributed to significant volatility in certain equity and debt markets. Measures taken by national and regional governments, states, districts and municipalities, as well as the general uncertainty surrounding the dangers and impact of COVID-19, are creating significant disruption in supply chains and economic activity. As COVID-19 continues to spread, the potential impacts, including a global, regional or other economic recession, are increasingly uncertain and difficult to assess. Any public health emergency, including any outbreak of COVID-19, SARS, H1N1/09 flu, avian flu, other coronavirus, ebola or other existing or new epidemic diseases, or the threat thereof, could have a significant impact on ISSM and its Client accounts. The extent of the impact of COVID-19 or any other public health emergency on the operational and financial performance of ISSM's

Client accounts will depend on many factors, including the duration and scope of such public health emergency, the extent of any related travel advisories and restrictions implemented, the impact of such public health emergency on overall supply and demand, goods and services, investor liquidity, consumer confidence and levels of economic activity and the extent of its disruption to important global, regional and local supply chains and economic markets, all of which are highly uncertain and cannot be predicted. The effects of a public health emergency may materially and adversely impact the value and performance of the investments held in any Client accounts as well as the ability of ISSM to source, manage and divest investments and achieve the investment objectives of its clients, all of which could result in significant losses to such clients. In addition, the operations of ISSM and/or its affiliates may be significantly impacted, or even halted, either temporarily or on a long-term basis, as a result of government quarantine and curfew measures, voluntary and precautionary restrictions on travel or meetings and other factors related to a public health emergency, including its potential adverse impact on the health of any such entity's personnel. The full effects, duration and costs of COVID-19 are impossible to predict, and the circumstances surrounding the COVID-19 will continue to evolve.

*Business Continuity and Operational Risk.* ISSM, the Funds and other Clients and their respective service providers may experience disruptions or operating errors, such as processing errors or human errors, inadequate or failed internal or external processes, systems or technology failures, or other disruptive events, that could negatively impact and cause disruptions in normal business operations of ISSM, the Funds, the other Clients or their respective service providers. ISSM has developed a Business Continuity Program (the "Program") designed to minimize the disruption of normal business operations in the event of an adverse incident affecting the Funds, ISSM and/or their affiliates. The Program is also designed to enable ISSM to reestablish normal business operations in a timely manner during such an adverse incident; however, there are inherent limitations in such programs (including the possibility that contingencies have not been anticipated and procedures do not work as intended) and, under some circumstances (e.g. natural disasters, terrorism, public health crises, power or utility shortages and failures, system failures or malfunctions), ISSM, its affiliates, and any service providers or vendors used by the ISSM, its affiliates, the Funds or other Clients could be prevented or hindered from providing services to the Funds or other Clients for extended periods of time. These circumstances could cause disruptions and negatively impact the Funds' or other Clients' service providers and their respective business operations, potentially including an inability to process transactions, an inability to calculate Net Asset Value and price investments, and impediments to trading portfolio securities.

*ESG Risk.* Because the ESG compliant funds evaluate ESG factors to assess and exclude certain investments for non-financial reasons, they may forego some market opportunities available to funds that do not use these factors. The securities of companies that score favorably under the funds' ESG scoring methodology may underperform similar companies that do not score as well or may underperform the stock market as a whole. As a result, those funds may underperform funds that do not screen or score companies based on ESG factors or funds that use a different ESG methodology. Information used by those funds to evaluate such factors may not be readily available, complete or accurate, which could negatively impact those funds' ability to apply its

methodology, which in turn could negatively impact those funds' performance. In addition, those funds' assessment of a company, based on the company's level of involvement in a particular industry or the company's ESG score, may differ from that of other funds or an investor. As a result, the companies deemed eligible for inclusion in those funds' portfolio may not reflect the beliefs or values of any particular investor and may not be deemed to exhibit positive or favorable ESG characteristics if different metrics were used to evaluate them.

*Geopolitical Risk.* Client accounts are subject to the risk that geopolitical events will disrupt securities markets and adversely affect global economies and markets. Due to the increasing interdependence among global economies and markets, conditions in one country, market, or region might adversely impact markets, issuers and/or foreign exchange rates in other countries, including the U.S. War, terrorism, global health crises and pandemics, and other geopolitical events have led, and in the future may lead, to increased market volatility and may have adverse short- or long-term effects on U.S. and world economies and markets generally. Recent military action by Russia in Ukraine could adversely affect global energy and financial markets and therefore could affect the value of an account's investments, including beyond such account's direct exposure to Russian issuers or nearby geographic regions. The extent and duration of the military action, sanctions and resulting market disruptions are impossible to predict and could be substantial.

*Investing in European Union Risk.* Investments in certain countries in the European Union are susceptible to high economic risks associated with high levels of debt, such as investments in sovereign debt of Greece, Italy, and Spain. Efforts of the member states to further unify their economic and monetary policies may increase the potential for the downward movement of one-member state's market to cause a similar effect on other member states' markets.

*London Interbank Offered Rate (LIBOR) Risk.* The U.K. Financial Conduct Authority has announced that it intends to stop persuading or compelling banks to submit LIBOR rates after 2021, and it remains unclear whether LIBOR will continue to exist after that date and, if so, in what form. Actions by regulators have resulted in the establishment of alternative reference rates to LIBOR in many major currencies. The Federal Reserve Board, based on the recommendations of the New York Federal Reserve's Alternative Reference Rate Committee (comprised of major derivative market participants and their regulators), has begun publishing a Secured Overnight Funding Rate ("SOFR") that is intended to replace U.S. dollar LIBOR. Proposals for alternative reference rates for other currencies have also been announced or have already begun publication. On November 30, 2020, the administrator of LIBOR announced a delay in the phase out of a majority of the U.S. dollar LIBOR publications until June 30, 2023, with the remainder of LIBOR publications to still end at the end of 2021. Discontinuance of LIBOR and adoption/implementation of alternative rates pose a number of risks, including among others whether any substitute rate will experience the market participation and liquidity necessary to provide a workable substitute for LIBOR, the effect on parties' existing contractual arrangements, hedging transactions, and investment strategies generally from a conversion from LIBOR to alternative rates, the effect on a Clients' existing investments (including, for example, fixed-income investments, senior loans, CLOs and Collateralized Debt Obligations, and derivatives

transactions), including the possibility that some of those investments may terminate or their terms may be adjusted to the disadvantage of the Client, and the risk of general market disruption during the period of the conversion. It is difficult to predict at this time the likely impact of the transition away from LIBOR on a Client.

*CLOs Risks.* Structured finance securities such as CLOs entail a variety of unique risks. The performance of a CLO is affected by a variety of factors, including its priority in the capital structure of the issuer thereof, the availability of any credit enhancement, the level and timing of payments and recoveries on and the characteristics of the underlying receivables, loans or other assets that are being securitized, remoteness of those assets from the originator or transferor, the adequacy of and ability to realize upon any related collateral and the capability of the servicer of the securitized assets. The value of CLOs may be difficult to determine and generally will fluctuate with, among other things, the financial condition of the obligors or issuers of the underlying portfolio of assets of the related CLO, general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. CLOs are also subject to operational, credit, liquidity, and interest rate risks.

In connection with the pre-closing of a new CLO, the Funds will bear the risk of being obligated to purchase the assets they have selected for the CLO from the CLO issuer if such identified asset becomes ineligible for purchase by the CLO between the CLO pricing date and the CLO closing date. In connection with the launch of a new CLO, ISSM or its affiliates may acquire investments in the primary market or in the secondary market from third parties which are intended to form part of the CLO (each, an "Originator Asset"). To facilitate compliance with the Originator requirement of EU Risk Retention, to the extent applicable, the Funds and the CLO Issuer may enter into a conditional sale agreement on or around the pricing date of the respective CLO. Under this agreement, the Funds will identify certain assets they have selected for purchase by the new CLO, and the aggregate principal amount of such identified assets shall equal at least 5% of par amount of the assets held by the new CLO. The Funds shall be obligated to purchase such asset from the CLO issuer if such identified asset becomes ineligible for purchase by the CLO between the CLO pricing date and the CLO closing date. Any such purchase by the Funds from the CLO issuer shall be at the prices at which the new CLO committed to acquire such asset, provided that, the Funds only have an obligation to purchase such assets up to the CLO closing date.

*Risks of Investing in CLO Warehouses.* There can be no assurance that a CLO's warehouse facility investments will be consummated. In the event a planned CLO is not consummated, the warehouse facility investors may be responsible for either holding or disposing of the warehoused assets. Because leverage is typically utilized in warehouses, the potential risk of loss will be increased for the warehouse facility investors. This could expose the warehouse facility investors to losses, including in some cases a complete loss of all capital invested in the warehouse facility investment. In the event the CLO related to such warehouse facility is not consummated, such warehouse facility investors will bear the risk of loss on the underlying assets of the warehouse facility. Warehouse facility investments are generally illiquid.

*Custody and Banking Risks.* Client funds may be maintained with one or more banks or other depository institutions (“banking institutions”), which may include US and non-US banking institutions, and may enter into credit facilities or have other financial relationships with banking institutions. The distress, impairment or failure of one or more banking institutions, whether or not holding client funds, may inhibit the ability of clients or others to access depository accounts or lines of credit at all or in a timely manner. In such or similar cases, investments may be delayed or forgone, or capital may be called when it is not desirable to do so, which could result in lower performance. In the event of such a failure of a banking institution, access to such accounts could be restricted and U.S. Federal Deposit Insurance Corporation (FDIC) protection may not be available for balances in excess of amounts insured by the FDIC (and similar considerations may apply to banking institutions in other jurisdictions not subject to FDIC protection). In such instances, clients may not recover such excess, uninsured amounts and instead, would only have an unsecured claim against the banking institution and participate pro rata with other unsecured creditors in the residual value of the banking institution’s assets. The loss of amounts maintained with a banking institution or the inability to access such amounts for a period of time, even if ultimately recovered, could be materially adverse to client accounts or investments. One or more investors or a Fund’s General Partner could also be similarly affected and unable to fund capital calls, further delaying or deferring new investments. In addition, a Fund’s General Partner or similar party may not be able to identify all potential solvency or stress concerns with respect to a banking institution or to transfer assets from one bank to another in a timely manner in the event a banking institution comes under stress or fails.

Any investment includes the risk of loss and there can be no guarantee that a particular level of return will be achieved. While ISSM seeks to mitigate risks so that they are appropriate to the return potential for the Client or strategy, it is usually not possible or desirable to fully mitigate risks. It is not possible to identify all of the risks associated with investing, and the particular risks applicable to each Client account will depend on the nature of the account, its investment strategy and the types of investments held in the account. Prospective investors should carefully consider these risks, along with those risk factors described in the applicable Client’s governing documents. There can be no assurance that investment strategies will be carried out successfully. Clients should understand that they could lose some or all of their investment and should be prepared to bear the risk of such potential losses.

## **Item 9 - Disciplinary Information**

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On May 31, 2021, Invesco Ltd., the ultimate parent company of ISSM, agreed to a settlement with the Federal Financial Supervisory Authority ("BaFin") in the amount of 260,000 Euros (approximately \$309,595 USD) for a matter related to ownership filings with the German regulator in relation to German listed companies. BaFin alleged Invesco Ltd. and AIM international mutual funds failed to submit voting rights notifications to BaFin and issuers by the required deadline. BaFin issued a Notice of Hearing on July 30, 2020 to Invesco Ltd. alleging that violations of the voting rights requirements occurred on 26 occasions related to the voting rights notifications of Invesco Ltd. and on 28 occasions relating to the voting rights notifications of AIM international mutual funds between 05/2019 and 10/2019. Invesco Ltd. paid the administrative fine on June 30, 2021.

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

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ISSM is required to disclose any material relationship or arrangement that it has with any related financial industry participant, any material conflicts of interest that such relationships may create and how ISSM addresses these conflicts.

ISSM is an SEC registered investment adviser whose ultimate parent company is Invesco. As such, ISSM is affiliated with many other entities within the Invesco global structure including broker-dealers, and registered/unregistered U.S. and non-U.S. investment advisers.

ISSM's Funds are distributed by Invesco Distributors, Inc., a FINRA registered affiliated broker-dealer. ISSM does not use affiliated broker-dealers in executing transactions for its clients.

Invesco Advisers, Inc. ("IAI"), an affiliated registered investment adviser, provides marketing and certain administrative services to ISSM. ISSM may also use the analytical capabilities of analysts throughout the Invesco organization but the cost of these services is not passed through to ISSM clients and any potential conflicts of interest or breaches of proprietary information are monitored.

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### **Sub-Adviser Arrangements**

ISSM provides investment sub-advisory services to affiliated investment products, subject to the overall supervision of such products affiliated investment advisers. These affiliated advisers include IAI, Invesco Management S.A., Invesco Canada, Ltd., Invesco Capital Management LLC and Invesco Asset Management Limited ("IAML"). Additionally, IAML provides sub-advisory services for one Client.



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## **Other Arrangements with Affiliates**

ISSM has a material relationship with IAI to provide loan trading execution services for certain portfolios managed by IAI.

Employees or officers of ISSM could from time to time be members of the boards of directors of companies which result from permitted investments of various strategies offered by the firm. In these cases, ISSM generally places the issuer in question on a restricted list, which may limit or preclude the purchase or sale of such securities for Clients and firm employees. ISSM employees and affiliates may make capital contributions to the Funds, and/or the general partners of the Funds and/or co-investment vehicles.

ISSM has a material relationship with IAML. While ISSM maintains autonomous investment processes, it leverages the resources and services of IAML for certain trading, research and advisory recommendations, subject to oversight by the ICs. In addition, certain employees or officers of IAML are members of the ICs with respect to European credits. IAML is authorized and regulated by the Financial Conduct Authority in the United Kingdom and is registered with the SEC as a registered investment adviser.

**Shared Personnel.** Affiliates have entered into arrangements with ISSM that allow them to utilize ISSM and its affiliates for various services and have access to resources, including the professionals employed by ISSM in connection with the due diligence of actual or potential investments, the execution of investment transactions, and certain loan services and administrative services. In addition, as noted above, certain employees or officers of certain affiliates serve as members of the ICs. The fact that ISSM personnel devote portions of their time and efforts to the activities of affiliates can pose a conflict of interest.

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

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ISSM has a fiduciary relationship with its investment advisory clients which requires that ISSM and its officers and employees place the interest of clients first and foremost. ISSM follows the Code of Ethics and Personal Trading Policy for North America (the "Code"), the Invesco Global Code of Conduct, and insider trading policies and procedures.

While ISSM employees are permitted to engage in personal securities transactions, ISSM recognizes that these transactions may raise potential conflicts of interest. As such, all personal securities transactions are required to be conducted in such a manner as to be consistent with the Code and to avoid any actual or potential conflict of interest or any abuse of an employee's position of trust and responsibility.

ISSM and its affiliates may recommend that Clients buy or sell interests in the same investment products in which it or its related persons have some financial interest, including ownership.

ISSM and/or its related persons may own, buy or sell for themselves the same securities that they may have recommended to Clients. Examples are described below. Our policies and procedures are intended to identify these and other potential conflicts and to ensure that in all instances client interests come first.

Pursuant to the Code, all ISSM employees are required to report to the Compliance Department the names of all personal brokerage accounts which hold Covered Securities (as defined in the Code) in which they have a direct or indirect beneficial ownership interest. Compliance uses an automated system to manage the pre-clearance of transactions in Covered Securities and the daily monitoring of compliance with the Code.

*The Code is available for review by clients and prospective clients upon request.*

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### **Participation or Interest in Client Transactions**

**Investment of ISSM's or its Affiliates' Capital.** ISSM or related persons may invest their own capital in securities or investment products in which Clients and underlying investors in Fund Clients may also have made investments, such as CLOs, bank loans, credit default swaps, as well as liquid securities including, but not limited to, U.S. Treasury securities and corporate debt obligations, equity, fixed income and/or derivative or other similar investments.

**Employee Co-Investment Program.** ISSM employees, officers or directors may be offered the opportunity to participate in a co-investment program with ISSM or an affiliate because of their employment with ISSM or an affiliate. Such opportunities include investments in both public and non-public assets as well as future products created and packaged by ISSM.

**Recommendation of Affiliated Funds.** ISSM does not generally, but may, recommend to a Client account the investment into a portfolio fund, which may be an affiliated entity where ISSM or its affiliates serve as the general partner or similar controlling party, as applicable. In this situation, the client will not be charged any additional fees for such investment.

**New Fund Seed Capital.** From time to time, affiliates of ISSM will provide seed capital to help fund a new Fund. In doing so, ISSM may purchase securities equivalent to the amount of capital deposited for such purposes in an account in the name of the affiliate that is later transferred into the Fund in exchange for a percent ownership in the Fund.

**Outside Business Activities.** ISSM employees may engage in outside business activities unrelated to their role at ISSM, including serving as directors, officers, or employees of unaffiliated public, private or government entities, whether for profit or non-profit, which can give rise to certain conflicts of interests. The firm's policies and procedures governing outside business activities require outside business activities to be pre-cleared and Compliance reviews certain employee certifications to identify such conflicts of interest. Additionally, ISSM has adopted policies for

the handling of confidential information to prevent the misuse of such information and to avoid situations that may create an appearance of misuse with applicable laws and regulations.

**Conflicts.** ISSM typically has discretionary authority to contract with any of ISSM's related persons to perform any services deemed necessary or appropriate in connection with the investment management services provided to its Clients. ISSM may recommend the purchase or sale of a security in which ISSM and related persons including its affiliates also have a position or interest in the same security or various classes of the same security. The investors in these issuers could have different rights that may be in conflict with decisions made by ISSM, related persons and affiliates in the event of a default or in a workout situation. These situations could potentially raise or give the appearance of an unavoidable and irreconcilable division of interests and responsibilities with respect to multiple parties. ISSM maintains well-defined fund investment strategies as well as a clear delineation of its investment-decision process and strives to make decisions in a manner that considers the relative interest of each party.

ISSM, through its relationship with Invesco, may also use the analytical capabilities of analysts throughout the Invesco organization but the cost of these services is not passed through to clients.

ISSM and certain entities within Invesco, on behalf of their respective advisory clients, may make investments in different parts of the capital structure of the same company, in which case certain conflicts of interest, or the appearance of conflicts of interest, may arise. Such conflicts (or appearances thereof) are mitigated by the governance structures of ISSM and Invesco and policies by which each engage in independent decision-making and information barriers

Certain entities within Invesco, may be general partners or managers of investment-related entities, but ISSM's clients are not currently solicited to invest in those entities.

**Board Membership.** Personnel of ISSM may serve on the boards of directors or on creditor committees of companies whose instruments are held by certain Clients. Serving in this capacity may give rise to conflicts to the extent that such personnel's fiduciary duties to a company as a director may conflict with the interests of a Client. The Advisers evaluate any potential conflicts of interest that may arise in connection with such board service on an ongoing basis and in consultation with Compliance as appropriate.

**MNPI Matters.** The firm has adopted an insider trading policy which establishes an information barrier between ISSM, which regularly receives non-public information as a result of its investment activities, and other investment advisory affiliates in the Invesco organization, to control the flow of MNPI, prevent the misuse of insider information, and prevent the coordination of investment decisions among the investment advisory affiliates. ISSM, together with Invesco Private Capital, Inc. ("IPC") and WL Ross & Co. LLC ("WLR"), are situated on the "private side" of Invesco's information barrier and they share a single restricted list. Therefore, the receipt of MNPI by IPC or WLR will also restrict ISSM, and vice-versa, and may adversely impact each adviser's investments.

ISSM believes this separation of information is in the best interest of clients as it permits ISSM to pursue the investment objectives of the clients without reference to limitations resulting from investment activities of advisory affiliates. In the event such information is shared, controls are in place around the information in order to limit any potential conflicts of interest.

In addition, ISSM has adopted monitoring procedures that have been developed and designed to reasonably ensure compliance with federal securities laws. These procedures include the establishment of a Restricted List where securities placed on the restricted list limit ISSM's and its employees' trading activity due to the receipt of MNPI.

Under circumstances in which ISSM has established a plan or created instructions pursuant to Rule 10b5-1 under the Securities Exchange Act of 1934, as amended, ISSM may nevertheless trade the instruments about which it is aware of material non-public information but only for specific Clients for whom the plan or instructions pertains (currently Invesco Senior Loan ETF ("BKLN") and Invesco AAA CLO Floating Rate Note ETF ("ICLO")); accordingly, ISSM may not be able to trade the same securities for those Clients not subject to the plan or the instructions.

The Code is administered by the Compliance Department. The Compliance Department is responsible for interpreting the provisions of the Code, for adopting and implementing rules and procedures, for enforcing the provisions of the Code and for determining whether violations of the Code or of any such rules or procedures have occurred.

*The Code is available for review by Clients and prospective Clients upon request.*

## **Item 12 - Brokerage Practices**

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ISSM has the authority and responsibility to select brokers to execute Client account transactions. ISSM selects brokers based on their ability to provide best execution. ISSM generally conducts trading with those broker-dealers that have been vetted through and approved by Invesco. In selecting brokers or dealers, ISSM considers various factors, including, without limitation: the reputation, experience and financial stability of the broker-dealer; the ability to maintain ISSM's anonymity; the ability to provide competitive pricing; the size and timing of the transaction; the ability and willingness to commit capital and provide prompt and accurate execution and settlement; whether the broker-dealer makes a market in a security and/or finds sources of liquidity; the nature of the market for the security and the difficulty of execution; the broker-dealer's trading expertise, including its ability to minimize total trading costs and to trade without unduly impacting the market; the belief that the broker-dealer charges a fair and reasonable fee for each trade, and that the Clients have been treated fairly and honestly in prior trades; and the quality of execution, quality of the broker-dealer relationship, quality of service rendered by the broker-dealer in prior transactions, and quality of any investment ideas.

ISSM currently does not have any soft dollar nor directed brokerage arrangements. ISSM does not select or recommend broker-dealers to receive client referrals.

Research services received from brokers and dealers are generally supplemental to ISSM's own research efforts. To the best of ISSM's knowledge, these services are generally made available to institutional investors doing business with such broker-dealers. ISSM does not separately compensate such broker-dealers for the research and such services.

## **Item 13 - Review of Accounts**

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ISSM Client accounts are divided among investment professionals according to the investment strategy of the portfolio. Portfolios are typically monitored and reviewed by the investment personnel who handle the strategy on an ongoing basis and the applicable investment committee. Details of the monitoring vary based on the nature of the investment strategy. Additionally, the firm reviews each proposed investment to seek to ensure compliance with the applicable Client's governing documents and side letters, if any. Client investments are largely private and illiquid; accordingly, ISSM's review of them is not directed toward a short-term decision but rather an ongoing review of the portfolio of each Client to monitor performance and gauge the market for an optimal exit strategy.

Client account management may require portfolio managers and operations personnel to provide daily, monthly and/or quarterly reviews regarding specific Client account requirements to ensure that individual accounts comply with contractual guidelines and restrictions. The team also monitors individual account composition and performance in comparison to models and arrange for efficient investment and liquidation when cash deposits and disbursements are made. The frequency of reviews will vary depending on the type of investment activity. Other conditions that may trigger a review are changes in tax laws, new investment information, market conditions, and changes in a client's situation.

ISSM has adopted policies and procedures for incidents that establishes guidelines to ensure incidents are detected, communicated and corrected appropriately. In the event of an incident affecting a Client account, ISSM attempts to identify, research, and correct the incident as soon as practicable. The Client is made whole for any losses resulting from an incident caused by ISSM, while any gains realized would remain in the Client account.

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### **Reports**

ISSM's Clients receive written reports monthly, quarterly or annually as required by each Client's governing documents. These reports generally provide performance metrics, sector classifications, yield, income, portfolio composition and value, and purchases and sales. Reporting frequency and content may be tailored to Clients' particular needs. ISSM also furnishes Fund investors with annual audited financial statements or requested financial information as applicable, relevant tax forms and detailed capital call and distribution

statements. ISSM also generally provides Clients with periodic conference calls and holds investor meetings.

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

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### **Solicitors**

ISSM normally does not pay fees to persons for client referrals; however, in the event such fees are paid, ISSM would adhere to the relevant rules and regulations under the Advisers Act.

For certain clients, ISSM pays a portion of its management fees received from a Fund client to placement agents in connection with the sale of units or interests in a Fund client, or if the Fund client pays the placement agent directly ISSM will offset 100% of such placement agent fee against its management fee.

**Other Compensation.** It is ISSM's policy that if a portfolio manager, employee or a related person serves as a director on a board of directors (or in a similar capacity) of a portfolio company in which ISSM has invested on behalf of a Client account, compensation is either refused or credited to ISSM. ISSM will use such fees to offset a portion of the management fees charged to the relevant Client accounts, as described in the relevant governing documents. Additionally, portfolio companies may reimburse certain expenses such as board travel, litigation or research expenses.

## **Item 15 - Custody**

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ISSM does not act as a custodian for Client funds or securities. In certain cases, ISSM may be deemed to have direct or indirect "custody" within the meaning of Rule 206(4)-2 under the Advisers Act due to its or its affiliates' role as a general partner or managing member to an investment vehicle (or other similar structures). In these cases, Clients' assets are held by Qualified Custodians such as banks and/or broker-dealers. Further, for these Clients, audited financial statements are distributed to Fund investors within 120 days from the end of the respective Funds' fiscal year. In the event an investor has not received its audited financial statements timely, please contact the firm at the applicable phone number or at the address appearing on the cover page of this brochure.

## **Item 16 – Investment Discretion**

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ISSM has discretionary authority to invest Client portfolios including the amounts to be bought and sold, which broker-dealers to use, acceptable bid/ask spreads, or commission rates charged. Contract restrictions might include concentration limits, diversification criteria, liquidity requirements, maximum rates of turnover, specific asset allocations, prohibitions on investing in an issuer, class or sector, and direction to use specific broker dealers.

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## **Aggregation and Investment Allocation of Orders**

The same investment decision may be made for more than one Client account managed by ISSM. In those circumstances when multiple purchase and sell orders of the same instrument are received at the same time for different accounts, the orders for such transactions may be combined in order to seek best execution. Orders partially filled will, as a general matter, be allocated pro rata in proportion to each account's original order or account size, although exceptions may be made to avoid odd lots and de minimis allocations. ISSM will permit, in certain circumstances and in a manner that is fair and equitable to all clients, a non-pro rata allocation where the Distressed Debt Strategy team source an investment opportunity and elect to make such investment opportunity available to ISSM's non-Distressed Debt clients, subject to the procedures outlined in ISSM's allocation policies and procedures. Further secondary acquisitions of Middle Market loans will be subject to the same non-pro rata allocations when making such opportunities available to clients not managed by the Direct Lending Strategy team.

The allocation of investments across Clients' accounts is largely driven by thresholds established by the ICs. The ICs review analysts' recommendations for the potential purchase of new issues. They must also decide the suitability of each investment opportunity and on a global exposure limit for (i) aggregate exposure across all portfolios, (ii) types of portfolios (e.g., leveraged, non-leveraged, etc.), and (iii) individual portfolios that may supersede broader fund type strategies. Middle Market direct lending opportunities are generally allocated pro rata based on relevant Clients' capital availability for that strategy.

Execution prices for a combined order will generally be averaged so that each participating account receives the average price paid or received.

There is no certainty that allocation processes will in fact result in fair allocations, or that the investments will be allocated to all Clients equally. However, ISSM intends to allocate on a fair and equitable basis so that no one Client account is systematically advantaged.

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## **Cross and Principal Transactions**

Cross trades among Client accounts and principal transactions between an adviser and a Client are subject to procedural restrictions or prohibited by various laws and regulations, including the Advisers Act, the Investment Company Act and the Employee Retirement Income Security Act of 1974 ("ERISA"). Cross transactions are defined as the purchase or sale of a security directly between two ISSM clients, coordinated by ISSM. Principal transactions are defined as transactions where a proprietary ISSM account or a fund, client account or other vehicle controlled by ISSM purchases securities from a client or sells securities to a client.

Pursuant to Rule 206(3)-1 promulgated under the Advisers Act, an investment adviser may engage in principal transactions with certain Clients if it discloses the transaction to the Client in

writing and obtains the client's consent for each transaction at or before the completion of the transaction. Cross trades are permitted between eligible accounts only if the portfolio manager instructing the trade deems it in the best interest of both clients at the time and obtains advance compliance approval of the transaction.

Cross and principal transactions create potential conflicts of interest in that ISSM may have the opportunity to favor one client account over another.

ISSM is subject to rules and requirements that govern an adviser's ability to effect cross transactions for applicable accounts. For ISSM's Clients that are registered investment companies, it must effect the cross transactions pursuant to procedures adopted under Rule 17a-7 under the Investment Company Act. When ISSM Clients participate in principal transactions between ISSM and a Client or cross transactions among clients, such transactions are conducted in accordance with ISSM's policies and procedures. To the extent there is a transaction among the Clients that would be deemed a principal transaction, ISSM will follow its policies and procedures regarding principal transactions, including requesting the requisite consent from Clients or investors, as applicable. These policies and procedures are designed to ensure that all cross and principal transactions are effected in the best interest of all clients involved, are consistent with ISSM's duty to obtain best execution and are in compliance with applicable laws and regulations.

## **Item 17 - Voting Client Securities**

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ISSM does not generally vote proxies on behalf of its Clients' accounts, as proxy voting is not applicable to the bank loan asset class. However, we may occasionally participate in a loan workout or creditor committee and ISSM will represent its clients' long term best economic interest without regard for its own personal interest.

However, in the event ISSM is ever required to vote a proxy on behalf of a Client account due to a spin-off of securities received from a re-organization or a bankruptcy, ISSM has adopted a proxy voting policy that will vote all proxies in accordance with its policy of seeking its Clients' best long-term economic interest. A copy of the proxy voting policy and information as to how proxies, if any were voted is available upon request.

## **Item 18 - Financial Information**

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Registered investment advisers are required to provide certain financial information or disclosures about their financial condition. ISSM does not have any financial impairment that will preclude the firm from meeting contractual commitments to Clients.

A balance sheet is not required to be provided because ISSM does not serve as a custodian for client funds or securities and does not require prepayment of fees of more than \$1,200 per client, and six months or more in advance.



## **Item 19 - Requirements for State-Registered Advisers**

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Item 19 is not applicable, as ISSM is not a state-registered adviser. ISSM is federally registered with the SEC.