

## PAAMCO PRISMA, LLC

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### **BROCHURE** PURSUANT TO PART 2A OF FORM ADV

<http://www.paamcoprisma.com/>

Updated: March 30, 2023

This brochure provides information about the qualifications and business practices of PAAMCO Prisma, LLC (the **"Filing Adviser"**), Prisma Capital Partners LP (**"Prisma"**), PAAMCO Launchpad, LLC (**"PAAMCO Launchpad"**), PAAMCO Prisma Europe LLP (**"PAAMCO Prisma Europe"**), and Prisma Capital Management LLC (**"PCM"**). The combined enterprise conducts its advisory business under the name "PAAMCO Prisma."

If you have any questions about the contents of this brochure, please contact us at 949-261-4900. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (**"SEC"**) or by any state securities authority.

In this brochure, the Filing Adviser is referred to as a registered investment adviser under the Investment Advisers Act of 1940, as amended (the **"Advisers Act"**), and Prisma, PAAMCO Launchpad, PAAMCO Prisma Europe, and PCM are referred to as **"relying advisers."** SEC registration does not imply a certain level of skill or training.

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

## Item 2. Material Changes

Each of PAAMCO Prisma, LLC (the “**Filing Adviser**”, and formerly Pacific Alternative Asset Management Company, LLC) and Prisma Capital Partners LP (“**Prisma**”) is a wholly-owned subsidiary of PAAMCO Prisma Holdings, LLC. The term “**PAAMCO Prisma**” as used in this brochure refers, collectively, to the Filing Adviser and Prisma, and to each of their respective subsidiaries to the extent the context requires.

Prisma was originally founded in 2003 and registered as an investment adviser with the SEC in 2004. Prisma ceased filing a separate Form ADV with the SEC in 2019 and is now included in this brochure as a “relying adviser” of the Filing Adviser.

The brochure was last updated on March 30, 2022.

The material changes since the last annual update include:

- Item 5 – updated disclosure related to Molecule fees and expenses;
- Item 8 – reflects that the Apex Tactical Co-Investment Program is in the later stages of being wound down and, as a result, the Apex Credit Investment Committee is currently inactive;
- Item 13 – description of risk management’s review of investment guideline review for Molecule and MAP Funds.

All clients and investors are encouraged to read this amended brochure in its entirety which will include non-material changes not described above.

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## Item 4. Advisory Business

### Ownership/Structure

PAAMCO Prisma, LLC (the “**Filing Adviser**”), formerly Pacific Alternative Asset Management Company, LLC, was originally founded, and registered as an investment adviser with the Securities and Exchange Commission (“**SEC**”) in 2000.

Prisma Capital Partners LP (“**Prisma**”) was originally founded in 2003 and registered as an investment adviser with the SEC in 2004. In 2019, Prisma elected to cease filing a separate Form ADV with the SEC and is now a “relying adviser” of the Filing Adviser. The term “**PAAMCO Prisma**” as used in this brochure refers, collectively, to the Filing Adviser and Prisma, and to each of their respective subsidiaries to the extent the context requires.

Each of the Filing Adviser and Prisma is a wholly-owned subsidiary of PAAMCO Prisma Holdings, LLC (“**PPH**”), a holding company owned (A) 60.1% by PHoldings, LLC, a Delaware limited liability company, which in turn is owned by certain employees of PAAMCO Prisma, and (B) 39.9% by KKR Topaz LLC, an affiliate of KKR & Co. Inc. (together with its affiliates, “**KKR**”).

PAAMCO Prisma is led by Eric Wolfe as Chief Executive Officer and an Executive Committee comprised of Mr. Wolfe, as Chairperson, and other senior employees representing various departments within the firm (the “**Executive Committee**”). Collectively, the Executive Committee is responsible for the day to day management of PAAMCO Prisma. Most U.S.-based employees of the Filing Adviser and Prisma are “dual-hatted” and considered supervised persons of both entities.

Please refer to Item 10 for further information regarding PAAMCO Prisma, KKR and the ownership structure of PAAMCO Prisma.

### Advisory Services

As of December 31, 2022, PAAMCO Prisma had approximately \$8.1 billion in discretionary regulatory assets under management and approximately \$2.7 million in non-discretionary regulatory assets under management.

PAAMCO Prisma provides advisory services to a variety of Clients on either a discretionary or non-discretionary basis. The term “**Client**” as used in this brochure refers to the relevant legal entity to which PAAMCO Prisma provides investment advisory services pursuant to a written agreement. Clients are generally structured in one of two ways:

“**Funds**” - Funds are generally structured as pooled investment vehicles or single-owner investment vehicles (commonly referred to as “funds-of-one”). PAAMCO Prisma is generally the sponsor and controller of Fund vehicles.

“**Accounts**” – Accounts are separately managed accounts for which PAAMCO Prisma generally provides discretionary and/or non-discretionary investment services.

PAAMCO Prisma works with each Client to determine such Client’s specific investment objectives. During the course of these discussions, a Client may place various types of restrictions on the management of its account. For example, a Client may restrict investment in a certain industry, in Portfolio Funds (as defined below) that implement specific strategies or in a

specific region of the world. An investment in a Client that is structured as a commingled Fund generally may not impose restrictions on PAAMCO Prisma's investment discretion or the Fund's investment objectives.

Clients and their respective beneficial owners have varying business terms, including, but not limited to, differences in fees charged, redemption rights, information rights/reporting, functional currency, investment objectives and guidelines, and investment minimums.

PAAMCO Prisma's investment advisory services can be broadly categorized into two branches:

- Multi-asset investing programs which include PAAMCO Prisma's Molecule and Fund of Funds strategies; the Managed Account Platform; PAAMCO Launchpad Funds (each defined below); and certain non-discretionary services related thereto; and
- Co-investment programs which include Clients within the Apex strategies (defined below).

Certain Clients have customized mandates that allow for investments in multiple investment programs. Regardless of mandate, Clients can typically be structured as a Fund or Account depending on the nature of the beneficial owner's goals. More detailed information on the separate programs offered by PAAMCO Prisma can be found in Item 8.

#### Multi-Asset Investing Programs

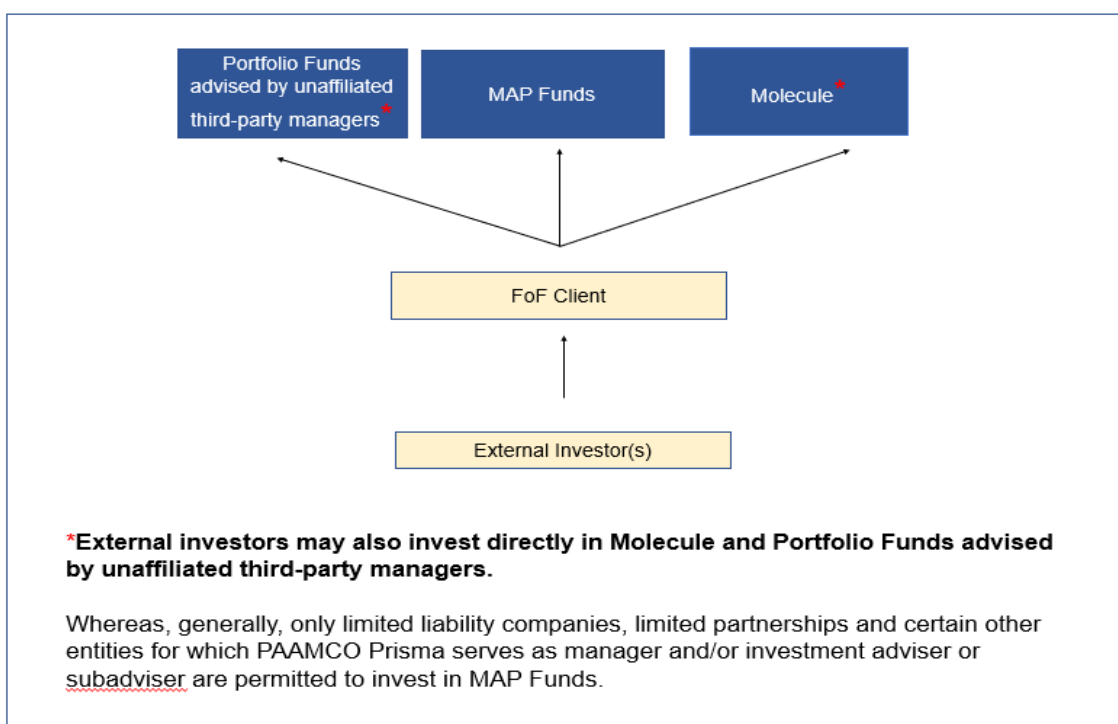
PAAMCO Prisma's multi-asset investing programs ("**Multi-Asset Investing Programs**"), primarily involve engaging third-party unaffiliated investment managers ("**Portfolio Managers**") to perform certain investment management services on behalf of the relevant PAAMCO Prisma Clients. Portfolio Managers generally implement these investment management services through investment funds or managed accounts ("**Portfolio Funds**"). PAAMCO Prisma implements the Multi-Asset Investing Programs in several different ways and Clients may pursue mandates through one or more programs as described below.

**Molecule Platform** - PAAMCO Prisma is the investment manager of a multi-trader, multi strategy platform investment program operated as a group of investment vehicles collectively referred to under the name "**Molecule**." The Molecule platform is structured as "master-feeder" funds that seek to achieve their investment objectives primarily through a multi-trader and strategy program by engaging Portfolio Managers to trade various investment programs in sub-accounts of the master fund (each sub-account, a "**Molecule Account**"). In addition to engaging Portfolio Managers for Molecule (each such Portfolio Manager, a "**Molecule Platform Manager**"), the Molecule funds have the ability to engage discretionary trading teams employed by PAAMCO Prisma to manage certain Molecule Accounts. Molecule Platform Managers manage the fund's assets on a discretionary basis, subject to certain trading restrictions and risk parameters. PAAMCO Prisma also, at times, places trades directly on behalf of Molecule to maintain risk discipline at the master fund's aggregate portfolio level (the "**Center Book**") or for other investment purposes in accordance with Molecule's guidelines. The specific authorities granted to the relevant Molecule Platform Manager are documented in a portfolio management agreement ("**PMA**") among PAAMCO Prisma, Molecule and the Molecule Platform Manager. These authorities generally include discretion over the specific securities or investments that are purchased for the applicable Molecule Account and the investment guidelines, risk parameters, draw-down triggers, and other terms under which such investments are made. Molecule is open to both direct investors and FoF Clients.

**Managed Account Platform** - PAAMCO Prisma is the investment manager of a managed account platform (the “**MAP**”). The MAP structure is comprised of several Cayman Islands Segregated Portfolio Companies (each, an “**SPC**”) in which PAAMCO Prisma delegates discretionary trading for each underlying segregated portfolio (collectively, “**MAP Funds**”) to Portfolio Managers (each such Portfolio Manager, a “**MAP Manager**”). Under the terms of the subadvisory agreement among the MAP Fund, the Filing Adviser, and the MAP Manager (“**Subadvisory Agreement**”), the MAP Manager is responsible for determining the specific securities and other investments to be bought and sold and for arranging the execution of all orders for the purchase and sale of such securities and other investments with respect to the applicable MAP Fund in accordance with the agreed upon mandate and investment guidelines. Generally, investors in MAP Funds currently consist of, and are expected to continue to be, only limited liability companies, limited partnerships, and certain other entities for which PAAMCO Prisma serves as manager and/or investment adviser or subadviser.

**Fund of Funds** - PAAMCO Prisma advises Clients with respect to diversified portfolios that are composed of Portfolio Funds structured as private investment partnerships or similar vehicles and managed by Portfolio Managers. These Portfolio Funds pursue a variety of investment strategies, including Convertible Bond Hedging, Distressed Investments, Event-Driven Equity, Equity Market Neutral, Fixed Income Relative Value, Long/Short Equity, Opportunistic, Global Macro, and Managed Futures. Clients participating in this fund of funds program, whether structured as Funds or Accounts, are referred to herein as “**FoF Clients**.” FoF Clients typically invest through Molecule, MAP Funds, or Portfolio Funds created and advised by unaffiliated third-party managers. For the avoidance of doubt, fees to PAAMCO Prisma are only charged at the level of the FoF Client.

### **PAAMCO Prisma FoF Investing Structure**



*PAAMCO Launchpad Funds* - PAAMCO Launchpad, a wholly-owned subsidiary and relying adviser of the Filing Adviser, launched in May 2018 as the manager of a hedge fund seeding platform. PAAMCO Launchpad's clients can include private funds or separately managed accounts that have a single investor or group of affiliated investors, or commingled funds (collectively, "**PAAMCO Launchpad Funds**" or "**Seeding Clients**") that invest in private funds ("**Seeded Funds**") operated by third-party investment managers ("**Seeded Managers**"). The PAAMCO Launchpad Funds intend to receive a share of the revenues received by the Seeded Managers from other investors in the Seeded Funds as well as other investment funds and accounts managed by the Seeded Managers. It is generally anticipated that the Seeded Managers will be newly-formed entities that have not yet raised significant outside capital. The Filing Adviser acts as subadviser to PAAMCO Launchpad and the PAAMCO Launchpad Funds. Further details regarding PAAMCO Launchpad's business can be found in Item 8.

Where the context so requires, the term "**Portfolio Funds**" as used in this Brochure also refers to MAP Funds, Molecule Accounts, and Seeded Funds in which PAAMCO Launchpad Funds invest, and the term "**Portfolio Manager**" as used in this Brochure also refers to MAP Managers, Molecule Platform Managers, and Seeded Managers.

As part of its ongoing evaluation of its Multi-Asset Investing Programs, PAAMCO Prisma may determine from time to time that a customized and dynamic investment mandate may be appropriate. PAAMCO Prisma reaches that determination in consultation with the applicable Portfolio Managers and provides that Portfolio Manager with the discretion to implement and pursue the agreed-upon mandate.

#### Co-Investment Programs

PAAMCO Prisma advises Clients with respect to co-investment and direct investments in a variety of financial instruments through its Apex strategies, PAAMCO Prisma Apex Credit, and PAAMCO Prisma Apex Tactical.

#### Apex Credit

PAAMCO Prisma Apex Credit ("**Apex Credit**") seeks to source, primarily from Portfolio Managers, co-investments in public and private market transactions including, but not limited to, mezzanine securities and mezzanine-like instruments, structured and illiquid credit, private debt and public debt, and pre-IPO equity (each, a "**Co-Investment**").

#### Apex Tactical

The PAAMCO Prisma Apex Tactical ("**Apex Tactical**") strategy sought to achieve its investment objective through investing in thematic tactical opportunities that are generally unconstrained by geography or asset type. PAAMCO Prisma strategically delegated trading authority with respect to specific investment themes to Portfolio Managers pursuant to separate sub-investment management agreements. Apex Tactical is no longer being offered to investors as the program is in the later stages of being wound down.

The Clients participating in Apex Credit and Apex Tactical, whether structured as a Fund or an Account, are referred to herein as "**Apex Clients**"

PAAMCO Prisma may, in the future, commence other strategies in addition to those described above.

## Other Services

### Advisory and Consulting

PAAMCO Prisma also provides advisory or consulting services to advisory clients (“**Strategic Advisory Clients**”) regarding their investment portfolios, or a specific asset class allocation within their investment portfolios. The relevant investment portfolio of the sole Strategic Advisory Client receiving such advisory/consulting services represented approximately \$6.0 billion as of December 31, 2022 and this client pays the fees for such services as part of its overall asset management fee arrangement (based on the account balance of the client's assets managed by the Adviser). These Strategic Advisory Client arrangements may also be structured as stand-alone arrangements. Advisory or consulting services performed by PAAMCO Prisma for a Strategic Advisory Client may vary during the term of the relevant agreement based on specific requests of the Strategic Advisory Client. Advisory or consulting services include without limitation: defining the goals and objectives of a specific asset class allocation with the Strategic Advisory Client; guidance on workouts or restructurings; providing general and investment-specific market insight and data; assistance in sourcing ideas; and providing general guidance on selection, execution and exit of a specific asset class allocation.

### New Business Lines

PAAMCO Prisma may develop new business lines in the future that could differ immaterially or materially from the business lines disclosed in this brochure. If such business lines differ materially, PAAMCO Prisma will amend this brochure to provide applicable disclosures.

PAAMCO Prisma does not participate in any wrap fee programs.

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

### PAAMCO Prisma Fees

This brochure is delivered only to Clients that are “qualified purchasers” as defined in section 2(a)(51)(A) of the Investment Company Act of 1940, as amended (“**Investment Company Act**”).

For discretionary services provided to Funds, PAAMCO Prisma generally receives management or administration fees, payable either quarterly in advance or monthly in arrears; and, in some cases, receives performance-based compensation, which is generally payable annually. In certain circumstances, these fees are subject to minimum annual amounts. The fees applicable to each Fund are more fully described in the relevant Fund's offering materials, disclosure documents, investment management agreements, and/or governing documents.

Management and administration fees are adjusted for additions made to a Fund by an investor that occur during a calendar month or quarter, as applicable. In addition, if management or administration fees are paid in advance, and an investor withdraws assets from the Fund mid-period, any unearned fee will be refunded. Fees payable by the Funds are generally deducted directly from the investors' accounts. Fees payable by a Fund with respect to certain large or other strategic investors (and borne by such investors), as well as other terms related to redemption rights, transfers and reporting are subject to negotiation based upon various factors such as the size of the investment or regulatory status of a particular investor. Any such arrangements or terms that differ from the applicable Fund's standard terms are generally set



forth in a side letter or similar agreement with the specific investor (see item 11 for additional information regarding side letters and other similar arrangements). In addition, investments in Funds by employees and other associated persons of PAAMCO Prisma, as discussed below in Item 6, are not subject to such fees.

The fees charged, and the terms of payment, for Accounts are subject to negotiation with each respective Client. Factors that are considered in the course of these negotiations include the size of the Account, the services provided, the reporting requirements of the underlying investor, and the Account's investment strategy, among other factors, and are set forth in the investment management agreements and/or other governing documents relating to such Account. Fees are generally payable quarterly in advance or monthly in arrears, as negotiated with the particular Client, and any performance-based compensation is generally paid annually. If Accounts are initiated during a calendar quarter, the Client will be charged a prorated fee. If fees are paid in advance and assets are withdrawn from an Account or the Account is terminated prior to the end of the period to which such fees relate, PAAMCO Prisma refunds any unearned fees. Investors in Accounts may be billed directly for fees or may authorize PAAMCO Prisma to directly debit fees from the Accounts, as negotiated with the particular Client.

PAAMCO Prisma does not receive a management or incentive fee with regard to the MAP Funds. Each MAP Manager generally receives (i) management fees in the range of 0 – 2.0% of, typically, net asset value, or, in some instances, a notional trading amount and (ii) incentive fees in the range of 0 – 20%, at times, subject to a high-water mark and/or a hurdle. In certain situations, a MAP Manager may not receive a management fee, but instead receive a draw or advance on its performance fee (a “**Draw**”). In some cases, for a MAP Manager entitled to a Draw, if a performance fee is earned but is less than the amount of the Draw, the difference between the Draw paid and the performance fee will carry over into subsequent years (an “**Accumulated Draw Deficit**”). In such a case, subsequent performance fees will be reduced by both the amount of the Draw in that year and any Accumulated Draw Deficit, until such Accumulated Draw Deficit has been reduced to zero (much like a high-water mark operates). For the avoidance of doubt, if a MAP Manager is terminated at a time when an Accumulated Draw Deficit exists, such amount is not recouped by the MAP Fund. In limited circumstances where a MAP Manager receives a Draw, and typically no management fee, the MAP Manager's incentive fee may exceed 20%.

On occasion, a MAP Manager will not receive a Draw or management fee, but rather the Portfolio Fund for which the MAP Manager conducts investment activities will be responsible for the “pass-through” expenses of the MAP Manager pertaining to its management of the relevant Portfolio Fund. Pass-through expenses would include, in addition to any of the types of expenses described below in “Expenses”, the Portfolio Fund's share of MAP Manager overhead expenses such as, among others, employee compensation (including, without limitation, salaries and draws, guarantees, “signing bonuses,” deferred compensation, bonuses and benefits, severance arrangements, relocation arrangements and non-competition covenant costs), office rent, computer hardware and software, research, travel, insurance costs and general operations and administration costs of the MAP Manager's business. Depending on the size of the MAP Manager's firm, this could equate to pass-through expenses in excess of the typical 0 – 2.0% management fee typically charged by other MAP Managers.

PAAMCO Prisma negotiates these fees with each MAP Manager independently, and such fees are ultimately approved by the Board of Directors of the respective umbrella fund or stand-alone fund. In certain circumstances, while a MAP Fund is in liquidation, the fees paid by the MAP Fund may be different than the fees described in the applicable Subadvisory Agreement.

Clients of the Filing Advisor and Prisma may participate in the same Portfolio Funds or MAP Funds on different fee or other terms at the Client level.

With respect to Molecule, PAAMCO Prisma is entitled to receive an administration fee, calculated and payable each calendar month in arrears at an annual rate of 0.50% of the balance of each investor's respective capital account. This administration fee is in consideration of certain costs associated with the investment program such as Portfolio Manager due diligence, investment management services, and operational costs. PAAMCO Prisma is also entitled to a performance fee from the Molecule funds calculated in accordance with terms set forth in the offering documents for the applicable Molecule Fund. Generally, the performance fee is calculated at the end of each calendar year. PAAMCO Prisma typically waives the administration fee and performance fee for its affiliates (including employees) and for certain share classes through which Clients invest. In addition to the administration fee and performance received by PAAMCO Prisma, Clients and other direct investors participating in Molecule will be allocated a pro rata portion of the fees paid to Portfolio Managers of Molecule Accounts, including to Portfolio Managers who are employees of PAAMCO Prisma. Such fees are negotiated with each Portfolio Manager on a case-by-case basis but generally are comprised of an incentive fee of 10% to 27.5% of the capital gains or appreciation of the Portfolio Manager's respective Molecule Account billed annually or at termination of the relevant PMA. Portfolio Managers will generally receive an advance on the incentive fee paid monthly and structured as a Draw (which is netted against any incentive fee paid at the end of any performance period) similar to the arrangement described above for the MAP Funds and in some cases will receive a management fee ranging from 0.0% to 1.50% of allocated capital which is negotiated with each Portfolio Manager individually. Also similar to MAP Funds, on occasion, a Portfolio Manager will not receive a Draw or management fee, but rather the Molecule Account for which the Portfolio Manager conducts investment activities will be responsible for the "pass-through" expenses of the Portfolio Manager pertaining to its management of the relevant Molecule Account. Allocated capital can be more than the net asset value attributed to a Portfolio Manager. For the avoidance of doubt, if a Portfolio Manager is terminated by the Adviser at a time when Draws paid exceed incentive fees earned, such amount is not recouped by Molecule. These fees paid to Portfolio Managers are charged to investors as expenses as described below.

The PAAMCO Launchpad Funds charge a management fee based on invested capital. PAAMCO Launchpad may pay all or a portion of the management fee that it receives to the Filing Adviser. No additional fees are paid by PAAMCO Launchpad Funds in connection with PAAMCO Launchpad's delegation of any of its duties or responsibilities to the Filing Adviser. In addition, the Filing Adviser or an affiliate will receive a percentage of the revenue share negotiated with the Seeded Managers. Because Seeded Managers may manage money for other business lines of PAAMCO Prisma, a conflict of interest exists between PAAMCO Prisma's financial incentive to allocate investments to managers where they participate in a revenue share and its fiduciary duty to all Clients. As further described in Item 10, the firm maintains a policy pursuant to which none of PAAMCO Prisma, PAAMCO Launchpad or any of their respective Clients will earn a revenue share on any capital allocated to a Seeded Manager by PAAMCO Prisma's other business lines (including, for the avoidance of doubt, Clients of Prisma). In certain cases, allocations from both PAAMCO Launchpad and other PAAMCO Prisma Clients are included in the calculation of a Seeded Manager's total assets under management ("Total AUM") which, in turn, serves as the basis for the rates for the revenue share to which PAAMCO Launchpad is entitled and the management and incentive fees charged to PAAMCO Launchpad Funds. To mitigate this conflict, the same Total AUM calculation and breakpoints are used in determining the management and incentive fees charged to other PAAMCO Prisma Clients. To the extent a Strategic Advisory Client or an investor in a Client makes an independent investment decision (*i.e.*, a decision not based

on investment advice provided by PAAMCO Prisma) to allocate assets directly to a Seeded Manager, it is expected that the Filing Adviser and/or PAAMCO Launchpad would earn a revenue share on such investment.

PAAMCO Prisma's fees and its compensation for its Strategic Advisory Clients are negotiated on a case-by-case basis.

PAAMCO Prisma's fees and compensation may be negotiated and thus may vary from the descriptions above.

### Expenses

Each investor in a Fund and each Account that invests in Portfolio Funds will also pay its pro rata portion of its and/or underlying Portfolio Funds' ongoing expenses. Ongoing expenses include transaction (e.g., brokerage commissions), administrative, directors' fees and expenses, insurance (including the maintenance of "directors and officers," "errors and omissions" and/or similar liability insurance for the benefit of PAAMCO Prisma, Portfolio Managers, or other persons that have been indemnified in relation to services provided to Clients, fidelity bonds, custody, legal, expenses related to regulatory filings, governmental fees, compliance reporting obligations, tax preparation, class-action, third-party proxy voting, audit and accounting expenses, the fees and expenses of third-party service providers as may be considered necessary by PAAMCO Prisma, pricing and valuation agents, and other expenses that are reasonably incurred in connection with the operation of the business and maintenance of the Clients and/or underlying Portfolio Funds. Clients invested in certain Portfolio Funds may also pay consultants' fees, litigation expenses, research expenses and/or reasonable investment-related entertainment and/or travel related to the management of such Portfolio Fund.

Certain Clients participating in strategies that use a "pass-through" expense model will also bear costs associated with Portfolio Managers procuring, developing, implementing, maintaining or performing systems, research and other information, including risk systems, information technology, data subscription and license-based services, research publications, materials, equipment and services, computer software or hardware and electronic equipment (including Bloomberg terminals and other communications systems and technology) in connection with providing services to Clients, in connection with identifying, investigating (and conducting diligence with respect to) or evaluating, structuring, consummating, holding, monitoring, or disposing of potential and actual investments, or in connection with obtaining or performing research related to potential or actual investments, industries, sectors, geographies or other relevant market, economic, geopolitical or similar data or trends, including risk analysis and compliance management with respect thereto.

Funds and Accounts may also be subject to different or additional expenses as are more fully described in the offering materials, disclosure documents, investment management agreements, and/or governing documents of such Clients. Investors in PAAMCO Launchpad Funds may also incur similar expenses.

*Additional Expenses Related to Molecule.* As stated above, PAAMCO Prisma generally does not charge Clients and other investors participating in Molecule a management fee, but instead charges an administration fee. In lieu of a management fee, Molecule follows a partial "pass-through" expense model similar to what is described above. In addition to the above expenses, Clients participating in Molecule are charged their pro rata portion of Molecule Platform Manager compensation relating to employees responsible for the investment performance of the relevant

Molecule Account. As stated above, this compensation is generally structured as a Draw against future incentive fees, notwithstanding that, in the case of a Portfolio Manager employed by PAAMCO Prisma, a portion of such Draw with respect to Molecule Accounts could be characterized as salary paid by the Client to employees of PAAMCO Prisma. Molecule also bears the costs associated with the hiring and onboarding of Portfolio Managers (including any costs associated with recruiting Portfolio Manager teams, setting up office space, training, and human resource systems).

*Additional Expenses Relating to Co-Investments.* Clients participating in Co-Investments will bear their pro rata share of expenses related to such Co-Investments in accordance with PAAMCO Prisma's expense allocation policy and in accordance with the governing documents of the respective Client. Three general categories of expenses may be allocated to and among Clients that participate in joint Co-Investments. These categories are discussed below under: (1) portfolio company-related expenses, (2) fund organizational, direct operational, and indirect operational expenses, and (3) sourcing and diligence expenses. The offering and governing documents of each Client contain more detailed information on the type of expenses that will be charged to such Client. If a Client is not permitted to bear all or a portion of any expenses related to Co-Investments under its governing documents or due to certain regulatory considerations, the pro rata share of such expenses that would otherwise be borne by such Client will be borne by PAAMCO Prisma. To the extent permitted under a Client's governing documents, in addition to using existing capital or, if applicable, calling capital to pay expenses, PAAMCO Prisma may advance funds on behalf of Clients for the payment of expenses and then be reimbursed through a reduction of subsequent distributions to the relevant Client or by reducing the amount of monitoring fees, transaction fees, and breakup fees allocable to such Client that would otherwise reduce management fees.

*Portfolio Company-Related Expenses.* When a portfolio company in which a Client is co-invested bears an expense directly, each direct and indirect equity owner of such company will indirectly bear a portion of such expenses. However, expenses may also be borne by (i) holding companies or other vehicles through which certain, but not all, of the direct and indirect equity owners of the portfolio company (including the Client) invest or (ii) the relevant Client. These expenses include those that are incurred in connection with the oversight of portfolio companies by third-party managers. When such expenses are borne by such holding companies or other vehicles or by a specific Fund or Account, such holding companies or the Fund or Account, as applicable, will bear a greater portion of such expenses than would be the case if the relevant portfolio company paid such expenses.

*Co-Investment Organizational and Direct and Indirect Operational Expenses.* These expenses are related to the organization, operation, and administration of vehicles through which a Client may participate in a Co-Investment and are not directly related to sourcing investments or to any particular portfolio company. These include expenses related to activities, operations, meetings, and eventual termination and liquidation of vehicles through which a Client may participate in a Co-Investment. Other situations and expenses may arise in the course of operation of the vehicles through which a Client may participate in a Co-Investment. Vehicles through which a Client participates in a Co-Investment will also pay comparable costs, fees, and expenses relating to any feeder funds, alternative vehicles, portfolio companies, or entities through which a Client invests that are not otherwise borne by such entities.

*Sourcing and Diligence Expenses.* These expenses relate more generally to investment sourcing and diligence for a particular investment strategy and include fees, costs, and expenses of identifying, investigating (including conducting diligence with respect to), evaluating, structuring, and negotiating potential investments for such strategy including, without limitation, finders fees

and other fees and expense reimbursements payable to third parties for sourcing transactions, and/or success fees, carried interest distributions in respect of specific investments, and/or other compensation tied to the success of investments sourced by such parties. These amounts include expenses incurred with respect to the pursuit of particular investments that are consummated as well as those investments that are not actually consummated (sometimes referred to as “broken deals”). Such expenses include fees and expenses of any legal, financial, accounting, consulting, or other advisors; fees and expenses of any lenders, investment banks, and other financing sources; any travel and accommodation expenses; and any deposits or down payments that are forfeited in connection with, or amounts paid as a penalty for, unconsummated transactions. Sourcing and diligence expenses for unconsummated transactions, under an established threshold, are generally charged to the Clients participating in the relevant strategy for which the particular investment opportunity relates based on several factors, including, but not limited to, such Clients’ available capacity for the relevant investment strategy based on their respective governing documents and investment mandate as well as their current net asset value, as applicable. If a Client’s governing documents do not permit “broken deal” expenses to be borne by such Client, then the pro rata share of such broken deal expenses that would otherwise be borne by the Client will be borne by PAAMCO Prisma.

Other sourcing and diligence expenses include certain organizational expenses (for example, those related to the establishment of a multi-investment platform for a strategy); legal, accounting, and other professional fees and expenses; travel costs (including first or business class airfare), lodging (including first class lodging), ground transportation (including black car services), and premium meals; costs and expenses of attending trade association meetings, conferences, or similar meetings to source and evaluate investment opportunities; fees and expenses of consultants; and costs and expenses of research and technology (including costs of specialty data subscription and license-based services and risk analysis software). Transaction expenses for consummated investments not reimbursed by a third party are generally allocated to the Clients based on the percentages of the investment held by the relevant vehicle.

#### Other Fees and Expenses

Each Client also pays its *pro rata* portion of the management fees, incentive fees (including any draws on unearned incentive fees) or incentive allocations, redemption fees, and expenses in respect of each Portfolio Fund (including a Seeded Fund) in which such Client is invested. These additional fees vary by Portfolio Manager but are generally in the range of (i) 0% per annum to 3.0% per annum for the management fees, typically calculated based on net asset value, or, in some instances, a notional trading amount and (ii) 0% to 30% for the performance-based compensation, subject, at times, to a high-water mark and/or hurdle. PAAMCO Prisma uses commercially reasonable efforts to negotiate the lowest possible fees when allocating the assets of Clients to Portfolio Funds but may not always be successful in doing so. In certain circumstances, while a Portfolio Fund is in liquidation, Clients may pay different fees than the fees described in the Portfolio Fund’s governing documents.

PAAMCO Prisma Europe receives fees for services from the Filing Adviser and does not receive any fees directly from any Clients. In addition, PAAMCO Prisma Europe receives a percentage of management fees, incentive fees and/or other fees paid to the Filing Adviser by any Client of the Filing Adviser referred by PAAMCO Prisma Europe.

Please see the response to Item 12 for additional information about brokerage commissions.

Neither PAAMCO Prisma nor any of its supervised persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

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

As stated in Item 5 above, PAAMCO Prisma charges some Clients performance-based fees, which are fees based on a share of capital gains on or capital appreciation of the Client's assets. The fact that PAAMCO Prisma is compensated based on trading profits may create an incentive for PAAMCO Prisma to make investments on behalf of certain Clients that are riskier or more speculative than would be the case in the absence of such compensation. In addition, the performance-based fee received by PAAMCO Prisma is based primarily on realized and unrealized gains and losses. As a result, the performance-based fee earned could be based on unrealized gains that Clients may never realize. Because PAAMCO Prisma receives performance-based fees from some Clients and not from others, there is a conflict of interest between PAAMCO Prisma's financial incentive to favor the higher fee-paying account and its duty to treat all clients fairly.

PAAMCO Prisma has adopted controls that are intended to ensure that no Clients are favored or disadvantaged on the basis of fees or for any other reason. PAAMCO Prisma's general allocation policy is to allocate investments fairly and equitably over time based on the appropriateness of the purchase or sale of a particular investment for each Client. PAAMCO Prisma may consider not only its Clients' guiding allocation objectives, but may also consider specific circumstances related to an account or an investment, including, among other considerations, cash available for investment in each client account, regulatory restrictions (such as capacity for investments subject to ERISA (as defined below)), timing of notice for subscription or redemption for each client account, allocation to other investments with similar market exposures, asset mix of each account, objectives and restrictions of each account, regulatory considerations, *de minimis* investment amounts, investment style and other investment considerations. As a result, PAAMCO Prisma may give advice or take action with respect to one Client that may differ from the advice given or action taken with respect to another Client having similar or differing investment objectives. Reallocations to and from Portfolio Funds may cause Clients to crystallize and pay the Portfolio Managers' performance fees and reset Portfolio Funds' high-water marks.

When limited investment or redemption capacity is available for a given opportunity, PAAMCO Prisma will generally allocate such investment opportunities on a *pro rata* basis, but may also consider specific circumstances related to an account or investment.

Further, where an investor submits a full redemption to liquidate an Account or investment in a Fund, PAAMCO Prisma may allow another Client to acquire investments from which the redeeming Client wishes to exit, where, in the case of Portfolio Funds, such Portfolio Funds are not currently in liquidation. This is generally accomplished by netting subscriptions and redemptions rather than through a cross-trade. In situations where multiple Clients could acquire all the aforementioned active Portfolio Funds in the aggregate, the Portfolio Funds would be allocated on a *pro rata* basis among such Clients.

Certain Clients are treated as "plan assets" for purposes of the fiduciary responsibility standards and prohibited transaction restrictions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and/or the parallel prohibited transaction excise tax provisions of Section 4975 of the Internal Revenue Code of 1986. For compliance and other reasons, certain Portfolio Funds may limit the amount of the investment made by a "plan assets" fund, or may prohibit such

investments altogether. As a result, allocations of investments to and redemptions from Portfolio Funds for “plan assets” and non-“plan assets” Clients may be different due to the ability or inability of different Portfolio Funds to accept assets subject to ERISA.

Employees and other associated persons of PAAMCO Prisma may invest directly into certain Funds. Such investors are generally not subject to management fees or performance based fees, but are subject to their *pro rata* share of Fund expenses. As these investments are made directly into Funds, PAAMCO Prisma does not view these arrangements as giving rise to the types of potential conflict of interest described above.

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

As noted in Item 4, PAAMCO Prisma provides investment management and advisory services to Clients that are generally organized as Funds, *i.e.*, private pooled investment vehicles or single-owner investment vehicles, and to Accounts, *i.e.*, separately managed accounts established for institutional investors.<sup>1</sup> With limited exception, interests in Client vehicles are generally only available to institutional investors and certain high net worth investors that are “accredited investors” and “qualified purchasers” or non-“U.S. persons” or in the case of employees, “knowledgeable employees”, within the meaning of the Securities Act of 1933, as amended, and the Investment Company Act, as applicable. Clients generally have a specified minimum investment amount as set forth in the offering materials, disclosure documents, and/or governing documents. These minimum amounts are subject to discretion on the part of PAAMCO Prisma and, as applicable, the board of directors and/or general partner of a Fund, on whether to permit investment of a smaller amount generally with respect to any investor.

A broad range of U.S. and non-U.S. institutional investors, including, among others, governmental and corporate pension and profit sharing plans (including investors regulated under ERISA), endowments and foundations, insurance companies, financial institutions, sovereign wealth funds, private wealth and other third-party distribution platforms, and certain high net worth individuals (including trusts, estates, 401(k) plans and IRAs of such individuals or their family members) and family offices, may be Clients or investors in Funds. Investors in Accounts generally must maintain a minimum account size as mutually agreed between the investor and PAAMCO Prisma.

PAAMCO Prisma also provides advisory/consulting services on Portfolio Fund investments to a single institutional client, a pension plan. PAAMCO Prisma Europe currently only provides advisory services to the Filing Adviser and Prisma. The Filing Adviser acts as subadviser to PAAMCO Launchpad and the PAAMCO Launchpad Funds.

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

### Methods of Analysis

#### Multi-Asset Investing Programs

PAAMCO Prisma pursues the applicable Client’s investment objectives by investing substantially all of the Client’s assets in a variety of Portfolio Funds covering many different investing styles.

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<sup>1</sup> Please note that while PAAMCO Prisma classifies “funds-of-one” as Funds as such term is defined and used in this Brochure, the same Clients may be considered “Separately Managed Accounts” as defined in, and for the purpose of, Part I of Form ADV.

PAAMCO Prisma systematically evaluates prospective Portfolio Managers prior to investing Client assets in a Portfolio Fund.

Prospective Portfolio Managers, excluding those for Molecule and PAAMCO Launchpad Funds, which are described separately below, are presented to the Multi-Manager investment committee (“IC”) for a vote on eligibility for investment by Clients. Generally, Portfolio Managers are registered as an investment adviser with the SEC or registered with a comparable regulatory body in their local jurisdiction (e.g., U.K. - Financial Conduct Authority, Singapore – Monetary Authority of Singapore, Hong Kong – Securities & Futures Commission, or to the extent an investment adviser only trades commodity interest in the U.S. – The Commodity Futures Trading Commission). PAAMCO Prisma typically conducts independent reviews of each potential Portfolio Manager by dedicated investment, risk, legal, and operations teams prior to making an initial allocation decision in respect of such Portfolio Manager. Depending on the structure, and thus operational risk profile, of a potential Portfolio Fund or investment, certain processes may vary. PAAMCO Prisma’s operational due diligence process typically consists of the following:

- Meetings both in person and via teleconference;
- Background checks on key personnel; and
- Legal counsel review of the offering materials, disclosure documents, investment management agreements, and/or governing documents of the potential Portfolio Fund or relevant investment.

If a prospective Portfolio Manager does not pass any one of these reviews, the prospective Portfolio Manager will typically not be considered for investment.

PAAMCO Prisma has created an ESG Taskforce (the “**Taskforce**”), comprised of leaders from legal, compliance, portfolio management, operations, and investor services. It is the goal of the Taskforce to evaluate and formalize how to incorporate ESG factors into the aforementioned investment process, as well as subsequent monitoring procedures once an investment has been made.

The IC has the ultimate responsibility to ensure that the due diligence process is complete, meets PAAMCO Prisma’s standards, and that the terms agreed to are consistent with PAAMCO Prisma’s investment policies, restrictions, and guidelines.

The research team lead is responsible for making investment and redemption recommendations to the IC which, in turn, is ultimately responsible for making specific allocation decisions for Clients. Each research team lead generally focuses on an investment strategy, asset class and/or geographic area, and will have primary ongoing responsibility for the relationship with the relevant Portfolio Managers within their areas of focus.

On an ongoing basis, PAAMCO Prisma analyzes Portfolio Funds and Portfolio Managers in which Clients invest using a variety of quantitative and qualitative criteria including historic performance, portfolio risk measures, exposure data, position concentrations and limits, the relevant experience of the Portfolio Managers, the business model of the Portfolio Managers’ organizations, the operational risk of the Portfolio Managers, and the financial commitment of the Portfolio Managers. PAAMCO Prisma maintains a proprietary database of qualitative and quantitative information. PAAMCO Prisma obtains such information regarding current and potential Portfolio Funds and Portfolio Managers from its business network (which includes investment managers, consultants, prime brokers and other service providers), various online data services, industry



publications, reports and other materials prepared by Portfolio Managers, and direct conversations with Portfolio Managers and their service providers.

Portfolio Managers are often engaged to perform more than one service. For example, a Portfolio Manager may be engaged to advise a commingled Portfolio Fund for FoF Clients and may also act as a subadviser to a MAP Fund and a Molecule Account. To the extent that Clients have investments that are managed, advised or subadvised by a Portfolio Manager across multiple separate structures, such investments may (i) have the same or different investment mandate, investment guidelines or restrictions; (ii) be made on similar or different terms, including, for the avoidance of doubt, with respect to fees and liquidity; and (iii) have different investment returns from those experienced by the other accounts. There is no guarantee that the performance of such separate Portfolio Funds managed by the same Portfolio Manager will be similar.

### Molecule

As discussed in Item 4, Molecule is organized as a “master-feeder” structure whereby the “master” fund is divided into separate sub-accounts and Molecule Platform Managers are engaged to provide investment services for their respective Molecule Accounts, employing a range of strategies generally falling under one or more of the following broad categories: equity, relative value, credit, and directional. Molecule Platform Managers are generally third-party managers operated as separate investment advisers, however certain Molecule Accounts may be managed by Molecule Platform Managers comprised of individuals who are employed by PAAMCO Prisma, unless Molecule is operated as a “plan asset” fund pursuant to ERISA. Molecule Platform Managers manage assets in Molecule Accounts on a discretionary basis, subject to certain trading restrictions and risk parameters. PAAMCO Prisma places trades on behalf of the Center Book.

PAAMCO Prisma selects and monitors Molecule Platform Managers through an ongoing diligence process that focuses on quantitative and qualitative assessments of the Molecule Platform Manager. Utilizing position-level transparency of the Molecule Accounts, PAAMCO Prisma seeks to evaluate that each of the Molecule Platform Managers is adhering to its stated strategy and that the Molecule Accounts are operated in an effective manner. Final decisions regarding transactions within the Center Book and regarding the allocation and reallocation of capital amongst the Molecule Accounts are the responsibility of the Molecule Capital Allocation Committee (the “**Molecule CAC**”). The Molecule CAC includes senior investment professionals responsible for overseeing PAAMCO Prisma’s relative value strategy and a subset of equity strategies. Certain Molecule CAC members are also members of the IC.

The Molecule Accounts invest in a wide variety of securities and instruments, both within and outside of U.S. markets, including, without limitation, equity securities, debt, debt-related instruments, currencies, commodities, futures contracts, options, swaps, contracts for difference and other derivative instruments. Although it is expected that Molecule will invest primarily in liquid instruments, Molecule Accounts may from time to time hold positions which are, or become, illiquid. PAAMCO Prisma and the Molecule Platform Managers with respect to their respective Molecule Accounts (but subject to certain guidelines), have the authority to borrow, trade on margin, utilize derivatives and otherwise obtain leverage from brokers, banks and others on a secured or unsecured basis. At times, the amount of leverage employed may be substantial.

### PAAMCO Launchpad Funds

PAAMCO Launchpad operates as a distinct business line with certain shared resources. Specifically, PAAMCO Launchpad exchanges certain information with, and relies on, certain of PAAMCO Prisma's other business lines described in this Item for purposes of performing services for the PAAMCO Launchpad Funds, and the Filing Adviser will act as subadviser to PAAMCO Launchpad and the PAAMCO Launchpad Funds. The Chief Executive Officer of PAAMCO Launchpad ("**Launchpad CEO**"), who will also serve as the Chair of the PAAMCO Launchpad Investment Committee, will have final investment decision-making authority and will not have any separate responsibilities to PAAMCO Prisma.

PAAMCO Launchpad's investment process begins with the sourcing of a potential Seeded Manager based on research from within PAAMCO Launchpad or other parts of PAAMCO Prisma or from discussions with investors in a PAAMCO Launchpad Fund. This is followed by the development of preliminary reports and analyses that are used to assess the potential Seeded Manager. If a decision is made to move forward following the preliminary evaluation, PAAMCO Launchpad will negotiate a term sheet with the Seeded Manager. Such negotiations may be parallel or in conjunction with a separate negotiation between the same Seeded Manager and PAAMCO Prisma's other Multi-Asset Investing Program business lines. After PAAMCO Launchpad and the Seeded Manager have agreed upon the term sheet (which will, in some circumstances, be subject to investor approval), PAAMCO Launchpad will then perform full due diligence on the potential investment by leveraging PAAMCO Prisma's existing Multi-Asset Investing Program operational and risk due diligence processes while also conducting additional diligence, including an investment memorandum approved by the Launchpad CEO.

Upon the completion of due diligence, attestations from legal, risk, compliance, operational due diligence and the portfolio management team are presented to the Launchpad Investment Committee. The Launchpad Investment Committee is comprised of senior professionals from portfolio management and operations. Following deliberations and approval by the Launchpad CEO, the investment recommendation will, if agreed between PAAMCO Launchpad and an investor in a PAAMCO Launchpad Fund, be presented to the investor for final review prior to investment.

The discussion above summarizes our investment process in effect as of the date of this Brochure. We have previously refined our investment process and expect to continue to refine our investment process from time to time. We may make material modifications to our investment process without notice to our Clients, unless notice is otherwise required.

### Co-Investment Program

Investment decisions with respect to the Apex Credit are made by the Apex Credit Investment Committee ("**Apex Credit IC**"). The Apex Credit IC includes senior investment professionals of PAAMCO Prisma. Given that the Apex Tactical Co-Investment Program is in the later-stages of being wound down, the Apex Tactical Investment Committee, which also included senior investment professionals of PAAMCO Prisma, is no longer active.

Apex Credit investment opportunities are generally sourced from or sponsored by: (i) Portfolio Managers; (ii) other investment managers that are not involved in PAAMCO Prisma's Multi-Asset Investing Program but with which PAAMCO Prisma has a business relationship; or (iii) PAAMCO Prisma internally.

In formulating its investment determination for Apex Clients, PAAMCO Prisma reviews and relies on the investment analysis and research conducted by the relevant PAAMCO Prisma research team or the applicable Portfolio Manager partnering with PAAMCO Prisma on the investment. PAAMCO Prisma performs a thorough review and analysis of the information that it obtains from these parties in order to determine whether the relevant Clients should participate in such transaction. PAAMCO Prisma may conduct additional investment due diligence as it determines necessary to make such determination.

With respect to Apex Credit, Co-Investments may also be sourced, to a limited extent, by KKR Credit Fund Advisors LLC (“**KKR Credit**”), based on investment allocations offered on an excess capacity basis only, after eligible KKR Credit and other relevant funds and accounts have obtained their target allocations. Co-Investments made by Apex Credit generally consist of specific targeted investments on behalf of a Client that are made typically through a separate co-investment vehicle or through a new class, series, or tranche of a Portfolio Fund, or directly in the asset itself.

### Customized Solutions

PAAMCO Prisma also provides customized solutions which consist of one or more of the above strategies. For customized Client portfolios, PAAMCO Prisma receives input from a combination of ICs and the relevant relationship manager when making a decision to allocate investment opportunities to the respective Client taking into account such Client’s investment guidelines and risk tolerances.

### Strategic Advisory Clients

PAAMCO Prisma provides advice to Strategic Advisory Clients regarding (1) defining the goals and objectives of a broad portfolio or specific asset class allocation; (2) workouts or restructurings; (3) general and investment-specific market insight and data; (4) sourcing ideas; and (5) selection, execution and exit of specific asset class allocations. For Strategic Advisory Clients, there generally will be processes and procedures agreed to with respect to Portfolio Funds and Portfolio Manager selection that are different than (and usually not as robust as) those described above, as provided in the relevant agreement with the applicable Strategic Advisory Client.

### Investment Strategies

With respect to the Multi-Asset Investing Program, Portfolio Managers employ investment strategies that cover a broad range of asset classes including private funds and other investment styles and strategies. PAAMCO Prisma generally views the private fund universe through the lens of broad categories: Credit, Directional, Equity, Relative Value and Niche/Tactical. Certain investment strategies that fall under these categories are described below. In some cases, an investment strategy may fall under more than one category.

### Credit

- Distressed: Portfolio Managers that focus on distressed debt strategies invest in the securities of companies that are experiencing financial or operational difficulties. Typically, based on manager style, a distressed debt hedge fund invests in bank debt, corporate debt, trade claims, common stock, or warrants. Distressed situations can include reorganizations, bankruptcies, distressed sales, and other corporate restructurings. The mispricing of these securities often occurs because traditional buyers often must sell the securities of troubled companies. When this happens, distressed debt Portfolio Managers attempt to capture substantial discounts to securities' intrinsic value.

### Directional

- Global Macro: Global Macro Portfolio Managers analyze how political, geopolitical and macroeconomic trends influence the valuations of financial instruments. Typically, these Portfolio Managers gain exposure to a wide array of instruments across global markets within a relatively flexible mandate.
- Managed Futures: Portfolio Managers that use a Managed Futures strategy generally employ a defined trading program that uses futures contracts and other instruments to gain exposures to a number of industries in a way that seeks to offer negative correlation with traditional stock and bond markets.
- Fixed Income Relative Value: Portfolio Managers employing these strategies seek to capture profit from structural inefficiencies in global, high-grade fixed income, foreign exchange, and relevant derivatives markets. Portfolio Managers can utilize macro strategies which rely on directional views based on policy or market technicals to create alpha. Portfolio Managers can also employ financial leverage to take advantage of pricing discrepancies between closely linked fixed income instruments. Generally, these strategies are positioned with moderate risk and attempt to take advantage of volatility and trends in interest rates, foreign exchange, and high-grade fixed income bond markets.
- Opportunistic Investments: This area aims to capitalize on exposures that lie outside of other sectors or that take advantage of shorter-term dislocations. Investments are typically made via focused mandates with asset-class-specific, specialist Portfolio Managers. Opportunistic investments may also include hedging mandates or the pursuit of other asymmetric investments.

### Equity

- Long/Short Equity: Long/short equity Portfolio Managers construct net long or net short portfolios by using equity hedging strategies. These strategies typically involve taking a long position in a stock while shorting an individual stock or broad-based market instrument. Net and gross exposures are managed in order to take advantage of both current market conditions and the resulting investment opportunity set. Long/short equity Portfolio Managers use short positions to hedge against a general stock market decline as well as to generate alpha.

- Event-Driven Equity: This broad strategy area focuses on event-driven trades implemented mainly through equity positions. In executing this strategy, Portfolio Managers seek to profit from discontinuities in the valuation of securities caused by “events.” These discontinuities may occur as a result of pending traditional merger and acquisitions negotiations, but also through pending restructurings, reorganizations, spin-offs, asset sales, liquidations and share class or company holdings being discounted.

In the case of merger arbitrage, typically the trade is to buy the equity of the target and sell short the equity of the acquirer, making a profit (capturing the “merger spread”) if the deal closes as expected. Portfolio Managers may go long or short the affected securities and will generally seek to hedge out risk on a position-by-position basis; in addition, many managers have overlay hedges at the portfolio level.

### Relative Value

- Equity Market Neutral: Equity market neutral Portfolio Managers construct portfolios that balance long and short positions in order to hedge systemic factors or exposures. Portfolios are generally constructed to be neutral across sectors, industries, and investment styles. Many equity market neutral Portfolio Managers use sophisticated, computer-run quantitative models to select stocks. These models are used to create both a statistical advantage in picking stocks and a strategic advantage in controlling exposure to systemic risk.
- Fixed Income Relative Value: Portfolio Managers employing these strategies seek to capture profit from structural inefficiencies in global, high-grade fixed income, foreign exchange, and relevant derivatives markets. Portfolio Managers can utilize macro strategies which rely on directional views based on policy or market technicals to create alpha. Portfolio Managers can also employ financial leverage to take advantage of pricing discrepancies between closely linked fixed-income instruments. Generally, these strategies are positioned with moderate risk and attempt to take advantage of volatility and trends in interest rates, foreign exchange, and high-grade fixed income bond markets.
- Convertible Bond Hedging: The convertible bond hedging sector seeks to generate profits by exploiting the change in relationship between a convertible bond and the underlying equity as the price of the underlying equity changes (*i.e.*, aiming to profit from the equity volatility in a hedged fashion). Typically, the trade is to be long a convertible bond and short a modeled ratio of stock against it. As the stock moves, the hedge ratio changes, and the stock is traded short or covered depending on the movement of the stock price. The sector also incorporates other hedged trades and aims to make money by exploiting relationships or dependencies within and between asset classes while avoiding direct market bias or directionality.
- Opportunistic Investments: This area aims to capitalize on exposures that lie outside of other sectors or that take advantage of shorter-term dislocations. Investments are typically made via focused mandates with asset-class specific, specialist Portfolio Managers. Opportunistic investments may also include hedging mandates or the pursuit of other asymmetric investments.

### Niche/Tactical

- Investment strategies falling under the Niche/Tactical area may include any strategy or combination of the investment strategies described above.

In addition to pursuing one or more of the above strategies, one or more Portfolio Managers may also engage in an activist strategy (an “**Activist Strategy**”), which involves shareholder activism that will attempt to influence the directors and/or management of target companies.

### Certain Risk Factors

This section gives more information on the material risks that may apply to a Client depending on its investment strategy. The following summaries do not purport to be a complete list or explanation of the risks involved in an investment in a Client or any underlying Portfolio Fund. The offering materials, disclosure documents and/or governing documents of each Client will typically include a more detailed summary of material risks applicable to such Client and its investment strategy and structure, as applicable, and should be read in conjunction with the discussion of risks below. The risks discussed below may be experienced by Clients directly or indirectly through Portfolio Funds.

*Potential Public Health Crisis.* A public health crisis, pandemic, epidemic or outbreak of a contagious disease, such as the outbreak of Coronavirus (or Covid-19), may have an adverse impact on global, national and local economies, which in turn could negatively impact PAAMCO Prisma and the Clients. Disruptions to commercial activity relating to the imposition of quarantines or travel restrictions (or more generally, a failure of containment efforts) may adversely impact the Client's investments. The imposition of travel restrictions may impact the ability of PAAMCO Prisma's personnel to travel in connection with potential or existing investments and could negatively impact the ability of PAAMCO Prisma to effectively identify, monitor, operate and dispose of investments. The outbreak of Coronavirus has contributed to, and may continue to contribute to, volatility in financial markets, including changes in interest rates. A continued outbreak could have material and adverse impact on the Clients' returns. The impact of a public health crisis such as the Coronavirus (or any future pandemic, epidemic or outbreak of a contagious disease) is difficult to predict, which presents material uncertainty and risk with respect to the Clients' performance.

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

*Investment Risks in General.* With the exception of Strategic Advisory Clients (where PAAMCO Prisma does not have discretion), Clients engage in speculative investment. The prices of securities and other assets in which the Portfolio Funds and Clients will invest may be volatile. Market movements are difficult to predict and are influenced by, among other things, government trade, fiscal, monetary and exchange control programs and policies; changing supply and demand relationships; national and international political and economic events; changes in interest rates; and the inherent volatility of the marketplace. In addition, governments from time to time intervene, directly and by regulation, in certain markets, often with the intent to influence prices directly. The effects of governmental intervention may be particularly significant at certain times in the financial instrument and currency markets, and such intervention (as well as other factors) may cause these markets and related investments to move rapidly.

*Investment Selection.* Portfolio Funds and Clients will acquire investment assets that have not yet been identified. Accordingly, prospective investors do not have an opportunity to review the terms upon which any assets are acquired prior to investing. The likelihood that a Client will realize gain depends on the skill and expertise of PAAMCO Prisma and/or the Portfolio Managers as applicable.

Some Portfolio Managers, as well as PAAMCO Prisma with respect to its Co-Investment programs, select investments in part on the basis of information and data filed by the issuers of such securities with various government regulators or made directly available to the Portfolio Managers, or PAAMCO Prisma, by the issuers of securities or through sources other than the issuers. A Portfolio Manager, or PAAMCO Prisma, is not in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information is not readily available.

*Multi-Manager Concept.* Clients participating in the Multi-Asset Investing Program invest substantially all or a significant portion of their assets in Portfolio Funds. While providing Clients with diversification, this multi-manager approach also exposes Clients to several layers of fees and expenses. In addition to the management fees and performance fees, if any, charged by PAAMCO Prisma, each Portfolio Fund will generally charge a management fee and/or a performance fee and generally incur expenses. These fees and expenses reduce the returns generated by the Clients and may, in the aggregate, be higher than fees and expenses charged by Portfolio Funds of a single Portfolio Manager.

Moreover, because the Portfolio Managers make their trading decisions independently, it is theoretically possible that one or more of such Portfolio Managers may, at any time, take investment positions that are opposite of positions taken by other Portfolio Managers. It is also possible that these Portfolio Managers may, on occasion, be competing with each other for similar positions at the same time. Also, a particular Portfolio Manager may take positions for its other clients that are opposite to positions taken for the Portfolio Fund in which a Client invests.

*Master-Feeder Structure.* Certain Clients invests through a “master-feeder” structure. Although a common investment fund structure, the “master-feeder” fund structure presents certain unique risks to investors. For example, a smaller feeder fund investing in a master fund may be materially affected by the actions of a larger feeder fund investing in the same master fund. If a larger feeder fund withdraws from the master fund, the remaining feeder fund may experience higher *pro rata* operating expenses, thereby producing lower returns. The master fund may become less diverse due to a withdrawal by a larger feeder fund, resulting in increased portfolio risk.

*Investment Strategies.* The success of the Clients depends on PAAMCO Prisma’s ability to select and allocate assets effectively, to select individual investments, to correctly interpret market data, anticipate future market movements, and otherwise implement its investment strategy.

In connection with the Multi-Asset Investing program, PAAMCO Prisma actively allocates and reallocates assets among various Portfolio Funds. There can be no assurance that the Clients will always be able to invest in a particular opportunity. No assurance can be given that the investment strategies to be used by the Clients or a Portfolio Fund will be successful under all or any market conditions.

***Illiquidity.*** Certain investments such as Co-Investments, and consequently, the Clients may not be able to sell such investments at prices that reflect the relevant PAAMCO Prisma's or a Portfolio Manager's assessment of their value or the amount paid for such investments. Illiquidity may result from the absence of an established market for the investments, as well as legal, contractual or other restrictions on their resale by the Client and other factors. Furthermore, the nature of certain investments may require a long holding period prior to profitability. To the extent a Client invests in small or unseasoned companies, in many instances, the frequency and volume of trading in their securities is substantially less than is typical of larger companies, and selling such securities at appropriate prices may be difficult, subject to substantial delay or ultimately impossible.

***Possible Effect of Substantial Withdrawals.*** Substantial withdrawals from a Client that is a commingled Fund could require the Client to redeem or liquidate its investments more rapidly than otherwise desired in order to raise the cash necessary to fund the withdrawals. Illiquidity in certain markets could make it difficult to liquidate positions on favorable terms, which could result in losses or a decrease in the net asset value of the Client.

***Dependence on Unaffiliated Portfolio Managers.*** PAAMCO Prisma will not usually have direct control over a Client's underlying investments once they are allocated to Portfolio Funds; therefore, each such Client is highly dependent upon the expertise and abilities of the Portfolio Managers who have investment discretion over Client assets invested with them. Therefore, the death, incapacity or retirement of the employees or principals of the Portfolio Manager of any Portfolio Fund, as well as the investment decisions made by any Portfolio Manager, may adversely affect a Client's investment results. Furthermore, even though PAAMCO Prisma analyzes Portfolio Funds and their Portfolio Managers prior to investing Client assets, and monitors Portfolio Managers' performance and generally receives portfolio information from each Portfolio Manager on an ongoing basis, there is no guarantee that the information PAAMCO Prisma receives will always be complete or accurate. As such, it may not be possible for PAAMCO Prisma to timely uncover fraudulent activity perpetrated by one or more Portfolio Funds or their Portfolio Managers.

***Segregated Portfolio Structure Untested.*** With respect to the MAP Funds, each segregated portfolio company can operate its segregated portfolios with the benefit of statutory segregation under Cayman Islands law of assets and liabilities between each segregated portfolio. Although not judicially tested, the principal advantage of a Cayman Islands segregated portfolio company is that it protects the assets of one segregated portfolio from the liabilities of other segregated portfolios under the law of the Cayman Islands. However, it is uncertain whether such segregation of assets and liabilities would be enforced in jurisdictions outside of the Cayman Islands.

***Limited Asset Allocation Flexibility.*** A Client may be restricted in its ability to allocate capital and control risk given various limitations on the liquidity of Portfolio Funds and certain other investments. Portfolio Funds may permit redemptions only on a semi-annual, annual, or less frequent basis and/or be subject to "lock-ups" (where investors are prohibited from redeeming their capital for a specified period following investment in such fund or, in certain cases, subject to a redemption fee with respect to any redemptions during such period) and/or "gates." A Client could be unable to redeem its capital from Portfolio Funds in which it invests for an extended period after it is determined that the Portfolio Manager operating such Portfolio Fund has begun to deviate from its announced trading policies and strategy.



*Reliability of Valuations.* A Client's interest in a Portfolio Fund is generally valued at an amount equal to the Client's pro rata interest in such Portfolio Fund, as determined pursuant to the instrument governing such Portfolio Fund and reported by the Portfolio Manager of the relevant Portfolio Fund or its administrator. As a general matter, the governing instruments of the Portfolio Funds provide that any securities or investments that are illiquid, not traded on an exchange or in an established market, or for which no value can be readily determined are assigned such fair value as the respective Portfolio Managers may determine in their judgment based on various factors, which include, but are not limited to, dealer quotes or independent appraisals, and may include estimates. PAAMCO Prisma generally relies on these valuations in calculating a Client's net asset value for reporting, withdrawals, fees and other purposes. Such valuations may not be indicative of what actual fair market value would be in an active, liquid, or established market.

*Variations in Valuation.* The value of an instrument held by a Client directly or through a Portfolio Fund may vary from the value of the same or a similar instrument held by another Client or Portfolio Fund for various reasons including, but not limited to, the pricing vendors used and/or pricing methods adhered to by the administrator of one Client or Portfolio Fund versus the administrator used by another Client or Portfolio Fund.

*Early Stage or Emerging Portfolio Managers.* A Client will often directly or indirectly invest a portion of its assets in Portfolio Funds managed by "Early Stage" or "Emerging Portfolio Managers." PAAMCO Prisma generally classifies a Portfolio Manager as early stage or emerging if it is less than two years old and/or has less than \$500 million in assets under management at the time of initial investment by the first Client. Early Stage or Emerging Portfolio Managers may have less experience managing their respective Portfolio Funds and in operating an investment management firm than other Portfolio Managers that have been in business for a longer period of time. The relatively shorter operational experience of Early Stage or Emerging Portfolio Managers could lead to greater losses for their respective Portfolio Funds and for a Client than if the Client had invested in funds managed by more experienced Portfolio Managers under similar circumstances.

*Third-Party Data.* In performing its duties with respect to Clients, PAAMCO Prisma relies upon information provided by Portfolio Managers, their respective agents and representatives and other third parties (all such information, the "**Third-Party Data**"). PAAMCO Prisma makes no representations or warranties as to the general accuracy, time accuracy, historical accuracy, completeness, integrity or any other aspect of the Third-Party Data or its content.

*Risk Management Control Issues.* Portfolio Managers of the Portfolio Funds may use proprietary investment strategies that are not fully disclosed to PAAMCO Prisma. These strategies may involve risks under certain market conditions that have not been anticipated by the Portfolio Managers of the Portfolio Funds. PAAMCO Prisma's inability to control the frequency, quantity or quality of information obtained from Portfolio Funds regarding their investment portfolios may make it difficult or impossible for PAAMCO Prisma to implement its risk management strategies as intended. There can be no assurance or guarantee that a Portfolio Fund, and, therefore, a Client, will be profitable even if PAAMCO Prisma is able to implement its risk management strategies as intended.

*Concentration Risk.* PAAMCO Prisma, from time to time, consults with certain Portfolio Managers about making tactical changes that are often short-term in nature, such as the decision to exceed an investment guideline by making concentrated investments, increasing or decreasing exposure to a specific asset class, increasing or decreasing exposure to a theme and/or

increasing or decreasing a hedge position in a Portfolio Fund. Concentrating the assets of a Client or a Portfolio Fund in a specific asset class, theme or financial instrument means there is less diversification in that portfolio and a change in value of the asset class, theme or financial instrument could be magnified as a result of such concentration.

***Cybersecurity Risk.*** The information and technology systems of PAAMCO Prisma and of key service providers to PAAMCO Prisma and/or its Clients may be vulnerable to potential damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages, and catastrophic events such as fires, tornadoes, floods, hurricanes, and earthquakes. Although PAAMCO Prisma has implemented various measures designed to mitigate risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time, or cease to function properly, it may be necessary for PAAMCO Prisma to make a significant investment to fix or replace them and to seek to remedy the effect of these issues. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the operations of PAAMCO Prisma and/or its Clients and result in a failure to maintain the security, confidentiality, or privacy of sensitive data, including personal information.

#### Risks Related to the Portfolio Funds and Clients Investing Directly

The following additional risks apply to investments by Portfolio Funds and Clients whose mandate allows for direct investments instead of, or in addition to, investments through Portfolio Funds:

***Equity Securities.*** The value of securities held by a Portfolio Fund or held directly by a Client is subject to market risk, including changes in economic conditions, growth rates, profits, interest rates and the market's perception of these securities. A Client's net asset value will increase and decrease, reflecting fluctuations in the value of securities held by such Client or by a Portfolio Fund in which such Client is invested.

***Long Only Strategies.*** Some Portfolio Funds and certain Clients will engage in long only strategies. Consequently, the relevant Portfolio Funds or Clients may be less hedged than other private investment funds that engage in short selling or hedging techniques. Accordingly, the relevant Portfolio Funds or Clients may be subject to more rapid change in value than would be the case if required to maintain a wider diversification among types of securities and other instruments, or if the relevant Portfolio Funds or Clients engaged in short selling or hedging techniques.

***Short Selling.*** Some of the Portfolio Funds and certain Clients will engage in short selling, both as part of their general investment strategy and for hedging purposes. Short selling involves selling securities that are not owned and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows a Portfolio Fund or Client, as applicable, to profit from declines in market prices to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. However, since the borrowed securities must be replaced by purchases at market prices in order to close out the short position, any appreciation in the price of the borrowed securities would result in a loss upon such repurchase. A Portfolio Fund's or Client's obligations under its securities loans will be marked to market daily and collateralized by that Portfolio Fund's or Client's assets, held at the broker, including its cash balance and its long securities positions. Because securities loans must be marked-to-market daily, there may be periods when the securities loan must be settled prematurely, and a substantial loss would occur.

Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. Short selling exposes a Portfolio Fund or Client to unlimited risk with respect to that security due to the lack of an upper limit on the price to which an instrument can rise.

Several stocks have recently been targeted for trading by participants on social media platforms, in part due to the amount of short interest in the stocks. If a Portfolio Fund or Client trades in a manner to benefit from the decline in value of a stock (especially if others also trade a substantial amount), the short interest may attract social media attention and related trading. Given changes to market structure and the low cost of trading for retail investors, the volume of trading related to social media attention may be significant. As the borrowing costs increase as the price of a stock increases (and may typically only be ended through purchases of securities), social-media-related trading may cause a Portfolio Fund or Client to incur outsize losses or to exit short positions earlier than it normally would so exit. In addition, if a Portfolio Fund or Client itself is targeted by social media groups, its publicly reported short-aligned interest, such as put options, may attract buying. It is possible that Congress and regulators may react to the volatility related to social-media-related trading and restrict, or require the public reporting of, short interests, which may limit a Portfolio Fund or Client's ability to achieve its trading objectives.

*Investments in Initial Public Offerings.* Some of the Portfolio Funds and certain Clients may invest in initial private offerings. Investments in initial public offerings (or investments made in an issuer shortly after its initial public offering) may involve higher risks than investments issued in secondary public offerings or purchases on a secondary market due to a variety of factors, including, without limitation, the limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the issuer and limited operating history of the issuer. In addition, some companies in initial public offerings are involved in relatively new industries or lines of business, which may not be widely understood by investors. Some of these companies may be undercapitalized or regarded as developmental stage companies, without revenues or operating income, or the near-term prospects of achieving them. These factors may contribute to substantial price volatility for such securities.

*Repurchase Agreements and Reverse Repurchase Agreements.* Portfolio Funds and certain Clients may use repurchase agreements and reverse repurchase agreements to finance the purchase of assets. In a reverse repurchase agreement, the Portfolio Fund or the Client, as applicable, sells a financial instrument at one price and simultaneously agrees to buy it back from the purchaser at a higher price on a later date. This type of arrangement is effectively a secured borrowing by the Portfolio Fund or the Client. The use of reverse repurchase agreements involves many of the same risks of leverage since the proceeds derived from such reverse repurchase agreements may be invested in additional investments. Reverse repurchase agreements involve the risk that the market value of the investments acquired with the proceeds of the reverse repurchase agreement may decline below the price of the financial instrument the Portfolio Fund or Client has sold but are obligated to repurchase. If the buyer of the financial instrument under a reverse repurchase agreement files for bankruptcy or becomes insolvent, such buyer or its trustee or receiver may receive an extension of time to determine whether to enforce the Portfolio Fund's or the Client's obligation to repurchase the financial instrument, and the Portfolio Fund's or the Client's use of the proceeds of the reverse repurchase agreement may effectively be restricted pending such decision. Also, the Portfolio Fund or the Client would bear the risk of loss to the extent that the proceeds of the reverse repurchase agreement are less than the value of the financial instrument subject to such agreement.

In a repurchase agreement, a Client buys a financial instrument at one price and simultaneously agrees to sell it back to the seller at a higher price on a later date. Repurchase agreements could involve risks in the event of a default or insolvency of the other party to the agreement, including possible delays or restrictions upon the Portfolio Fund's or the Client's ability to dispose of the underlying financial instrument.

*Debt and Other Income Securities.* Some of the Portfolio Funds and certain Clients may invest in fixed-income and adjustable-rate securities. Income securities are subject to interest rate, market and credit risk. Interest rate risk relates to changes in a security's value as a result of changes in interest rates generally. Even though such instruments are investments that may promise a stable stream of income, the prices of such securities are inversely affected by changes in interest rates and, therefore, are subject to the risk of market price fluctuations. In general, the values of fixed income securities increase when prevailing interest rates fall and decrease when interest rates rise. Because of the resetting of interest rates, adjustable-rate securities are less likely than nonadjustable-rate securities of comparable quality and maturity to increase or decrease significantly in value when market interest rates fall or rise, respectively. Market risk relates to the changes in the risk or perceived risk of an issuer, country or region. Credit risk relates to the ability of the issuer to make payments of principal and interest. The values of income securities may be affected by changes in the credit rating or financial condition of the issuing entities. Income securities denominated in non-U.S. currencies are also subject to the risk of a decline in the value of the denominating currency relative to the U.S. dollar.

The debt securities in which the Portfolio Funds and Clients may invest are not necessarily required to satisfy any minimum credit rating standard and may include instruments that are rated lower than investment grade, which can be considered speculative and at an enhanced risk of default.

*Prepayment Risk.* Prepayment risk refers to the risk that the issuers of bonds will prepay (call) them prior to the bond maturity dates at a time when interest rates have declined. This risk is sometimes also known as "call risk." If interest rates decline, Portfolio Funds or Clients may have to reinvest the proceeds in bonds with lower interest rates, which can reduce the return.

*Rating Agency Risk.* Portfolio Funds and certain Clients may purchase securities rated by a rating agency. PAAMCO Prisma or a Portfolio Manager may use these ratings to determine whether to purchase, sell or hold a security. Ratings are general and are not absolute standards of quality. Securities with the same maturity, interest rate and rating may have different market prices. Credit ratings attempt to evaluate the safety of principal and interest payments and do not evaluate the risks of fluctuations in market value. In addition, rating agencies may fail to make timely changes in credit ratings. An issuer's current financial condition may be better or worse than a rating indicates.

*Residential Mortgage-Backed Securities.* Holders of residential mortgage-backed securities ("RMBS") bear various risks, including credit, market, interest rate and structural and legal risks. RMBS represents interests in pools of residential mortgage loans secured by one- to four-family residential mortgage loans. Such loans may be prepaid at any time. Residential mortgage loans are obligations of the borrowers thereunder only and are not typically insured or guaranteed by any other person or entity. The rate of defaults and losses on residential mortgages will be affected by a number of factors, including general economic conditions and those in the area where the related mortgaged property is located, the borrower's equity in the mortgaged property and the financial circumstances of the borrower. If a residential mortgage loan is in default, foreclosure of such residential mortgage may be a lengthy and difficult process and may

involve significant expenses. Residential mortgage loans may be more susceptible to geographic risks relating to an area in which the collateral is concentrated, such as adverse economic conditions, adverse events affecting industries located in such area and natural hazards affecting such area, than would be the case for a pool of mortgage loans having more diverse property locations.

Residential mortgage loans in an issue of RMBS may be subject to various federal and state laws, public policies and principles of equity that protect consumers, which among other things may regulate interest rates and other charges, require certain disclosures, require licensing of originators, prohibit discriminatory lending practices, regulate the use of consumer credit information and regulate debt collection practices. Violation of certain provisions of these laws, public policies and principles may limit the servicer's ability to collect all or part of the principal of or interest on a residential mortgage loan, entitle the borrower to a refund of amounts previously paid by it, or subject the servicer to damages and sanctions. Any such violation could also result in cash flow delays and losses on the related issue of RMBS.

*Risks Associated with Commercial Mortgage-Backed Securities.* The value of commercial mortgage-backed securities ("**CMBS**") will be influenced by factors affecting the value of the underlying real estate portfolio, and by the terms and payment histories of such CMBS. The value of CMBS to which a Portfolio Fund or certain Clients may be indirectly exposed generally will have an inverse relationship with interest rates. Accordingly, if interest rates rise, the value of such securities will decline. In addition, to the extent that the mortgage loans which underlie specific mortgage-backed securities are prepayable, the value of such mortgage securities may be negatively affected by increasing prepayments, which generally occur when interest rates decline. Typically, commercial mortgage loans are not prepayable or are subject to prepayment penalties or interest rate adjustments, while the principal on most residential mortgage loans generally may be prepaid at any time without penalty.

*Forward Commitments; When-Issued Securities.* Portfolio Funds and certain Clients may purchase securities on a forward commitment or when-issued basis and sell securities on a forward commitment basis, which means that delivery and payment take place a number of days after the date of the commitment to purchase or sell. The payment obligation and the interest rate receivable or payable on a forward commitment purchase or sale or when-issued security are fixed when a Portfolio Fund or a Client enters into the commitment, but it does not make or receive payment until it receives delivery from, or makes delivery to, the counterparty.

Securities purchased on a forward commitment or when-issued basis (and securities sold on a forward commitment basis) are subject to changes in value (generally, with respect to debt securities, changing in the same way, *i.e.*, appreciating when interest rates decline and depreciating when interest rates rise) based upon the public's perception of the creditworthiness of the issuer and changes, actual or anticipated, in the level of interest rates. Securities purchased on a forward commitment or when-issued basis may expose a Portfolio Fund or a Client to risks because they may experience such fluctuations prior to their actual delivery. Purchasing securities on a when-issued basis can involve the additional risk that the yield available in the market when the delivery takes place actually may be higher than that obtained in the transaction itself. Purchasing securities on a forward commitment or when-issued basis when a Portfolio Fund or a Client is fully or almost fully invested may result in greater potential fluctuation in the value of that investment. When a Portfolio Fund or a Client sells a security on a forward commitment basis, it does not participate in further gains or losses with respect to the security.

*Convertible Securities.* Portfolio Funds and certain Clients may invest in convertible securities. Convertible securities are bonds, debentures, notes, preferred stock or other securities that may be converted into or exchanged for a specified amount of common stock of the same or different issuer within a particular period of time at a specified price or formula. A convertible security entitles its holder to receive interest that is generally paid or accrued on debt or a dividend that is paid or accrued on preferred stock until the convertible security matures or is redeemed, converted or exchanged. Convertible securities have unique investment characteristics in that they generally (i) have higher yields than common stocks, but lower yields than comparable non-convertible securities; (ii) are less subject to fluctuation in value than the underlying common stock due to their fixed-income characteristics; and (iii) provide the potential for capital appreciation if the market price of the underlying common stock increases.

The investment value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors may also have an effect on the convertible security's investment value. The conversion value of a convertible security is determined by the market price of the underlying common stock. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the price of the convertible security will be increasingly influenced by its conversion value. A convertible security generally will sell at a premium over its conversion value by the extent to which investors place value on the right to acquire the underlying common stock while holding a fixed-income security. Generally, the amount of the premium decreases as the convertible security approaches maturity.

A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security held by a Portfolio Fund or a Client is called for redemption, it will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third-party. Any of these actions could have an adverse effect on the Portfolio Fund or the Client's ability to achieve its investment objective.

*High-Yield Securities.* Portfolio Funds and certain Clients may invest in high-yield securities, which are generally unrated or rated below investment grade and may be considered speculative. Such securities are generally not exchange-traded and, as a result, these instruments trade in the over-the-counter marketplace, which is less transparent than the exchange-traded marketplace. In addition, a Portfolio Fund or a Client may invest in bonds of issuers that do not have publicly traded equity securities, making it more difficult to hedge the risks associated with such investments. High-yield securities face ongoing uncertainties and exposure to adverse business, financial or economic conditions, which could lead to the issuer's inability to meet timely interest and principal payments. The market values of certain of these lower-rated and unrated debt securities tend to reflect individual corporate developments to a greater extent than do higher rated securities (which react primarily to fluctuations in the general level of interest rates) and tend to be more sensitive to economic conditions than are higher-rated securities. Companies that issue such securities are often highly leveraged and may not have available to them more traditional methods of financing. A major economic recession could disrupt severely the market for such securities and may have an adverse impact on the value of such securities. In addition, it is possible that any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default of such securities.

*Distressed Securities.* Portfolio Funds or certain Clients may invest in securities issued by companies in weak or deteriorating financial condition, experiencing poor operating results,

needing substantial capital investment, facing special competitive or product obsolescence problems or involved in bankruptcy or reorganization proceedings. Securities of this type may involve substantial financial and business risks, which are often heightened by an inability to obtain reliable information about the issuers. Among the risks inherent in investments in troubled companies is the fact that it frequently may be difficult to obtain information as to the true condition of such companies. Such investments may also be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate or disenfranchise particular claims. Such companies' securities may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. There is no assurance that PAAMCO Prisma or a Portfolio Manager will correctly evaluate the value of the assets underlying distressed securities or the prospects for a successful reorganization or similar action. Investments of this type are complex in their analysis, require significant resources and may involve substantial financial and business risk and can result in significant or even total losses to the Portfolio Funds or Clients.

The market for distressed securities is expected to be less liquid than the market for securities of companies that are not distressed. A substantial length of time may be required to liquidate such securities. Furthermore, at times, a major portion of an issue of distressed securities may be held by relatively few investors, and the market may be limited to a narrow range of potential counterparties, such as institutions and investment banks. Under adverse market or economic conditions or in the event of adverse changes in the financial condition of the issuer, the it may be more difficult to sell such securities when PAAMCO Prisma or the relevant Portfolio Manager, as applicable, believes it advisable to do so or may only be able to sell such securities at a loss. It may also be more difficult to determine the fair market value of distressed securities for purposes of computing a Portfolio Fund or a Client's net asset value. In some cases, the Portfolio Fund or the Client may be prohibited by contract from selling distressed securities for a period of time. There is, therefore, a significant risk that the investment by a Portfolio Fund or a Client in companies involved in distressed securities could expose the them to significant losses.

*Foreign Sovereign Debt.* Sovereign debt includes bonds that are issued by foreign governments or their agencies, instrumentalities or political subdivisions or by foreign central banks. Sovereign debt also may be issued by quasi-governmental entities that are owned by foreign governments but are not backed by their full faith and credit or general taxing powers. Investment in sovereign debt involves special risks. The issuer of the debt or the governmental authorities that control the repayment of the debt may be unable or unwilling to repay principal and/or interest when due in accordance with terms of such debt, and a Portfolio Fund or a Client may have limited legal recourse in the event of a default because, among other reasons, remedies must be pursued in the courts of the defaulting party. In addition, political conditions, especially a sovereign entity's willingness to meet the terms of its debt obligations, are of considerable significance.

A sovereign debtor's willingness or ability to repay principal and interest due in a timely manner may be affected by, among other factors, its cash flow situation, the extent of its foreign reserves, the availability of sufficient foreign exchange on the date a payment is due, the relative size of the debt service burden to the economy as a whole, the sovereign debtor's policy toward principal international lenders and the political constraints to which a sovereign debtor may be subject.

The occurrence of political, social or diplomatic changes in one or more of the countries issuing sovereign debt could adversely affect a Portfolio Fund or a Client. Political changes or a deterioration of a country's domestic economy or balance of trade may affect the willingness of countries to service their sovereign debt.

*Non-U.S. Exchanges and Markets.* A Client, directly or indirectly through a Portfolio Fund, may trade instruments on exchanges or markets located outside the U.S. Trading on such exchanges or markets is not regulated by the SEC or the CFTC and may, therefore, be subject to more risks than trading on U.S. exchanges, such as the risks of exchange controls, expropriation, burdensome taxation, moratoria and political or diplomatic events. Risks in investments in non-U.S. securities, futures, commodities and other securities may also include reduced and less reliable information about issuers and markets, less stringent accounting standards, illiquidity of securities and markets, higher brokerage commissions and custody fees.

*Non-U.S. Investments.* Investment in non-U.S. issuers or securities principally traded outside the United States may involve certain special risks due to economic, political and legal developments, including favorable or unfavorable changes in currency exchange rates, exchange control regulations (including currency blockage), expropriation of assets or nationalization, imposition of withholding taxes on dividend or interest payments, and possible difficulty in obtaining and enforcing judgments against non-U.S. entities. Furthermore, issuers of non-U.S. securities are subject to different, often less comprehensive, accounting reporting and disclosure requirements than domestic issuers. The securities of some foreign governments and companies and foreign securities markets are less liquid and at times more volatile than comparable U.S. securities and securities markets. The foregoing risks associated with non-U.S. investments are even greater in emerging markets.

*Restrictions on Non-U.S. Investments and Repatriation.* Foreign investment in the securities of issuers in certain nations is restricted or controlled to varying degrees. These restrictions or controls may at times limit or preclude foreign investment in issuers in such nations and increase the costs and expenses to the Portfolio Funds or Clients. Certain countries may restrict investment opportunities in issuers or industries deemed important to national interests. Some countries require governmental approval for the repatriation of investment income, capital or the proceeds of sales of securities by foreign investors. In addition, if there is a deterioration in a country's balance of payments or for other reasons, a country may impose temporary restrictions on, or altogether change its restrictions on, foreign capital remittances abroad. Finally, repatriation of income from and investments in entities that are organized or domiciled in foreign countries may be affected adversely by local withholding and other foreign tax requirements.

*Currency Risk.* The value of a Client's assets, directly or indirectly through a Portfolio Fund, may be affected favorably or unfavorably by the changes in currency rates and exchange control regulations. Some currency exchange costs may be incurred when a Client or a Portfolio Fund changes investments from one country to another. Currency exchange rates may fluctuate significantly over short periods of time. They generally are determined by the forces of supply and demand in the respective markets and the relative merits of investments in different countries, actual or perceived changes in interest rates and other complex factors, as seen from an international perspective. Currency exchange rates can also be affected unpredictably by intervention by governments or central banks (or the failure to intervene) or by currency controls or political developments. A Portfolio Fund or a Client may enter into "hedges" against some of these fluctuations, but such hedges, if available for the size of the transactions involved, may be prohibitively costly and may not protect against some of the more significant risks.



*Arbitrage Risk.* As the strategies of the Portfolio Funds and certain Clients involve arbitrage, there is always the risk that the arbitrated instruments will not move in the way that the Portfolio Manager or PAAMCO Prisma anticipates, potentially resulting in losses for the Portfolio Funds or Clients.

*Derivatives Risk.* Certain Portfolio Funds and certain Clients trade derivatives (“**Derivatives**”). These are financial instruments that derive their performance, at least in part, from the performance of an underlying asset, including, but not limited to, stocks, bonds, commodities, currencies, interest rates and market indices. The Derivatives the Portfolio Funds and Clients may use include, without limitation, futures, options, swaps and swaptions.

Derivatives can be volatile and involve various types and degrees of risk, depending upon the characteristics of the particular Derivative and the portfolio as a whole. Derivatives permit a Portfolio Fund or a Client to increase or decrease the level of risk, or change the character of the risk, to which its portfolio is exposed in much the same way as a Portfolio Fund or a Client can increase or decrease the level of risk, or change the character of risk, of its portfolio by purchasing or selling specific securities.

If a Portfolio Fund or a Client trades Derivatives at inopportune times or if its Portfolio Manager or PAAMCO Prisma, as applicable, judges market conditions incorrectly, such investments may lower returns or result in a loss. A Portfolio Fund or a Client also could experience losses if its Derivatives were poorly correlated with its other investments or if the Portfolio Fund or the Client were unable to liquidate its position because of an illiquid secondary market. The market for many Derivatives is, or suddenly can become, illiquid. Changes in liquidity may result in significant, rapid and unpredictable changes in the prices for Derivatives.

*Futures Contracts and Options on Futures Contracts.* In entering into futures contracts and options on futures contracts, there is a credit risk that a counterparty will not be able to meet its obligations to an investing Portfolio Fund or Client. The counterparty for futures contracts and options on futures contracts traded in the United States and on most non-U.S. futures exchanges is the clearinghouse associated with such exchange. In general, clearinghouses are backed by the corporate members of the clearinghouse who are required to share any financial burden resulting from the non-performance by one of its members and, as such, should significantly reduce this credit risk. In cases where the clearinghouse is not backed by the clearing members (*i.e.*, some non-U.S. exchanges), it is normally backed by a consortium of banks or other financial institutions. There can be no assurance that any counterparty, clearing member or clearinghouse will be able to meet its obligations to a Portfolio Fund or a Client.

*Options Transactions.* The purchase or sale of an option by one or more Portfolio Funds or Clients involves the payment or receipt of a premium payment and the corresponding right or obligation, as the case may be, to either purchase or sell the underlying security or other instrument for a specific price at a certain time or during a certain period. Purchasing options involves the risk that the underlying instrument does not change price in the manner expected, so that the option expires worthless and the investor loses its premium. Selling options, on the other hand, involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the underlying security or other instrument in excess of the premium payment received.

*OTC Transactions.* Certain Portfolio Funds and certain Clients may invest in derivative instruments that are not traded on organized exchanges and, as such, are not standardized. These transactions are known as over-the-counter (“**OTC**”) transactions. In general, there is less

regulation and supervision in the OTC markets than of transactions entered into on an organized exchange. In addition, many of the protections afforded to participants on some organized exchanges, such as the performance guarantee of an exchange clearinghouse, will not be available in connection with OTC transactions. This exposes a Portfolio Fund or a Client to the risks that a counterparty will not settle a transaction because of a credit or liquidity problem or because of disputes over the terms of the contract. In addition, Portfolio Funds or Clients will be subject to the risk of the inability of counterparties to perform with respect to transactions, whether due to insolvency, bankruptcy, governmental prohibition or other causes, which could subject the Portfolio Fund or the Client, as applicable, to losses.

***Derivative Counterparty Risk.*** The use of Derivatives involves the risk that the other party to the Derivative contract will fail to make required payments or otherwise to comply with the terms of the contract. If a counterparty becomes bankrupt or otherwise fails to perform its obligations under a Derivative contract due to financial difficulties, a Portfolio Fund or Client may experience significant delays in obtaining any recovery under the Derivative contract in a bankruptcy or other proceeding. The Portfolio Fund or Client may obtain only a limited recovery or may obtain no recovery in such circumstances. A Portfolio Fund or Client may trade Derivatives by means of a prime broker or an executing broker and is subject in either case to counterparty risk with respect to the broker. Although a Portfolio Fund manager, or PAAMCO Prisma in the case of Clients, may attempt to mitigate the default risk to the Portfolio Fund and Clients, as applicable through careful counterparty selection and proper monitoring and risk management, counterparty defaults may still occur and any such occurrence may result in losses.

***Swaps.*** Certain Portfolio Funds and certain Clients enter into swap transactions. Swap agreements historically have been OTC, two-party contracts entered into primarily by institutional investors for periods typically ranging from a few weeks to more than one year. In a standard swap transaction, two parties agree to exchange the returns (or differentials in rates of return) earned or realized on particular predetermined investments or instruments, which may be adjusted for an interest factor. There are various types of swaps, including but not limited to, total return swaps, credit default swaps and interest rate swaps; all of these and other swaps are derivatives and as such, each is subject to the general risks relating to derivatives described above.

***Failure of Prime Broker, Other Broker-Dealers and Banks.*** Institutions, such as brokerage firms or banks, may hold certain of a Client's assets (either directly or indirectly through a Portfolio Fund) in "street name." Bankruptcy, inadequate controls or fraud at one of these institutions, in particular, a Portfolio Fund's or Client's prime broker, which may hold the majority of that Portfolio Fund's or Client's assets, could impair the operational capabilities or the capital position of that Portfolio Fund or Client. In addition, as a Portfolio Fund or Client may borrow money or securities or utilize operational leverage with respect to its assets, that Portfolio Fund or Client will post certain of its assets as collateral securing the obligations or leverage ("**Margin Securities**"). Some or all of the Margin Securities may be available to creditors of that Portfolio Fund's or Client's prime broker in the event of its insolvency. In addition, there may be substantial delays in the repayment of that Portfolio Fund's or Client's assets in the event that the prime broker were to become insolvent, as well as a risk of total loss of such assets.

***Cash Positions.*** A substantial portion of a Client's assets may, from time to time, be maintained in cash or cash-equivalent investments. Although such a practice may assist in the preservation of capital, the assumption of cash positions may also impact overall investment return.

*Activist Strategy.* One or more Portfolio Funds may engage in an Activist Strategy (“**Activist Portfolio Fund**”), which involves shareholder activism that will attempt to influence the directors and/or management of target companies. While PAAMCO Prisma will attempt to create guidelines for the Portfolio Manager(s) of the Activist Portfolio Fund(s) as to the amount of such an Activist Portfolio Fund’s net asset value that may be dedicated to the Activist Strategy and some limits as to the types of actions that such Portfolio Manager may take in pursuit of such Activist Strategy, there are risks associated with an Activist Strategy.

There exists the risk that the intended strategy for a particular company will be unsuccessful. Further, when securities are purchased in anticipation of influencing the future direction of a company, a substantial period of time may elapse between an Activist Portfolio Fund’s purchase of the securities and the anticipated results. During this period, a portion of an Activist Portfolio Fund’s capital would be committed to the securities purchased, and the Activist Portfolio Fund may finance some portion of such purchases with margin proceeds or other borrowed funds on which it must pay interest.

Additionally, if the anticipated results do not in fact occur, the Portfolio Manager of an Activist Portfolio Fund may be required to sell that Activist Portfolio Fund’s investment at a loss. There may be instances where such manager will be restricted in transacting or redeeming a particular investment for that Activist Portfolio Fund (including the target companies and possibly other companies in the portfolio) as a result of pursuing an Activist Strategy. Any such restrictions in trading could be detrimental to that Activist Portfolio Fund when such Portfolio Manager is unable to place orders to purchase or sell the securities of the affected investment. Because there is substantial uncertainty concerning the outcome of transactions involving the target companies in which a Portfolio Manager of an Activist Portfolio Fund may invest strategy, there exists a potential risk of loss by that Activist Portfolio Fund of its entire investment in such companies.

Moreover, as a result of an activist strategy and the possibility that it may involve the participation in restructuring or similar activities, it is possible that an Activist Portfolio Fund may become involved in litigation (as either plaintiff or defendant). Furthermore, if the Portfolio Manager pursuing an activist strategy or the officers, employees or agents of such Portfolio Manager (collectively, “**Portfolio Manager Parties**”) are included in, or the subject of, any such litigation, the Activist Portfolio Funds are generally obligated to indemnify these persons for any damages or other losses, including attorneys’ fees, incurred by the Portfolio Manager Parties in connection with or related to the litigation; such indemnification expenses to be paid by the Activist Portfolio Fund in accordance with the applicable agreement, which is generally expected to be on a *pro rata* basis with other clients of the Portfolio Manager pursuing such activist strategy, if applicable. Litigation entails expense (including possibly substantial expense) and the possibility of counterclaims against the Portfolio Manager and its applicable accounts and ultimately judgments may be rendered against the Portfolio Manager for which the Activist Portfolio Fund may not carry insurance. Any such judgments would be borne by the Activist Portfolio Fund (and indirectly, by Clients investing in the Activist Portfolio Fund), to the extent that such judgments related solely to the Activist Portfolio Fund, or by the Activist Portfolio Fund on a *pro rata* basis, to the extent such judgments relate to the Portfolio Manager on behalf of the Activist Portfolio Fund and their other clients.

*Special Situations.* Certain Portfolio Funds and certain Clients may invest in companies involved in (or the target of) acquisition attempts or tender offers or in companies involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions. In any special situation investment opportunity, there exists the risk that the contemplated transaction either will be unsuccessful, take considerable time or result in a distribution of cash or a new security the

value of which will be less than the purchase price to the Portfolio Fund or the Client of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, the Portfolio Fund or the Client may be required to sell its investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which a Portfolio Fund or a Client may invest, there is a potential risk of loss by the Portfolio Fund or the Client, as applicable, of its entire investment in such companies.

*Leverage.* Certain Portfolio Funds and certain Clients seek to maximize investment positions by purchasing securities on margin. As a result, the possibilities of profit and loss will be increased. Borrowing money to purchase securities will provide the Portfolio Fund or the Client with advantages of leverage, but exposes it to capital risk, interest rate risk and higher current expenses. Any gain in the value of securities purchased with borrowed money or income earned from these securities that exceeds interest paid on the amount borrowed would cause the Portfolio Fund or the Client's net profit to increase faster than would otherwise be the case. Conversely, any decline in the value of the securities purchased would cause the Portfolio Fund or the Client's net loss to increase faster than would otherwise be the case. In addition, in Molecule the risks exists that the actions of one Portfolio Manager could cause a Client to incur an unanticipated margin call. In this case, the Client or Portfolio Fund would need to liquidate positions quickly to meet the margin call, which could cause it to sell securities before their expected returns have been attained.

*General Economic Conditions.* The success of any trading activity may be affected by general economic conditions, which may affect the level and volatility of securities prices, currency exchange rates, interest rates and the extent and timing of investors' participation in the markets for currencies, securities and other instruments. Unexpected volatility or liquidity in the markets in which Clients directly or indirectly hold positions could impair the Clients' ability to carry out their business or cause them to incur losses.

*Financial Market Conditions, Illiquidity and Resultant Actions of Portfolio Managers.* Financial markets have experienced a variety of difficulties and changed conditions (e.g. as a result of the 2008 financial crisis). Such difficulties and changes, coupled with other challenges affecting the economies around the world could lead to reduced liquidity in equity, credit and fixed-income markets, which would in turn adversely affect many issuers worldwide as well as Clients, whether invested in the market directly or indirectly through a Portfolio Fund. This reduced liquidity may also result in more difficulty obtaining financing. These conditions could result in reduced demand for the securities and other assets in which Clients and Portfolio Funds invest, and may affect the valuations assigned to such securities and assets by Clients, the Portfolio Funds and other market participants. Further, Clients, the Portfolio Funds and such other market participants may not always value these investments at the same prices or in the same manner. Such reduced demand and affected valuations may in turn decrease the value of securities and assets held by Clients or the Portfolio Funds, and may prevent such Client or Portfolio Fund from liquidating such securities or other assets at any price, or at prices deemed favorable to the Client or the Portfolio Fund, during certain periods which could be prolonged. In addition, a decrease in the net asset value of a Client or Portfolio Fund could increase the risk of default on any credit or loan facilities, and/or similar agreements and force such Client or Portfolio Fund to sell its assets at unfavorable prices to satisfy its obligations to lenders and counterparties. If investors seek to redeem their investment in a Client or a Portfolio Fund, such Client or Portfolio Fund may be forced to sell assets at less than intrinsic value in order to satisfy such redemption requests.

In the event that a Portfolio Fund is affected by such market conditions, a Portfolio Manager may (in the case of a MAP Fund, in consultation with PAAMCO Prisma), when it or they deem appropriate, declare a suspension of: (1) the determination of the Portfolio Fund's net asset value, (2) the subscription for shares, or (3) the redemption and repurchase of shares, including the right to receive the redemption price. For example, a Portfolio Manager may extend the period for payment of redemption proceeds if it is unable to liquidate securities in a timely fashion to honor redemption requests. In addition, if redemption requests in respect of a particular redemption date exceed an amount that an investment manager determines would cause a material adverse effect on a Portfolio Fund, the Portfolio Manager may suspend such redemptions for such period as such Portfolio, in its discretion, determines.

If certain assets of a Portfolio Fund are or become difficult to value or illiquid, as well as upon termination of a subadvisory agreement, a Portfolio Manager, on behalf of a Portfolio Fund, may (i) distribute, transfer or allocate such assets held by the relevant Portfolio Fund into a non-redeemable tranche, special purpose vehicle, liquidating trust or separate account or vehicle (such tranche, special purpose vehicle, liquidating trust or separate account or vehicle, a "**SPV**"), in which case payment to the PAAMCO Prisma Clients and other investors in such Portfolio Fund of the portion of their redemptions attributable to the securities or other assets held in such SPV may be delayed until such time as such securities and other assets are liquidated or become freely tradable or the assets of the Portfolio Fund with respect to which a subadvisory agreement has been terminated can be made in an orderly manner, or payment may be made in-kind in the form of shares of such SPV, and/or (ii) distribute certain securities and other assets held by such Portfolio Fund in-kind to the PAAMCO Prisma Clients and other investors therein, in which case the PAAMCO Prisma Clients may not be able to liquidate such securities and other assets during certain periods and/or at prices deemed favorable to the Clients.

The occurrence of any one or more events described above may substantially impair the value of one or more Portfolio Funds. This, in turn, may have a material and adverse effect on the Clients and other investors therein, including, without limitation, by rendering some or all of their shares illiquid or substantially impairing the value of the shares, in each case for prolonged periods.

*Investments in Commingled Portfolio Funds.* Certain Clients may invest in commingled Portfolio Funds that are not created for investment solely by PAAMCO Prisma Clients. PAAMCO Prisma will generally have less transparency into such Portfolio Funds' underlying investments as compared to MAP Funds, Molecule Accounts, and other Portfolio Funds created for investment solely by PAAMCO Prisma Clients. In addition, Clients' investments in commingled Portfolio Funds will be subject to the risk of subscriptions and redemptions by other investors in such Portfolio Funds. In particular, significant inflows in the case of subscriptions may cause a Portfolio Fund to be partially invested for some period of time, and a Portfolio Fund may purchase investments at inopportune times in order to become fully invested and will incur transaction costs in connection with such investment activity, which may negatively impact the Portfolio Fund's returns. In addition, substantial withdrawals by other investors in a Portfolio Fund may require a Portfolio Fund to incur transaction costs in connection with sales of investments and to liquidate its investments more rapidly than would otherwise be desirable, possibly reducing the value of a Portfolio Fund's assets and/or disrupting its investment strategies. In addition, redemptions from other investors in a commingled Portfolio Fund may trigger a redemption "gates" (limiting the percentage of the Portfolio Fund's total assets that may be redeemed as of a particular redemption date) or may cause the Portfolio Manager of the Portfolio Fund to suspend redemptions. As a result, a Client's ability to redeem from a commingled Portfolio Fund may be impacted by redemptions of other investors in the Portfolio Fund. PAAMCO Prisma will have no control over

subscriptions and redemptions by other investors in commingled Portfolio Funds that have non-PAAMCO Prisma Client investors.

*Turnover.* A Portfolio Fund's and/or a Client's trading activities may be made on the basis of short-term market considerations. Certain Portfolio Funds' and/or Clients' portfolio turnover rates will be significant, involving substantial brokerage commissions and fees. Each Portfolio Fund and Client will be responsible for the payment of all of the trading expenses incurred in connection with its trading activities, which will ultimately affect the return achieved by such Client.

*Start-Up Periods.* The Portfolio Funds and Clients typically encounter start-up periods during which they may incur certain risks relating to the initial investment of newly contributed assets. Moreover, start-up periods also represent a special risk in that the level of diversification of a Client or a Portfolio Fund's portfolio may be lower than in a fully committed portfolio or group of portfolios.

*Future Regulatory Change is Impossible to Predict.* Legal, tax and regulatory changes that adversely affect the Portfolio Funds and Clients may occur. The regulatory environment for private investment funds is evolving, and changes in the regulation of such funds may adversely affect the value of investments held by the Portfolio Funds or Clients. Further, there may also be substantial changes in the enforcement and interpretation of existing statutes and rules by governmental regulatory authorities or self-regulatory organizations that supervise financial markets. Moreover, there may be significant future changes to the financial regulatory environment as a result of the outcome of the 2020 U.S. elections. The effect of future regulatory change on Portfolio Funds, Clients and their respective operations is uncertain.

*Investing in Emerging Market Countries.* Investing in emerging markets may involve risks in addition to, and greater than, those generally associated with investing in developed countries. For instance, emerging market and developing countries may have less developed legal and accounting systems than those in developed countries. The governments of these countries may be more unstable and more likely to impose capital controls, nationalize a company or industry, place restrictions on foreign ownership and on withdrawing sale proceeds of securities from the country, and/or impose punitive taxes that could adversely affect the prices of securities. In addition, the economies of these countries may be dependent on relatively few industries that are more susceptible to local and global changes. Securities markets in these countries can also be relatively small and have substantially lower trading volumes. As a result, securities issued in these countries may be more volatile and less liquid, and may be more difficult to value, than securities issued in countries with more developed economies and/or markets. Less certainty with respect to security valuations may lead to additional challenges and risks in calculating for net asset value. Additionally, there may be increased settlement risks for transactions in local securities.

*Emerging Market Debt.* Some countries in which Portfolio Funds and certain Clients invest have historically experienced, and may continue to experience, high rates of inflation, high interest rates, exchange rate fluctuations and currency devaluation, large amounts of external debt, balance of payments and trade difficulties, political uncertainty and instability and extreme poverty and unemployment, which may result in certain issuers in which the Portfolio Funds and Clients invest experiencing substantial difficulty in servicing their debt obligations, which can lead to defaults on certain obligations and the restructuring of certain indebtedness.

*Hedging Risks.* PAAMCO Prisma and Portfolio Managers employ certain hedging techniques to address perceived risks to certain Clients and Portfolio Funds' investments and

their ability to deliver attractive returns. Hedging against a decline in the value of a position is an imperfect science and may not eliminate anticipated fluctuations in the values of the positions or prevent losses if the values of such positions decline. The practice of hedging establishes other positions designed to gain from those same developments, thus moderating the decline in a position's value. Such hedge transactions may also limit the opportunity for gain if the value of a position should increase. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in a position being hedged may vary. Moreover, for a variety of reasons, PAAMCO Prisma or a Portfolio Manager may not seek or be able to establish a sufficiently accurate correlation between such hedging instruments and the positions being hedged. Such imperfect correlation may prevent Clients or Portfolio Funds from achieving the intended result(s) of hedging or expose the Client or Portfolio Fund to risk of loss. Implementation of hedges and the success or failure of those hedges in achieving their desired result will vary over time.

***Illiquid and Long-Term Investments.*** Certain Clients invest in private, subordinated, illiquid securities, 144A securities, or securities that are or become publicly traded and are therefore subject to the risks inherent in investing in public companies (including new issues of securities). There can be no assurance that PAAMCO Prisma will be able to generate returns for investors, that the returns will be commensurate with the risks of investing in the type of transactions and issuers described above, or that PAAMCO Prisma's methodology for evaluating risk-adjusted return profiles for investments will achieve its objectives. In some cases, certain Clients may be legally, contractually, or otherwise prohibited from selling certain investments for a period of time or otherwise be restricted from disposing of them, and illiquidity may also result from the absence of an established market for certain investments. The realizable value of a highly illiquid investment, at any given time, may be less than its intrinsic value. In addition, certain types of investments may require a substantial length of time to liquidate. As a result, Clients may be unable to realize their investment objectives by sale or other disposition at attractive prices or will otherwise be unable to complete any exit strategy. While an investment may be sold or repaid at any time, this will occur typically a number of years after the investment is made, and it should be expected that capital may not be returned for a long period of time even if the investments prove successful.

***Potential Lack of Investment Opportunities.*** The activity of identifying, completing and realizing attractive credit investments is highly competitive and involves a significant degree of uncertainty. Clients compete with a broad spectrum of lenders and sources of finance. Increased competition for, or a diminishment in the available supply of, qualifying credit and related investments could result in lower yields on such investments, which could reduce returns to investors. Such supply-side competition may adversely affect the terms upon which investments can be made by Clients. There can be no assurance that PAAMCO Prisma will be able to locate and complete investments that satisfy the objectives of the Clients or realize upon their value or that the Clients will be able to fully invest their available capital. Clients may incur significant expenses identifying, investigating and attempting to make potential investments that are ultimately not consummated.

***Limited Number of Investments.*** Certain Clients may participate in a relatively limited number of investments and, as a consequence, the corresponding aggregate return may be substantially adversely affected by the unfavorable performance of even a single investment. With limited exception, Clients have no assurance as to the degree of diversification of investments. Clients may, in certain cases absent an ability to sell or otherwise exit an outsized position, be forced to hold its excess interest in such investments for an indeterminate period of time. This could result in a Client being over-concentrated in certain issuers or borrowers. In

these circumstances, for a Client to achieve above-average returns, one or a few of its investments may need to perform very well. There are no assurances that this will be the case.

*Borrower Fraud; Breach of Covenant.* Certain Clients will seek to obtain structural, covenant, and other contractual protections with respect to the terms of their investments as determined appropriate under the circumstances. There can be no assurance that such attempts to provide downside protection with respect to these investments will achieve their desired effect and potential investors should regard such an investment as being speculative and having a high degree of risk. Of paramount concern in originating or acquiring the financing contemplated by the Clients is the possibility of material misrepresentation or omission on the part of borrower or other credit support providers or breach of covenant by such parties. Clients will rely upon the accuracy and completeness of representations made by borrowers to the extent reasonable, but cannot guarantee such accuracy or completeness.

*Investments in Highly Leveraged Companies.* Certain Clients invest assets in issuers whose capital structures have significant leverage. Such investments are inherently more sensitive to declines in revenues, competitive pressures and increases in expenses and interest rates. The leveraged capital structure of such issuers will increase their exposure to adverse economic factors. If an issuer of a Client's investments cannot generate adequate cash flow to meet debt obligations, the issuer may default on its loan agreements or be forced into bankruptcy, resulting in a restructuring of the company's capital structure or liquidation of the company. The debt investments acquired by a Client generally will be the most junior in what will typically be a complex capital structure, and thus subject to the greatest risk of loss. Furthermore, to the extent issuers become insolvent, PAAMCO Prisma may determine, in cooperation with other debtholders or on its own, to engage, at the Clients' expense, in whole or in part, counsel and other advisors in connection therewith.

*Recharacterization.* PAAMCO Prisma may seek to place its representatives on the boards of certain companies in which certain Clients have invested. Such involvement may prevent the relevant Clients from freely disposing of their debt investments and may subject the Clients to additional liability or result in recharacterization of their debt investments as equity. PAAMCO Prisma will attempt to balance the advantages and disadvantages of such representation when deciding whether and how to exercise its rights with respect to such companies, but the exercise of such rights could produce adverse consequences in particular situations.

*Risks Related to Co-Investments.* As part of a Co-Investment strategy, certain Clients may have interests or objectives that are inconsistent with those of the source or sponsor of a Co-Investment. In these circumstances, the source or sponsor of a Co-Investment, as applicable, may have the ability to take (or block) action in a manner contrary to the Client's investment objectives. Such source or sponsor may opt to liquidate an investment at a time during which such liquidation is not optimal for the Client. In addition, to take advantage of Co-Investment opportunities, a Client generally will be required to hold a non-controlling interest, for example, by becoming a limited partner in a co-investment partnership that is controlled by the general partner or manager of the source or sponsor offering the opportunity to a Client. In this event, the Client would have less control over the Co-Investment and may be adversely affected by actions taken by such portfolio manager with respect to the portfolio asset. Clients may not have the opportunity to participate in structuring Co-Investments or to determine the terms under which such investments will be made. In addition, certain Co-Investments may be seed investments in small companies where operational controls are not fully built and implemented. This may enhance start-up and operational risks related to the underlying investments in a Co-Investment strategy,



Furthermore, Clients participating in Co-Investments may, in certain circumstances, be liable for the actions of other co-investors.

*Mezzanine Investments.* Most of the applicable Clients' mezzanine investments are expected to be unsecured and made in companies whose capital structures have significant indebtedness ranking ahead of the investments made by the Clients, all or a significant portion of which may be secured by assets of the company. While the investments may benefit from the same or similar financial and other covenants as those enjoyed by the indebtedness ranking ahead of the investments and may benefit from cross-default provisions and security over the assets of the issuer, some or all of such terms may not be part of particular investments. Moreover, the ability of Clients to influence an issuer's affairs, especially during periods of financial distress or following insolvency, is likely to be substantially less than that of senior creditors. Accordingly, Clients may not be able to take the steps necessary to protect their investments in a timely manner or at all and there can be no assurance that the rate of return objectives of the Clients or investments will be achieved. In addition, the mezzanine securities in which Clients will invest may not be protected by financial covenants or limitations upon additional indebtedness, may have limited liquidity and are not expected to be rated by a credit rating agency.

*Expedited Investment Decisions; Opportunistic Investments.* Investment analyses and decisions by PAAMCO Prisma may be required to be undertaken on an expedited basis to take advantage of investment opportunities. PAAMCO Prisma will generally not seek to execute an investment until they have conducted sufficient due diligence to make a determination as to the acceptability of the credit quality of the investment and the underlying portfolio company or other issuer, in such cases, the information available to PAAMCO Prisma at the time of making an investment decision may be limited. Therefore, no assurance can be given that PAAMCO Prisma will have knowledge of all circumstances that may adversely affect an investment. Similar concerns may arise to the extent that a Client makes opportunistic investments in broadly syndicated debt. The circumstances of such investments may not facilitate the type of due diligence PAAMCO Prisma generally seeks to conduct in respect of investments. In addition, PAAMCO Prisma expects often to rely upon independent consultants in connection with its evaluation of proposed investments. No assurance can be given as to the accuracy or completeness of the information provided by such independent consultants and Clients may incur liability as a result of such consultants' actions.

*Zero Coupon and PIK Bonds.* Because investors in zero coupon or PIK bonds receive no cash prior to the maturity or cash payment date applicable thereto, an investment in such securities generally has a greater potential for complete loss of principal and/or return than an investment in debt instruments that make periodic interest payments. Such investments are more vulnerable to the creditworthiness of the issuer and any other parties upon which performance relies.

*Event-Driven Investing.* Event-driven investing by certain Clients requires PAAMCO Prisma to make predictions about the likelihood that an event will occur and the impact such event will have on the value of a company's securities. If the event fails to occur or it does not have the effect foreseen, losses can result. Investments in such securities often are difficult to analyze or may have limited trading histories or in-depth research coverage. Although PAAMCO Prisma intends to utilize appropriate risk management strategies, such strategies cannot fully insulate PAAMCO Prisma from the risks inherent in their planned activities. Moreover, in certain situations PAAMCO Prisma may be unable to, or may choose not to, implement risk management strategies because of the costs involved or other relevant circumstances.

*Operational Risk.* PAAMCO Prisma has developed what it believes to be appropriate systems and procedures to control operational risk. These systems and procedures may not account for every actual or potential disruption of PAAMCO Prisma's operations. Clients rely heavily on PAAMCO Prisma's financial, accounting and other data processing systems. Systemic failures in the systems employed by PAAMCO Prisma and/or counterparties and other parties could result in mistakes. Disruptions in PAAMCO Prisma's operations may cause Clients to suffer, among other things, financial loss, the disruption of its businesses, liability to third parties, regulatory intervention, or reputational damage.

*Managed Account Allocations.* Certain Clients may place assets with Portfolio Managers by opening discretionary managed accounts rather than investing in Portfolio Funds. Managed accounts expose a Client to theoretically unlimited liability, and it is possible, given the leverage at which certain of the Portfolio Managers trade, that a Client could lose more in a managed account directed by a particular Portfolio Manager than the Client had allocated to such Portfolio Manager to invest.

*Brexit – Changes to the European Union.* On December 31, 2020, the United Kingdom (the "UK") withdrew as a member of the European Union (the "EU") and a party to the Treaty on European Union and its successor treaties ("Brexit"). On December 24, 2020, the UK and the EU reached a Trade and Cooperation Agreement (together with relevant annexes and ancillary agreements, the "Trade Agreement") which took effect at 11:00 p.m. GMT on December 31, 2020. The Trade Agreement is not exhaustive and, apart from some limited exceptions, does not include arrangements with respect to financial services. The UK and the EU have therefore agreed to continue additional negotiations with respect to financial services, but uncertainty remains regarding whether the UK and EU will conclude agreements establishing relevant legal bases for the cross-border provision of financial services, and/or whether legal "equivalence" decisions will be issued. The UK Financial Conduct Authority published a number of onshoring instruments, Temporary Transitional Power directions and related guidance that apply to the UK following Brexit directing that, until March 31, 2022, firms must either comply with regulatory obligations that applied to them before 11:00 p.m. GMT on December 31, 2020, or with the onshored regulatory obligations.

The outcome of the referendum has caused significant uncertainty and may cause disruption, in particular, with regards to the functioning of European markets, including the ease, cost, ability and willingness of persons to trade and invest within Europe, the scope and functioning of European legal and regulatory frameworks (including with respect to the regulation of alternative investment fund managers and the distribution and marketing of alternative investment funds), the nature and scope of the regulation of the provision of financial services within, and to, persons in Europe and the nature and scope of industrial, trade, immigration and other governmental policy pursued within Europe. More specifically, the ability to offer Clients or Portfolio Funds to investors based in the EU may be inhibited, the costs of trading may increase if there is less market functionality (including the potential need to appoint additional counterparties), and the ability of the PAAMCO Prisma and Portfolio Managers to manage additional products resulting in economies of scale may be impacted. These effects may persist for some time.

Brexit may have other consequences, including a recession of the UK economy, down-grading of the UK's credit rating, and an increased likelihood of pro-independence movements in Scotland and other parts of the UK taking steps to secede from the UK. The volatility and uncertainty caused by Brexit may adversely affect the value of Client or Portfolio Fund's investments and the

ability of the PAAMCO Prisma or any Portfolio Manager to achieve the investment objectives of the relevant investment vehicle.

*Discontinuation of LIBOR.* It is expected that the London Interbank Offered Rate (“LIBOR”), which certain Portfolio Funds and certain Clients’ investments may use as a reference rate within various financial contracts (any such rate, a “Reference Rate”), will be discontinued. Although the outcome of LIBOR’s redaction is presently unclear, Reference Rates such as Sterling Overnight Interbank Average Rate and Secured Overnight Financing Rate may replace LIBOR as Reference Rates. As a general matter, the expected discontinuation of LIBOR may significantly impact financial markets; specifically, discontinuation may impact financial contracts to which a Portfolio Fund or Client is a party. Generally, the transition to alternative Reference Rates may (i) cause the value of a Reference Rate to be uncertain or to be lower or more volatile than it would otherwise be; (ii) result in uncertainty as to the functioning, liquidity or value of certain financial contracts; (iii) involve actions of regulators or rate administrators that adversely affect certain markets or specific financial contracts; and (iv) impact the strategy, products, processes, legal positions and information systems of market participants, including relevant Portfolio Funds and relevant Clients’ investments and its counterparties. Considered in their entirety, the impacts of the discontinuation of LIBOR on financial markets generally and on the specific financial contracts to which the Portfolio Fund or Client is a party may adversely affect the performance of such Portfolio Funds and such Clients’ investments.

*Investments in Digital Assets.* Certain Clients may have indirect exposure to digital currencies, cryptoassets, cryptocurrencies, stablecoins, virtual commodities, decentralized application tokens and protocol tokens, distributed ledger technology-based assets and other cryptofinance and digital assets that currently exist, or may exist in the future (“Digital Assets”), including bitcoin. A Digital Asset is usually an asset attached to a blockchain network secured by cryptographic authentication. As relatively new products and technologies, Digital Assets have not been widely adopted as a means of payment for goods and services. It is currently expected that many Digital Assets will derive their speculative value from the perceived usefulness of the blockchain networks they are attached to. Digital Assets are highly speculative in nature and historically have been subject to extreme price fluctuations. There is no assurance that Digital Assets will maintain their long-term value in terms of purchasing power or that there will be an acceptance of Digital Asset payments by merchants and businesses. Currently, derivatives markets for Digital Assets in the United States are developing as registered futures exchanges regulated by the CFTC have begun to offer listed futures and options contracts on bitcoin and ethereum. However, there is the risk that it may become illegal to own, hold, sell or use certain Digital Assets and derivatives thereon in one or more countries, including the United States. Currently, the use and trading of Digital Assets, and the operation of the underlying blockchain networks, is either not regulated or is lightly regulated in most countries, including the United States, although the regulatory treatment of Digital Assets is rapidly evolving. Accordingly, trading in Digital Assets, including bitcoin and bitcoin futures, is speculative and could lead to substantial losses.

*European Instability.* Recent events, including the invasion of Ukraine by Russia, have interjected uncertainty into global financial markets, especially European markets. It is possible that any fallout from the Ukrainian conflict will have effects on other European countries as they address refugee movements and potential further threats. A number of countries, including the United States and a number in Europe, have imposed sanctions on Russia and businesses affiliated with that country. The long-term impact of these sanctions is not entirely clear, but they have the potential to limit potential investment opportunities and may impair cash flow that is material to an investment if third parties doing business with a company subject of an investment

are sanctioned parties. The regulatory framework of sanctions is often complex and at times counter-intuitive. It is possible that Portfolio Funds might have exposure to transactions, that directly or indirectly involve sanctioned parties, that may pose liability and compliance risks.

## **Item 9. Disciplinary Information**

PAAMCO Prisma is required to disclose all material facts regarding any legal or disciplinary events that would be material to the evaluation of PAAMCO Prisma's advisory business or the integrity of PAAMCO Prisma's management. PAAMCO Prisma has no information applicable to this Item.

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

Each of the Filing Adviser and Prisma is a wholly-owned subsidiary of PAAMCO Prisma Holdings, LLC ("**PPH**"), a holding company owned (A) 60.1% by PHoldings, LLC, a Delaware limited liability company, which in turn is owned by certain employees of PAAMCO Prisma, and (B) 39.9% by KKR Topaz LLC, an affiliate of KKR.

KKR's affiliated investment advisers other than PAAMCO Prisma ("**KKR Advisers**") primarily advise private equity funds and other investment vehicles. The KKR Advisers also provide investment services to institutional investors or investment vehicles with respect to publicly traded equity and debt securities, real assets such as infrastructure, energy, and real estate, real estate debt, and growth capital investments. KKR also sponsors and manages investment funds and other vehicles that facilitate co-investment along-side proprietary investments or in specific or multiple portfolio companies and other assets invested in by investment funds managed by KKR Advisers. KKR also owns KKR Capital Markets LLC and MCS Capital Markets LLC, each of which is a U.S. registered broker-dealer, and certain non-US entities authorized to conduct broker-dealer activities. Certain PAAMCO Prisma Clients (including the Apex Clients) may enter into co-investments alongside investment vehicles managed and/or controlled by KKR or may invest in, or alongside of, Portfolio Funds advised by Portfolio Managers in which KKR holds an ownership stake or has a strategic relationship. In addition, KKR's affiliated broker-dealers may manage or otherwise participate in private placements, underwriting syndicates and/or selling groups with respect to investments of Portfolio Funds. In these situations, KKR may receive management fees, transaction fees, underwriting fees, financing fees, or other compensation with respect to the investment activities of the Portfolio Funds. In such circumstances, KKR is not a fiduciary of the Portfolio Fund or the co-investment vehicle, and is not obligated to act in the best interest of the Portfolio Fund or the co-investment vehicle when exercising control over such entity.

Although PAAMCO Prisma and KKR operate independently, their common ownership interests may in certain circumstances create conflicts of interest or the appearance of conflicts of interest. Please refer to Item 11 for a discussion of the potential conflicts that may be raised by PAAMCO Prisma's relationship with KKR and the policies and procedures PAAMCO Prisma has adopted to address such potential conflicts, including an information barrier policy and review by the PAAMCO Prisma Conflicts Committee.

Neither PAAMCO Prisma nor any of its management persons is registered, or has an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

The Filing Adviser is currently registered as a commodity pool operator and as a commodity trading advisor with the Commodity Futures Trading Commission ("**CFTC**"). As required by the

CFTC rules, certain management persons of the Filing Adviser are registered as “associated persons” of the Filing Adviser.

The Filing Adviser is related to the following entities:

### ***Relying Advisers***

*Prisma Capital Partners LP.* Prisma is a wholly-owned subsidiary of PPH. The Filing Adviser and Prisma collectively conduct a single advisory business. Prisma is a “relying adviser” of the Filing Adviser.

*Prisma Capital Management LLC.* Prisma Capital Management LLC, a subsidiary of Prisma, provides investment management services to certain Funds and Accounts. Prisma Capital Management LLC is a “relying adviser” of the Filing Adviser.

*PAAMCO Launchpad LLC.* PAAMCO Launchpad, a wholly-owned subsidiary of the Filing Adviser, acts as manager of a hedge fund seeding program. PAAMCO Launchpad is a “relying adviser” of the Filing Adviser.

*PAAMCO Prisma Europe LLP.* PAAMCO Prisma Europe, a subsidiary of the Filing Adviser, located in London, United Kingdom, is authorized and regulated by the U.K. Financial Conduct Authority. PAAMCO Prisma Europe’s only clients are the Filing Adviser and Prisma. PAAMCO Prisma Europe refers potential investment advisory clients, and for which it performs due diligence on hedge fund managers, primarily those located in Europe and Asia. PAAMCO Prisma Europe is a “relying adviser” of the Filing Adviser.

### ***Other Entities***

*PAAMCO Prisma Jamboree GP, LLC,* a subsidiary of the Filing Adviser, acts as a general partner of certain FoF Clients.

*Pacific Atlantic GP, LTD.* Pacific Atlantic GP, LTD., a subsidiary of the Filing Adviser, acts as sponsor or general partner of certain FoF Clients.

*Prisma Capital Partners LLC.* Prisma Capital Partners LLC, a subsidiary of Prisma, acts as sponsor or general partner of certain Funds and Accounts.

*Molecule GP, LLC.* Molecule GP, LLC, a subsidiary of the Filing Adviser, acts as general partner to certain Funds comprising the Molecule “master-feeder” structure.

In certain cases, and at the request of the investor in a Fund, an Account, or a PAAMCO Launchpad Fund, PAAMCO Prisma (and/or its employees and affiliates) may also invest in such Fund, Account, or PAAMCO Launchpad Fund. Accordingly, PAAMCO Prisma may be viewed as having an incentive to favor the Fund, Account, or PAAMCO Launchpad Fund over its other Clients. Similarly, PAAMCO Prisma may be viewed as having an incentive to favor the Clients where PAAMCO Prisma has established an affiliate general partner or managing member if that entity has an economic investment in the Client. As described in the response to Item 6, however, PAAMCO Prisma has adopted controls, such as its allocation policy, that are intended to ensure that no Clients are favored over others.

As described in more detail in the response to Item 8 above, PAAMCO Prisma invests the assets of Clients in Portfolio Funds managed by other investment advisers. Except in connection with the business of PAAMCO Launchpad, as described above, PAAMCO does not receive compensation from the other investment advisers in connection with such investments.

### PAAMCO Launchpad Funds

PAAMCO Launchpad's Seeded Managers may manage money for other business lines of PAAMCO Prisma, such as PAAMCO Prisma's other Multi-Asset Investing Programs (i.e. FoF Clients, Molecule or the MAP). The terms applicable to such other investments will likely be different than those applicable to PAAMCO Launchpad Funds. It is expected that the PAAMCO Launchpad Funds will have less liquidity, but may have lower fees when factoring in the revenue sharing arrangements, than PAAMCO Prisma's other Clients.

It is anticipated that some of the capacity negotiated by PAAMCO Launchpad with a Seeded Manager will be available to PAAMCO Prisma's other business lines; however, neither PAAMCO Launchpad nor the PAAMCO Launchpad Funds will directly benefit from any other Client investments with the same managers. In other words, neither PAAMCO Launchpad nor any PAAMCO Launchpad Fund will receive any share of management fees, performance fees, performance allocations or other compensation paid by Clients (including, for the avoidance of doubt, Clients of the Filing Adviser's "relying advisers") to a Seeded Manager. To the extent a Strategic Advisory Client or an investor in a Client makes an independent investment decision (i.e., a decision not based on investment advice provided by PAAMCO Prisma) to allocate assets directly to a Seeded Manager, it is expected that the Filing Adviser and/or PAAMCO Launchpad would earn a revenue share on such investment.

Where the same Portfolio Manager manages Portfolio Funds that are held by a PAAMCO Launchpad Fund and a Client of another PAAMCO Prisma business line, each business line faces a conflict of interest regarding redemption and termination rights because the decision to redeem from or terminate a manager, while in the best interest of one business line, could be seen to adversely impact the clients of another business line. To mitigate these conflicts of interest, each business line will be led by separate final decision makers with a separate investment process meant to address the unique needs of the Clients of each business line.

There are not currently information barriers between PAAMCO Launchpad and the other Multi-Asset Investing Programs (but certain information controls have been implemented). Where appropriate, certain functions will be performed by other members of the PAAMCO Prisma group.

It is possible that a prospective Seeded Manager may be presented concurrently with capital from a PAAMCO Launchpad Fund as well as the other Multi-Asset Investing Programs. There is a conflict that the other Multi-Asset Investing Programs could allocate to a Seeded Fund based in part on the decision to promote a Seeded Manager. This conflict is mitigated by maintaining a separate investment process with different final decision makers, as described above. Further, it is anticipated that prospective Seeded Managers will themselves mitigate this risk by deciding which business lines, if any, to accept. PAAMCO Prisma may consider implementing additional controls to manage and monitor such conflicts of interest on an ongoing basis, as appropriate under the circumstances.

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

Under the Code of Ethics, PAAMCO Prisma employees are not permitted to trade in most securities without the prior approval of the PAAMCO Prisma Compliance Department. In addition, PAAMCO Prisma employees and their family members are not permitted to acquire interests in any limited offering (including any PAAMCO Prisma Client) or initial public offering without the prior approval of the Chief Compliance Officer or an employee of the PAAMCO Prisma Compliance Department designated by the Chief Compliance Officer. It is also PAAMCO Prisma's general policy not to permit employees to invest in Portfolio Funds held by Clients, unless such investment has been reviewed and approved by the Conflicts Committee. The Code of Ethics also contains additional restrictions and controls with regard to PAAMCO Prisma employee investments in (i) Clients, and (ii) investments held by Clients.

PAAMCO Prisma is committed to complying with applicable laws and regulations and to maintaining the highest ethical standards in connection with the management of PAAMCO Prisma. The Code of Ethics reflects PAAMCO Prisma's view on dishonesty, self-dealing, conflicts of interest and trading on material, non-public information, which is not tolerated. The Code of Ethics also requires employees to provide initial and annual securities holdings reports as well as quarterly securities transaction reports. PAAMCO Prisma will provide any investor or prospective investor with a copy of the Code of Ethics upon request.

Subject to the pre-approval requirements noted above, selected PAAMCO Prisma employees, officers, members and/or managers may invest in certain Clients and/or in underlying securities in which Clients also invest directly or indirectly through the Portfolio Funds. The investments of PAAMCO Prisma employees, officers, members and/or managers, as well as a PAAMCO Prisma-affiliated general partner/managing member/member, in various Clients creates a conflict of interest because PAAMCO Prisma and its principals have an incentive to act in its or their own self-interest as opposed to that of the applicable Client. However, PAAMCO Prisma has adopted the Code of Ethics, as described above and, as described in the response to Item 6, PAAMCO Prisma has adopted controls, such as its allocation policy, that are intended to ensure that no Clients are favored over others.

Pursuant to its discretionary authority with respect to discretionary Clients, PAAMCO Prisma may direct Clients to invest in certain MAP Funds and Molecule. However, neither the Client nor the MAP Fund or Molecule pay a fee to PAAMCO Prisma for such investment.

Certain senior employees of PAAMCO Prisma, and certain former employees of the Filing Adviser, serve as directors of MAP Funds, Portfolio Funds formed for investment solely by PAAMCO Prisma Clients, and certain PAAMCO Prisma Clients. The PAAMCO Prisma principals do not receive compensation for their service as directors. Former employees of the Filing Adviser serving in these director roles are compensated by Clients at a rate consistent with market.

Upon obtaining proper direction and subject to its fiduciary duties and compliance with applicable law, PAAMCO Prisma may effect a transfer of interests in or shares of a Portfolio Fund between Clients.

In addition to managing conflicts of interest with respect to trading and preventing self-dealing, PAAMCO Prisma has adopted and implemented various policies and procedures regarding employees' non-PAAMCO Prisma activities, political contributions, giving and receipt of gifts and

entertainment, and affiliations with third-party service providers. The intent of these policies and procedures is to minimize the opportunities for conflicts of interest to arise.

Employees may benefit from educational events sponsored by business associates such as prime brokers, administrators, hedge fund managers, law firms, audit firms, and other such professional service firms.

Further, PAAMCO Prisma and its employees, in limited circumstances, can be expected to receive certain intangible and/or other benefits and/or perquisites arising or resulting from their activities on behalf of certain Funds. For example, airline travel or hotel stays incurred as Fund expenses, when allowable by the governing documents of that Fund, may result in “miles” or “points” or credit in loyalty/status programs, and such benefits and/or amounts will, whether or not de minimis or difficult to value, inure exclusively to PAAMCO Prisma and/or such employees (and not such Fund, and/or its investors) even though the cost of the underlying service is borne by such Fund.

#### Information Controls/Relationship with KKR

PAAMCO Prisma has adopted information controls and other policies and procedures to provide for the proper handling of confidential information (*i.e.*, nonpublic information received or created by PAAMCO Prisma in connection with its activities) to prevent violations of laws and regulations prohibiting the misuse of such information and to avoid situations that might create an appearance of such misuse. While there is no general information barrier between PAAMCO Prisma’s various investment strategies, PAAMCO Prisma does have a “need to know” policy whereby information developed or received by one area of the firm is only shared, subject to applicable contractual restrictions, with those individuals who have a legitimate business reason for accessing such information.

In addition, PAAMCO Prisma and KKR have established an information barrier policy that restricts the flow of information between PAAMCO Prisma, on the one hand, and KKR, on the other, to ensure the independent operation of PAAMCO Prisma from KKR, and to mitigate the potential for conflicts of interest. Although KKR owns an indirect stake in PPH, PAAMCO Prisma acts autonomously and separately from KKR. The information barrier policy is in place in order to support the separation between KKR and PAAMCO Prisma, for legal, regulatory and compliance purposes, and the policy enables PAAMCO Prisma and KKR to avail themselves of certain regulatory relief (such as avoiding the aggregation of certain holdings of KKR with those of PAAMCO Prisma). Among other controls designed to safeguard the independence of PAAMCO Prisma, on the one hand, and KKR, on the other, the policy generally prohibits the communication of material non-public information, information regarding investments held or intended to be bought or sold, voting decisions, and investment allocations. Although cooperation and certain limited information flow between KKR and PAAMCO Prisma is permissible under the information barrier policy, such cooperation and information flow must be in accordance with the policy, and is generally undertaken in coordination with PAAMCO Prisma’s legal/compliance team to ensure adherence to the principles of the policy.

PAAMCO Prisma’s Compliance Department is responsible for establishing and administering the information barriers described above on behalf of PAAMCO Prisma.

As described in response to Item 10, KKR owns an indirect, non-controlling interest in PPH. KKR also sponsors private funds and owns part of certain asset management firms that operate



Portfolio Funds in which PAAMCO Prisma Clients may invest. Clients may enter into co-investments alongside these private funds. Additionally, KKR is affiliated with broker-dealers that may manage or otherwise participate in private placements, underwriting syndicates and/or selling groups with respect to investments of the Portfolio Funds. In any or all of these situations, KKR may receive management fees, underwriting fees, financing fees, or other compensation with respect to the investment activities of the Portfolio Funds.

Portfolio Funds in which Clients invest may pursue a broad range of investment strategies and invest in a broad range of securities and instruments and other assets globally. KKR is a major participant in the global markets and may from time to time be actively engaged in transactions in the same securities and financial instruments in which Portfolio Funds are invested, or in other securities and financial instruments issued by the same issuers in which Portfolio Funds are invested. Any such investment activities by the Portfolio Managers of the Portfolio Funds in which Clients invest are outside the control of PAAMCO Prisma. When PAAMCO Prisma makes investment decisions on behalf of PAAMCO Prisma Clients, PAAMCO Prisma will generally seek to act in the best interests of such PAAMCO Prisma Clients without consideration of the involvement of KKR in these transactions or the fees or other compensation that may accrue to KKR as a result.

In addition, PAAMCO Prisma may also invest assets of PAAMCO Prisma Clients in Portfolio Funds advised by Portfolio Managers in which KKR holds an ownership stake or with whom KKR has a strategic relationship. PAAMCO Prisma does not believe that the PAAMCO Prisma Clients would receive fee concessions from a Portfolio Manager as a result of such a relationship. PAAMCO Prisma may have an incentive to allocate assets of PAAMCO Prisma Clients to such Portfolio Funds since KKR has an indirect financial interest in the success of such Portfolio Funds. Any decision by PAAMCO Prisma to retain a Portfolio Manager in which KKR retains an ownership stake or with which it has a strategic relationship, or to invest in such a Portfolio Fund, will be subject to review as described in Item 8 and Item 10 above and will also be reviewed by the Conflicts Committee (described in more detail below).

### Conflicts Committee

PAAMCO Prisma has established a Conflicts Committee that is responsible for considering, analyzing, and addressing actual, potential, and perceived conflicts of interest that may arise in PAAMCO Prisma's business. The Conflicts Committee is composed of members representing cross-functional business, investment management, investment operations, legal and compliance responsibilities. The Conflicts Committee will typically meet on a quarterly basis, and at such other times as necessary to review and address material conflicts to the extent that such conflicts are not otherwise resolved internally.

The investment programs employed by PAAMCO Prisma for certain Clients may conflict from time to time with the transactions and strategies in managing the assets of other Clients. For example, multiple Clients may invest with the same Portfolio Managers or in the same Portfolio Funds. In any circumstance where PAAMCO Prisma proposes to redeem the assets of one or more Clients, but not all Clients with substantially similar mandates, from a Portfolio Fund, the Conflicts Committee will review the transaction and determine appropriate mitigation of any associated conflicts. For the avoidance of doubt, this scenario refers to situations when a Portfolio Fund is being redeemed from entirely by certain Clients and is not referring to situations when such transactions are the result of monthly portfolio rebalancing.

Other than pursuant to investments in fund vehicles or accounts managed or advised by third parties, PAAMCO Prisma may invest Client assets directly (i) in a broad range of asset classes throughout the corporate capital structure of an issuer, including issuers in which a Client may have an existing or proposed investment, and (ii) on behalf of two or more Clients in an issuer such that the Clients are invested in different levels of the issuer's capital structure. When PAAMCO Prisma and its Clients, or when two or more Clients, invest in different levels of the capital structure of an issuer, their respective interests may diverge significantly, including in the case of financial distress of the company or corporate action/amendments. Prior to PAAMCO Prisma investing Clients' capital across different levels of an issuer's capital structure, the PAAMCO Prisma portfolio manager responsible for the particular strategy or strategies involved will review such potential investment with the Conflicts Committee to determine if an actual conflict of interest is reasonably likely to occur in the near term (defined as six-to-nine months) considering, among other things, the current financial status of the issuer in which the investment will be made.

Any transactions between Clients must be approved by the Conflicts Committee.

As referred to above, any decision by PAAMCO Prisma to retain a Portfolio Manager in which KKR retains an ownership stake or with which it has a strategic relationship, or to invest in such a Portfolio Fund, will be reviewed by the Conflicts Committee.

With regards to proxy voting, any actual or apparent conflict of interest between the interests of PAAMCO Prisma and its Clients is brought to the attention of the Conflicts Committee to resolve.

In certain circumstances, if potential conflicts are present, the Conflicts Committee may review or override allocation decisions made pursuant to PAAMCO Prisma's general allocation policy (as described in Item 6 above) for the Multi-Asset Investing Program.

PAAMCO Prisma may also invest assets of Clients in Portfolio Funds advised by Portfolio Managers that are affiliated with an investor or prospective investor in a Client. This creates a conflict of interest where PAAMCO Prisma may be incentivized to allocate to that Portfolio Fund to secure the relationship with the aforementioned investor or prospective investor. If this issue arises, PAAMCO Prisma will seek to mitigate this conflict by having the transaction reviewed by the Conflicts Committee.

As described above, it is PAAMCO Prisma's general policy not to permit employees to invest in Portfolio Funds held by Clients; however, employees may be permitted to make such investments in certain circumstances if such investment has been reviewed and approved by the Conflicts Committee.

## **Item 12. Brokerage Practices**

### **Clients Invested in Portfolio Funds**

As a general matter, PAAMCO Prisma does not direct brokerage or have any soft dollar arrangements with respect to Client assets invested in Portfolio Funds (other than certain internally executed trades within Molecule). Other than completing subscription agreements on behalf of certain Clients for their respective investments in Portfolio Funds, PAAMCO Prisma generally does not execute trades on behalf of FoF Clients (except to the extent PAAMCO Prisma manages a Client's cash or cash equivalents or engages in currency hedges and spot currency purchases and sales). Rather, PAAMCO Prisma invests FoF Client assets through private

placements in Portfolio Funds at the prevailing monthly net asset value. Interests in Portfolio Funds are not generally available for purchase or sale through a broker-dealer. As part of the due diligence process, PAAMCO Prisma reviews the brokerage practices and soft dollar arrangements of the Portfolio Funds.

In certain cases, PAAMCO Prisma, in its capacity as investment adviser, manages the cash or cash equivalents held at the level of a MAP Fund. Cash or cash equivalents referred to in the previous sentence can also include mutual fund shares, exchange-traded fund shares and other short duration products expected to have low volatility.

Subject to its fiduciary duties and compliance with applicable law, PAAMCO Prisma may purchase interests in or shares of a Portfolio Fund for one Client at the same time it is redeeming interests in or shares of such Portfolio Fund for another Client. Additionally, subject to its fiduciary duties and compliance with applicable law (and, in the case of transactions between two Clients, approval by the Conflicts Committee), PAAMCO Prisma may transfer interests in or shares of a Portfolio Fund between Clients. Such transactions generally will be accomplished not through a cross-trade, but rather by netting subscriptions and redemptions.

On rare occasions, a Client may receive in-kind redemptions from Portfolio Funds (which could include securities or other financial instruments held by a MAP Fund), in which case PAAMCO Prisma will liquidate such amounts. On other irregular occasions, PAAMCO Prisma may need to liquidate the assets of a MAP Fund upon termination of the related MAP Manager if the MAP Manager does not liquidate the MAP Fund by the effective date of termination. In those cases, PAAMCO Prisma's Investment Operations department will affect the liquidation or oversee the hiring of a third party to manage or liquidate the investments.

Portfolio Managers, including those executing transactions on behalf of Apex Clients, also engage in brokerage activities for the MAP Funds and Molecule Accounts, as applicable. As part of the initial due diligence process and on an ongoing basis, PAAMCO Prisma reviews the brokerage practices and soft dollar arrangements of the Portfolio Managers. The prime brokers, futures commission merchants, and other derivatives counterparties of each MAP Fund and Molecule Account are selected by PAAMCO Prisma and the Board of Directors of the applicable Fund in consultation with the relevant Portfolio Manager based on factors such as the prime broker's or counterparty's overall performance, pricing, and operational capabilities.

Under the terms of each Subadvisory Agreement or PMA, each Portfolio Manager for a MAP Fund or Molecule Account is responsible for arranging for the execution of all orders for the purchase and sale of securities and other investments with respect to the applicable entity. The Portfolio Managers are required to seek best execution for the Portfolio Funds they advise. Portfolio Managers, to the extent permitted by applicable laws and regulations, may aggregate the investments to be purchased or sold on behalf of its clients to attempt to obtain a more favorable price, lower brokerage commissions or efficient execution.

Each Portfolio Manager for a MAP Fund or Molecule Account may only use prime brokers pre-approved by PAAMCO Prisma.

Under the terms of each Subadvisory Agreement and PMA, if a Portfolio Manager generates "soft dollars" with respect to the trades of the applicable account, the Portfolio Manager must comply with the safe harbor of Section 28(e) of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), with respect to such trades.

For the avoidance of doubt, “Portfolio Managers” as used in this Item 12 include those that execute transactions on behalf of Apex Clients.

*Apex Clients; Internal Molecule Accounts*

Best Execution. The following factors may be considered as being relevant when executing a trade on behalf of a Client: listed bids and asks; the opportunity for price improvement; transaction costs; anonymity; liquidity; speed of execution; likelihood of execution and settlement; quality of research; expertise with difficult securities; trading style and strategy; geographic location; frequency of errors; access to new issues; size; and taking into account the relevant factors previously listed, commission rates.

PAAMCO Prisma, where applicable, will take all reasonable steps to obtain, when executing orders or arranging the execution of orders, the best possible result for its Clients taking into account relevant execution factors (a non-exhaustive list, set forth in the above paragraph). Notwithstanding this, where there is a specific instruction from an Account investor, it must be followed.

When executing a Client order or arranging its execution, PAAMCO Prisma will consider the relative importance of the execution factors (listed above), taking into account: the characteristics of the Client; the characteristics of the Client order; characteristics of the financial instrument that is subject to that order; and characteristics of the execution venues to which that order can be directed.

Ordinarily, in considering best execution, price will be an important factor in seeking to obtain the best possible result for Clients. However, this will not always be the case.

Soft Dollars. PAAMCO Prisma will only use soft dollars to obtain products and services that fall within the safe harbor provided by Section 28(e) of the Exchange Act.

Investor Referrals. PAAMCO Prisma may receive Client referrals from registered representatives of broker-dealers that trade on behalf of PAAMCO Prisma Clients. PAAMCO Prisma is aware that such referrals pose a conflict of interest and could create an incentive to direct brokerage to broker-dealers that fail to achieve best execution in order to continue receiving referrals. PAAMCO Prisma will review referral relationships and the associated conflicts of interest during its periodic and systematic evaluations of execution quality.

PAAMCO Prisma’s receipt of benefits from brokers, as described above, creates an incentive for PAAMCO Prisma to trade with brokers based on these benefits, whether or not pursuant to soft dollar arrangements, rather than the interests of PAAMCO Prisma’s Clients in receiving best execution.

Cross Trades. No cross trades are currently anticipated between or among Clients. In the future, PAAMCO Prisma may use an unaffiliated broker-dealer or custodian to cross investments and/or cash between Client accounts when such a transaction is equally advantageous for each participant and the relevant transactions is allowable under applicable law.

### Identification and Resolution of Trade Errors

PAAMCO Prisma maintains policies and procedures that address the identification and remediation of trade errors. These policies and procedures are designed to address the resolution of errors and to provide appropriate oversight and review of such errors. To the extent a trade error occurs, PAAMCO Prisma seeks to identify and resolve such error in a manner that is fair to its clients as promptly as possible. PAAMCO Prisma will address and resolve errors on a case-by-case basis, in its discretion, based on each error's facts and circumstances, including treatment set forth in the applicable Client's governing documents.

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

Each investor in a Fund or Account generally receives monthly, quarterly or other periodic reports that may include investment commentary and a review of performance. Each investor in a Fund receives audited financial statements with respect to that Fund after the end of such Fund's fiscal year within 120 to 180 days (as required) of the Fund's fiscal year end. To the extent PAAMCO Prisma relies on the exemption provided by CFTC 4.7(b) with respect to a Fund, the audited financial statements are provided within 90 days of fiscal year end. Each Strategic Advisory Client receives such reports as agreed to between PAAMCO Prisma and such Strategic Advisory Client, which may take the form of periodic telephone calls and/or written reports and analysis.

### Multi-Asset Investing Program

Each Client within the Multi-Asset Investing Program is reviewed by a PAAMCO Prisma portfolio/account manager. The portfolio/account manager's review process may include constructing the Client portfolio and monitoring adherence to the Client's investment objectives and guidelines as well as reporting. In addition, there is a research team lead assigned to particular investment categories (as described in Item 8 above). The research team lead and their team members monitor the investment strategies, performance, and other activities of the Portfolio Funds within the applicable sector, including personal visits to the Portfolio Managers' offices, electronic communications, and/or telephone conversations with the Portfolio Manager and staff.

The portfolio/account managers and IC are accountable for Client portfolios and ensuring that the portfolios are managed in accordance with their stated investment guidelines.

Risk management reviews Molecule and MAP Fund investment guidelines daily, and the results are provided to the relevant Investment Committee and Compliance Department. To the extent a breach occurs, risk management works with portfolio management to resolve them in a timely fashion in accordance with the investment policies established for the relevant Portfolio Manager or subadviser as applicable.

An Investment Guidelines Report for each FoF Client portfolio that is not in liquidation is issued to PAAMCO Prisma's Compliance Department on a monthly basis. The Compliance Department reviews and logs any variation from a Client's guidelines and requires the applicable portfolio/account manager to address any variation with an explanation and a follow-up to ensure that a Client notification is sent, if required, and any necessary changes to the guidelines are considered, if applicable. The Chief Compliance Officer (or an employee of the Compliance Department designated by the Chief Compliance Officer) then reviews the final Investment Guidelines Reports.

### Apex Clients

With respect to Apex Clients, meetings of the Apex Credit IC occur on a recurring and ad-hoc basis. The portfolios are typically reviewed on a periodic basis by the relevant members of the firm's investment team who are responsible for the day-to-day risk management and investment oversight of the applicable portfolio. On a quarterly basis, all portfolios of the Apex Clients are formally reviewed by the Apex Credit IC, with input from PAAMCO Prisma's Risk Management team.

### PAAMCO Launchpad Funds

PAAMCO Launchpad Funds are reviewed by the Launchpad CEO or their designee. Each investor in a PAAMCO Launchpad Fund generally receives monthly, quarterly or other periodic reports that may include investment commentary and a review of performance. PAAMCO Launchpad and investors in the PAAMCO Launchpad Funds may also agree that PAAMCO Launchpad or PAAMCO Prisma will provide certain other reports.

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

As further described in the response to Item 5, to the extent a Strategic Advisory Client or investor in a Client makes an independent investment decision to allocate assets directly to a Seeded Manager, it is expected that the Filing Adviser and/or PAAMCO Launchpad would earn a revenue share on such investment.

As further described in response to Item 11 above, PAAMCO Prisma may also invest assets of PAAMCO Prisma Clients in Portfolio Funds advised by Portfolio Managers in which KKR holds an ownership stake or with whom KKR has a strategic relationship. PAAMCO Prisma does not believe that the PAAMCO Prisma Clients would receive fee concessions from a Portfolio Manager as a result of such a relationship; however, PAAMCO Prisma may have an incentive to allocate assets of PAAMCO Prisma Clients to such Portfolio Funds since KKR has an indirect financial interest in the success of such Portfolio Funds. Any decision by PAAMCO Prisma to retain as a Portfolio Manager, or to invest in a Portfolio Fund advised by a Portfolio Manager in which KKR retains an ownership stake or a strategic relationship will be subject to review as described in Item 8 and Item 10 above and will also be reviewed by the Conflicts Committee as described in Item 11.

PAAMCO Prisma may also invest assets of Clients in Portfolio Funds advised by Portfolio Managers that are affiliated with an investor or prospective investor in a Client. This creates a conflict of interest where PAAMCO Prisma may be incentivized to allocate to that Portfolio Fund to secure the relationship with aforementioned investor or prospective investor. If this issue arises, PAAMCO Prisma will seek to mitigate this conflict by having the prospective transaction reviewed by the Conflicts Committee as described in Item 11.

PAAMCO Prisma has entered into contracts pursuant to which it compensates third parties for investor referrals. In general, any such arrangement will be pursuant to a written agreement with the third party. The third party will be required to provide the prospective client with a copy of PAAMCO Prisma's Form ADV Part 2A and a separate written disclosure document describing the arrangement between PAAMCO Prisma and the third party, and PAAMCO Prisma must obtain

the client's acknowledgement that it has received the written disclosure document at the time of the initial solicitation.

Such arrangements generally provide for payments to the solicitor based upon a percentage of fees paid to PAAMCO Prisma. Such fees are not paid by Clients. However, these arrangements present potential conflicts of interest on the part of the solicitor to favor the Clients they have referred to PAAMCO Prisma over other investments with respect to which it receives less compensation.

Further, in certain non-U.S. markets, when required by local regulations, PAAMCO Prisma engages a third-party distributor. Such distributor is compensated with a flat fee per annum and an additional flat fee per investor who subscribes through the distributor, which is generally paid by PAAMCO Prisma unless otherwise indicated in the Client governing document. In addition, PAAMCO Prisma Europe is expected to receive a percentage of management fees, performance fees and/or other fees paid to PAAMCO Prisma by any Client that may be referred by PAAMCO Prisma Europe.

From time to time, PAAMCO Prisma may engage one or more consultants to provide PAAMCO Prisma with market research and consulting services relating to possible prospective clients.

#### **Item 15. Custody**

Rule 206(4)-2 under the Advisers Act (the “**Custody Rule**”) defines custody as holding client securities or assets or having any authority to obtain possession of them. With limited exceptions, PAAMCO Prisma is generally deemed to have custody of the assets of the Clients over which PAAMCO Prisma exercises discretion. Each of PAAMCO Launchpad and PAAMCO Prisma is deemed to have custody of the assets of each PAAMCO Launchpad Fund.

To comply with the requirements of the Advisers Act, Funds and Accounts for which PAAMCO Prisma is deemed to have custody are audited each year by an independent public accountant and the audited financial statements are provided directly to investors in these Funds and Accounts within 120 to 180 days (as required) of the Fund's fiscal year end. To the extent PAAMCO Prisma relies on the CFTC 4.7(b) exemption with respect to a Fund, the audited financial statements are provided within 90 days of fiscal year end. For Accounts, account statements are sent directly by the custodian of the Account's assets.

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

For certain Clients, PAAMCO Prisma negotiates the level of investment discretion with the investor at the outset of the advisory relationship. PAAMCO Prisma could have complete discretionary authority to invest the Client's assets or PAAMCO Prisma's discretion could be limited such that it must be exercised within specific investment parameters and restrictions. In some instances, the investor may have final approval or a veto right over all or some investment decisions for the Client. For those Clients where PAAMCO Prisma has complete investment discretion, PAAMCO Prisma typically receives express discretionary authority, including a power of attorney, through a limited liability company agreement, limited partnership agreement, subscription agreement, investment management or similar agreement relating to the Client. Regardless of the level of discretion PAAMCO Prisma has with respect to any one Client, such discretion is to be exercised in a manner consistent with the stated investment objectives,



limitations and restrictions for the particular Client and PAAMCO Prisma's internal policies and procedures.

PAAMCO Prisma exercises this discretion by subscribing to and redeeming from various types of Portfolio Funds on behalf of the PAAMCO Prisma FoF Clients and PAAMCO Launchpad. As indicated above, for certain FoF Clients, PAAMCO Prisma must obtain the approval of the investor prior to subscribing to a Portfolio Fund, in which case these assets would be classified as non-discretionary. However, to the extent FoF Clients' assets are invested in Portfolio Funds over which PAAMCO Prisma maintains discretion, such FoF Client assets are included in total discretionary regulatory assets under management.

For Molecule, PAAMCO Prisma serves as investment manager and has discretion over specific securities transactions with respect to the Center Book and Molecule Accounts managed by discretionary trading teams employed by PAAMCO Prisma.

For Molecule Accounts managed by external Portfolio Managers, PAAMCO Prisma has delegated investment discretion to such Portfolio Managers. The Molecule CAC allocates capital amongst all Molecule Accounts but has no control over the trading within these Molecule Accounts.

For certain Apex Clients, the Filing Adviser or Prisma serve as discretionary investment manager, but strategically delegates trading authority with respect to specific investment themes to third-party subadvisers pursuant to separate sub-investment management agreements. Subject to the terms of the applicable sub-investment management agreement (including the agreed upon investment parameters) and at the oversight of PAAMCO Prisma, a subadviser generally exercises discretion with respect to the portion of the Client portfolio allocated to it. Prisma retains discretion in such Apex Clients to manage the portion of such Client's portfolio not allocated to subadvisers and to allocate and reallocate such Client's assets among subadvisers.

For certain Clients employing the Apex Credit strategy, the Filing Adviser or Prisma, as the sole investment manager of such Apex Funds, determines the Co-Investment transactions in which to invest and the allocation of assets to each Co-Investment in its sole discretion. For Apex Accounts employing the Apex Credit strategy, the Filing Adviser or Prisma may negotiate the level of investment discretion with the investor at the outset of the advisory relationship. For certain Apex Accounts, the Filing Adviser or Prisma may have complete discretionary authority to select the identity and amount of Co-Investment transactions to be bought or sold. For other applicable Apex Accounts, the Filing Adviser or Prisma's discretion may be limited such that it must be exercised within specific investment parameters and restrictions and, in some circumstances, the investor may have veto rights over all or some investment decisions for its Apex Account.

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

The SEC adopted Rule 206(4)-6 under the Advisers Act, which requires registered investment advisers that exercise voting authority over client securities to implement proxy voting policies. In compliance with such rule, PAAMCO Prisma has adopted proxy voting policies and procedures. In the case of interests held by PAAMCO Prisma Clients in Portfolio Funds, the general policy is to vote proxy proposals, amendments, consents or resolutions (collectively, "proxies") in a manner that serves the best interests of the PAAMCO Prisma Clients, determined by PAAMCO Prisma in its discretion, taking into account relevant factors, including, but not limited to: (i) the impact on the value of the expected returns from the Portfolio Fund; (ii) the attraction of additional capital to the underlying Portfolio Fund; (iii) the alignment of the Portfolio Manager's interests with the interests of the underlying investors in the Portfolio Funds, including establishing appropriate



incentives for the Portfolio Manager; (iv) the costs associated with the proxy; (v) the impact on redemption or withdrawal rights; (vi) the continued or increased availability of portfolio information; and (vii) business and industry practices.

PAAMCO Prisma has the authority to vote proxies on behalf of most Clients participating in the Multi-Asset Investing Program and Apex strategy, but generally does not vote proxies for Strategic Advisory Clients. In the case of MAP Funds and certain Molecule Accounts, the relevant Portfolio Manager is generally responsible for voting proxies with regard to the securities held in their respective portfolios. This responsibility is documented in the Subadvisory Agreement or PMA, as applicable. PAAMCO Launchpad has the authority to vote proxies in the PAAMCO Launchpad Funds.

Where PAAMCO Prisma or PAAMCO Launchpad has proxy voting authority, PAAMCO Prisma or PAAMCO Launchpad, as applicable, considers each proxy proposal on its own merits, and makes an independent determination whether to support or oppose management's position. Any actual or apparent conflict of interest between the interests of PAAMCO Prisma and its Clients is brought to the attention of the Conflicts Committee. The Conflicts Committee will seek to resolve the matter in a manner that is consistent with the best interests of PAAMCO Prisma's Clients and in a manner not affected by such actual or apparent conflict of interest.

In connection with Apex Clients and certain Molecule Accounts (including the Center Book), PAAMCO Prisma has adopted policies with respect to voting client securities, and PAAMCO Prisma uses an independent third-party proxy voting specialist, Institutional Shareholder Services, Inc. ("**ISS**"), to assist in certain proxy votes. The services provided by ISS include in-depth research, global issuer analysis, and voting recommendations as well as vote execution, reporting and recordkeeping with respect to both U.S. and non-U.S. securities. PAAMCO Prisma, however, retains ultimate voting discretion with respect to client securities. PAAMCO Prisma seeks to vote client proxies in the best interest of the relevant Clients with an objective of maximizing shareholder value while maintaining consistency with applicable Client agreements. PAAMCO Prisma maintains documentation to support its voting decisions for proxy matters. PAAMCO Prisma may depart from the ISS guidelines in order to avoid voting decisions believed to be contrary to the best interests of the relevant Clients or if it has agreed otherwise with the relevant underlying investors. Any such exceptions will be documented and reported to the Chief Compliance Officer.

Investors may request a copy of PAAMCO Prisma's proxy voting policies and the proxy voting record relating to the Client in which the investor is invested by contacting PAAMCO Prisma at the address, telephone number or email on the cover of this Brochure.

### *Class Actions Policy*

From time to time, certain securities that are or were held by Clients are the subject of a class action or other legal proceeding. PAAMCO Prisma utilizes the services of third-party class action recovery firms (each a "**Class Action Recovery Firm**") to identify, analyze, assert and file claims in class action securities litigation on behalf of PAAMCO Prisma advised 1) Funds and 2) any Accounts that have expressly delegated such authority to PAAMCO Prisma. In addition, rather than wait for the final resolution of a securities class action claim, PAAMCO Prisma on behalf of such clients may sell claims to firms who specialize in purchasing interests in pending securities class actions claims.

For each case in which a Class Action Recovery Firm files a claim on behalf of an PAAMCO Prisma Client, the Class Action Recovery Firm retains a percentage of any recovery as their fee (whether as a result of final resolution or a sale). Remaining recovery amounts received as a result of participation in class actions will be credited to the participating PAAMCO Prisma Clients at the time the recovery amounts are received. This means that in general, remaining recovery amounts received with respect to a Fund's investments will be retained by the Fund for the benefit of such Fund's investors as of the date of distribution of such proceeds (and not, for the avoidance of doubt, for the benefit of investors who held interests in such Fund as of the date the relevant investment was acquired by the Fund or date the class action claim arose). In the event a Fund is terminated and class action proceeds are distributed after such Fund has been dissolved, if it is impossible or impracticable to identify and locate such Fund's former investors or to disburse proceeds to such former investors, to the extent permitted by applicable law (including ERISA, if applicable), PAAMCO Prisma may determine to donate such proceeds to charity rather than to distribute the proceeds to the Fund's former investors.

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

PAAMCO Prisma does not require or solicit prepayment of more than \$1,200 in fees per Client six months or more in advance. As of the date of this Brochure, PAAMCO Prisma is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to PAAMCO Prisma Clients.