

ITEM 1 COVER PAGE

PART 2A OF FORM ADV: FIRM BROCHURE

Marathon Asset Management, LP

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March 31, 2023

This brochure provides information about the qualifications and business practices of Marathon Asset Management, LP (together, with its relying adviser affiliate, the “**Adviser**,” “**we**,” “**us**,” or “**our**”). If you have any questions about the contents of this brochure, please contact our Chief Compliance Officer, Chris Brown, at (212) 500-3000 or cbrown@marathonfund.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “**SEC**”) or by any state securities authority.

Additional information about us also is available on the SEC’s website at www.adviserinfo.sec.gov.

We are a registered investment adviser under the Investment Advisers Act of 1940, as amended (the “**Investment Advisers Act**”). Our registration under the Investment Advisers Act does not imply any level of skill or training.

ITEM 2 MATERIAL CHANGES

On March 25, 2022, we filed the previous version of this brochure. The following material changes have been made since the last filed update:

- In Item 8, we have referenced the following aspects of our investment approach: middle market loan origination.
- In Item 8, we have also updated the risk factors to discuss in greater detail (i) risks to our Clients in engaging in investment grade debt securities, U.S. government securities, senior secured loans, 144A securities and various derivative instruments, (ii) risks of cybersecurity events, and (iii) risks relating to disaster recovery and data security
- In Item 10, we have also added additional disclosures relating to the Adviser's affiliates.
- In Item 11, we have revised our description of our Code of Ethics and elaborated on potential conflicts of interest that can arise with our participation or interest in Client transactions.

In addition to the material changes described above, non-material changes were made to this brochure which are not discussed in this summary. Consequently, we encourage you to read the brochure in its entirety.

Our current brochure may be requested, free of charge, by contacting our Chief Compliance Officer, Chris Brown, at (212) 500-3000 or cbrown@marathonfund.com.

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ITEM 4 ADVISORY BUSINESS

A. General Description of Advisory Firm

We are a Delaware limited partnership, founded in January 1998.

We provide investment advisory services to privately offered pooled investment vehicles (each, a “**Fund**,” and collectively, the “**Funds**”) and separately managed accounts on behalf of institutional investors (the “**Accounts**,” and, together with the Funds, “**Clients**”), typically pursuant to an investment management agreement or similar document (an “**IMA**”) under which the Adviser is granted discretion to trade the Client’s account without obtaining the Client’s consent to each particular transaction (subject to the investment policies and restrictions, if any, imposed by the Client in an IMA). In addition, the Adviser serves from time to time as (i) a sub-adviser to one or more funds registered as investment companies (“**Registered Funds**”) with the SEC under the Investment Company Act of 1940, as amended (the “**1940 Act**”), (ii) a sub-adviser to one or more open-ended investment companies (“**UCITS Funds**”) authorized pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities (“**UCITS**”)) Regulations, 2011, as amended and, (iii) in limited circumstances, a provider of non-discretionary investment advice to Clients. The Adviser also serves as the collateral manager to certain collateralized loan obligation vehicles (“**CLOs**”).

We anticipate advising other Clients similar to those set forth above from time to time. The Fund and Accounts that we advise are diverse. They are structured in various manners (including, without limitation, long-only funds, thematic multi-year drawdown structures, co-investment vehicles, absolute return funds, total return funds and separately managed accounts), may invest in overlapping or differing positions as other Clients and are subject to differing fee, liquidity and other terms. As a result, we may be subject to certain conflicts of interests in managing such different Clients as further described in this brochure. We operate under basic policies and principles applicable to the conduct of our investment advisory business that are designed to mitigate such conflicts of interest and ensure our compliance with applicable laws. These policies and principles are based upon general concepts of fiduciary duty and the specific requirements of the Investment Advisers Act, the rules and regulations promulgated thereunder, and other applicable laws and regulations.

MCAP Global Finance (UK) LLP (the “**relying adviser**” and together with any affiliated entity formed in the future performing similar functions, the “**relying advisers**”), files a single Form ADV with Marathon Asset Management, LP. The relying adviser is identified on Schedule R of our Form ADV Part 1. In addition, we have established, and may in the future establish, wholly-owned entities to provide non-investment advisory services in connection with our advisory business, such as (i) marketing, (ii) accounting and administrative support or (iii) sourcing, servicing or management services in respect of assets our Clients hold or are seeking to acquire.

Our principal owners are Bruce Richards, co-Founder and Chief Executive Officer; and Louis Hanover, co-Founder, and Chief Investment Officer of the Adviser.

Blackstone Strategic Capital Holdings Fund, a vehicle managed by Blackstone Alternative Asset Management, owns a passive, minority interest in the Adviser. Bruce Richards and Louis Hanover continue to maintain autonomy over the Adviser's day to day business management, operations, and investment processes.

B. Description of Advisory Services

As an investment adviser, we provide portfolio management services to our Clients. We are responsible for sourcing potential investments, conducting research and due diligence on potential investments, analyzing investment opportunities, structuring investments and monitoring investments on behalf of our Clients. We generate all of our advisory revenues from these types of investment advisory services.

We implement a variety of strategies in the global credit and fixed income markets. We do not limit the type of investment advisory services we offer and there are no material limitations to the types of securities in which we may invest on behalf of our Clients. We advise Clients in pursuing a variety of investment objectives and approaches including, without limitation: long-only, index-based, global corporate credit (including, high yield bonds, senior secured bank loans, special situations, dislocated credit and distressed credit), structured credit (including CLOs), emerging markets credit (namely, emerging market sovereign credit and emerging market corporate credit), asset-based lending (including pharmaceutical royalties), specialty assets (such as aircraft, large equipment leasing, shipping and consumer credit), middle market loan origination and real estate. Subject to any investment guidelines or restrictions applicable to a particular Client, we are permitted to invest in any security and any sector of the market to carry out the overall objectives of our Clients. Our investment objectives, strategies and policies are expected to evolve materially over time. We typically have complete flexibility to create or organize or otherwise utilize special purpose subsidiaries or other special purpose investment vehicles, swaps or other derivatives or structured products on behalf of our Clients and may enter into or invest in joint venture structures with co-investing entities or operational partners. Any relationship between the Adviser and a Registered Fund will be governed by a written contract (a "**Sub-Advisory Agreement**") approved by the vote of a majority of the Registered Fund's outstanding voting securities as set forth in Section 15 of the 1940 Act. Any relationship between the Adviser and a UCITS Fund will be governed by a written contract (a "**Sub-Discretionary Advisory Agreement**"). In managing the collateral of the CLOs that we advise, we are typically subject to restrictions set forth in the governing documents of such CLOs.

C. Availability of Customized Services for Individual Clients

We tailor our advisory services to the individual needs of our Clients that are not Funds. The Client's IMA, each Fund's private placement memorandum (a "**PPM**"), or other Fund documents provide more detailed descriptions of each Client's investment objectives and may contain investment guidelines, policies, or restrictions.

In addition, the Adviser is permitted to enter into arrangements with certain Clients (or underlying investors) that in each case provide for terms of investment that are more favorable to the terms provided to other Clients (or underlying investors). Such terms include the waiver or reduction of management and/or incentive fees, the provision of additional information or reports,

more favorable transfer rights, and more favorable liquidity rights. As noted above, any relationship between the Adviser and a Registered Fund will be governed by a Sub-Advisory Agreement and the relationship between the Adviser and a UCITS Fund will be governed by a Sub-Discretionary Advisory Agreement. Also as described above, our collateral management services on behalf of our CLOs are governed by the relevant collateral management agreement and the governing documents of each CLO.

D. Wrap Fee Programs

We do not participate in a wrap fee program.

E. Assets Under Management

As of December 31, 2022, we had approximately \$22,150,655,220 in Client regulatory assets under management on a discretionary basis and \$903,383,561 in Client regulatory assets under management on a non-discretionary basis.

ITEM 5

FEES AND COMPENSATION

A. Advisory Services and Fees

While the management and performance fees vary by Client, our basic fee schedule is as follows: the Adviser generally receives management fees based on net assets under management (generally from approximately 0.20% to 2.00% annually, depending on the Fund or Account) and an incentive or performance fee generally of up to 20% of the account's profit or cash distributions, if any, charged to each Client subject in certain cases to a loss carry forward provision or a preferred return hurdle. Management fees for certain clients may also be calculated as a percentage of invested or committed capital or gross assets. For certain Clients, we do not receive an incentive or performance fee; for other Clients we may receive a higher incentive or performance fee. In addition, we from time to time negotiate lesser or different fee schedules for particular Clients (or underlying investors) based on a variety of factors, including the nature of the investments, the size of the account or the length of a Client's or investor's commitment. For CLOs, we typically receive a collateral management fee and may receive additional performance-based compensation based on the cash distributions made by the CLOs. Co-Investment Accounts are subject to negotiated fees depending on the nature of the opportunity and the investors participating therein. We structure any performance or incentive fee arrangement in accordance with Section 205(a)(1) of the Investment Advisers Act and the rules and regulations promulgated thereunder, including the exemption set forth in Rule 205-3 permitting performance fee arrangements with "qualified clients."

The applicable general partner has the unilateral discretion to waive or reduce the application of certain provisions of the Fund governing documents for a Client with respect to an investor (including those related to fees, performance-based compensation, and withdrawals) without obtaining the consent of any other investor. The applicable general partner may waive all management fees and performance-based compensation for investment vehicles that facilitate investment by employees (and family members) of the Adviser or its affiliates.

For the services provided and the expenses assumed by the Adviser pursuant to a Sub-Advisory Agreement, it is expected that the primary adviser of the relevant Registered Fund will pay to the Adviser a fee, computed daily and payable monthly, in arrears, at an annual rate of the average daily net assets of the portion of the Registered Fund that the Adviser sub-advises, in accordance with the Sub-Advisory Agreement.

For the services provided and the expenses assumed by the Adviser pursuant to a Sub-Discretionary Advisory Agreement, the primary adviser of the relevant UCITS Fund pays to the Adviser a fee agreed upon between the Adviser and the primary adviser from time to time.

B. Payment of Fees

The IMAs, PPMs or other Fund documents, govern the terms of compensation and the manner in which we charge fees to each Client. Subject to the terms of IMAs, PPMs or other Fund documents, Clients are either billed directly for fees or authorize us to deduct fees directly from the Client's account. We directly deduct our fees from the Funds. Our management fees are paid

quarterly or monthly, in advance or arrears, depending on the Client, generally based on beginning or ending net assets at the end of each month or quarter; however, for certain Funds, management fees are calculated based on capital commitments, invested capital or gross assets. Incentive fees (or allocations) are generally charged annually in arrears or upon cash distributions. Fees will be prorated for partial periods.

C. **Additional Expenses and Fees**

Our fees are exclusive of other charges, fees, and expenses which are paid by Clients. Such expenses are set forth in the IMAs, PPMs or other documents. As a general matter such expenses include, among other things: external (*i.e.*, third party) legal, audit, tax preparation, accounting, operational, administrative, insurance, regulatory and research fees and expenses; technology expenses; investment expenses such as commissions; regulatory filing fees; direct fees and expenses related to the analysis, purchase or sale of investments, whether or not a particular investment is consummated, such as legal fees, travel and due diligence expenses; interest on margin accounts and other indebtedness; borrowing costs (including charges on securities sold short); custodial fees; and any other expenses reasonably related to the purchase, sale or transmittal of Clients' assets. These charges, fees, and expenses are exclusive of and in addition to our management and incentive fees. We do not receive any portion of these charges, fees, and expenses and do not receive a brokerage commission or other compensation attributable to the sale of a security or other investment product. However, we may hold interests in certain origination or sourcing businesses to which our Clients pay fees or other transaction-related compensation. For an in-depth discussion of the factors that we consider in selecting or recommending broker-dealers for Client transactions and determining the reasonableness of commissions and compensation for such broker-dealers, please see Item 12(A), "Brokerage Practices, Selection of Broker-Dealers and Reasonableness of Compensation," below.

Certain Clients also reimburse the Adviser for certain of its internal research, operations, administrative, technology or asset management expenses incurred by the Adviser in connection with performing services for such Clients ("**Research/Ops Expenses**"). Research/Ops Expenses that are charged to Clients are disclosed or set forth in the IMAs, PPMs or other documents applicable to such Clients and certain of these Clients are subject to certain annual caps as a percentage of assets under management. While the amount of Research/Ops Expenses charged to Client Accounts that are subject to such expenses will not exceed any applicable cap, such Client Accounts will bear a greater proportion of the Adviser's overall Research/Ops Expenses (as a function of the Adviser's overall assets under management). As a result, certain Client Accounts will benefit from Research/Ops Expenses that are charged to other Client Accounts. In addition, certain Funds bear the costs and expenses associated with certain in-house services relating to managing and servicing the assets or properties held by such Funds. The governing documents of such Funds will disclose any such costs and expenses.

Other expenses incurred on behalf of multiple Clients are allocated by the Adviser in a manner in which it determines to be fair and equitable. Expense allocations are generally made based on the Adviser's good faith assessment regarding which Clients benefitted or will benefit from incurring the given expense. Expenses may be allocated based on the pro rata ownership of Client Accounts in an investment opportunity or the relative net asset value or committed capital of the relevant Client Accounts or may be allocated equally among Clients or among business lines

(and then to the Clients being advised by such business lines). In addition, the Adviser may take into consideration other factors it determines to be relevant to the allocation decision in its sole discretion. Such other factors may include, but are not limited to, the gross market value of the Client Accounts, the time and resources dedicated to each investment and the Clients Accounts' respective life cycle stages and capital flows. Notwithstanding the foregoing, expenses related to certain services, products or resources may be allocated only to, or in greater percentage to, specific business lines, strategies or Clients, even if other Clients may also derive some benefit from such service, product or resource, if the Adviser determines that the expense is essential to such business lines, strategy or Clients or is being acquired specifically for them. Similarly, in cases where investment expenses have been incurred in respect of an investment that was made on behalf of one or more specific Clients, other Clients who are participating in excess capacity in such investment may not bear any portion of such investment expenses. Expense allocation determinations involve assumptions, estimates and projections and depend on the subjective judgment of the Adviser in assessing actual or potential benefits received by each Client Account. While the Adviser will allocate expenses in good faith in accordance with its expense allocation policies and procedures, there can be no assurance that any expense will be allocated in a particular manner and there may be alternative allocations of expenses that may also be reasonable. There will be times when expense are not allocated on a pro rata basis within a strategy but, in any event, will not exceed any contractual caps, if applicable. Research/Ops Expenses will be allocated in respect of Client Accounts as described in the previous paragraph.

In addition, the Adviser expects to offer co-investment opportunities relating to particular Clients to the investors therein, as well as third parties or affiliates of the Adviser, and may offer co-investment opportunities relating to other Clients in its sole discretion. While participating co-investors will bear their pro rata share of any expenses associated with a consummated co-investment transaction, the Client to which a co-investment opportunity relates and the investors therein may bear all out of pocket expenses (including, without limitation, legal and accounting costs and travel expenses) associated with any co-investment opportunity that is unconsummated, including any portion thereof that may or would have been allocated to potential investors had such co-investment been consummated.

The Adviser or an affiliate of the Adviser may earn fees for providing origination or sourcing services in connection with certain Client assets. Any market rate fees for such origination services earned by the Adviser and its affiliates will be paid to the Clients involved in such transactions. Any such fees will be disclosed in the governing documents of the relevant Client account.

The expenses borne by a Registered Fund are set forth in the relevant Sub-Advisory Agreement and the other governing documents of the Registered Fund.

The expenses borne by a UCITS Fund are set forth in the relevant Sub-Discretionary Advisory Agreement and the other governing documents of the UCITS Fund.

The expenses borne by a CLO are set forth in the relevant governing documents of the CLO.

D. Prepayment of Fees

For certain Funds and Accounts, Clients may choose to pre-pay fees in advance. If a Client (or underlying investor) pre-pays a fee and then terminates its advisory contract before the end of the billing period, the Client may obtain a refund by contacting the Adviser or the refund will automatically be credited to the Client (or underlying investor) as specified in the relevant IMA or Fund document. The amount of the refund is prorated for the partial period.

E. Additional Compensation and Conflicts of Interest

We do not receive a brokerage commission or any other compensation attributable to the sale of securities or investment products and our personnel do not receive such compensation.

ITEM 6

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

While the specific terms vary by Client, as a general matter we receive a management fee and may receive a performance-based fee from our Clients for our advisory services. We do not charge any Clients another type of fee, such as an hourly or flat fee. For a more detailed discussion of our performance or incentive fees, please see Item 5, “Fees and Compensation,” above.

Performance-based fee arrangements may create an incentive for us to recommend investments that may be riskier or more speculative than those that we may recommended under a different fee arrangement. In the allocation of investment opportunities, performance-based fee arrangements may also create (i) an incentive for us to favor Clients with performance or incentive fee arrangements over Clients that are not charged, or from which we will not receive, a performance fee; and (ii) an incentive for us to favor Clients from which we will receive a greater performance fee over Clients from which we will receive a lesser performance fee.

We have adopted Policies and Procedures regarding Aggregation and Allocation of Investments (the “**Allocation Procedures**”) designed to ensure that all of our Clients are treated fairly and equitably over time and to prevent this form of conflict from influencing the allocation of investment opportunities among our Clients. As a general matter, we will offer Clients the right to participate in investment opportunities that we determine are appropriate for the Client in view of relative amounts of capital available for new investments, each Client’s investment program, and the then current portfolios of our Clients at the time an allocation decision is made. As a result, in certain situations priority or weighted allocations can be expected to occur in respect of certain accounts, including but not limited to situations where Clients have differing: (A) investment mandates, (B) portfolio, diversification targets, or concentrations with respect to geography, asset class, issuer, sector or rating, (C) investment restrictions, (D) tax or regulatory limitations, (E) leverage limitations or volatility targets, (F) ramp up or ramp down scenarios or (G) counterparty relationships.

In accordance with our Allocation Procedures, we will endeavor to treat each of our Clients in a fair and equitable manner over time. For a more detailed discussion, please see Item 12(B), “Aggregating Orders for Various Client Accounts,” below.

ITEM 7

TYPES OF CLIENTS

We currently provide investment advisory services to institutional managed accounts and private investment funds that are offered to high net worth financially sophisticated individual and institutional investors. Our investment advisory services are generally intended for investors who would qualify as a “qualified purchaser” as defined in Section 2(a)(51)(A) of the 1940 Act, including insurance companies, endowments, trusts and estates, governmental agencies, other financially sophisticated institutional and individual investors and commingled investment vehicles. We also from time to time serve as the sub-adviser to Registered Funds or to UCITS Funds. In addition, we serve as a collateral manager to certain CLOs.

The minimum account size necessary to open and maintain an account with us varies by Client, type of Client and relevant strategy. In general, we have set a minimum investment of \$100,000 to \$100,000,000 (depending on the Account or the Fund), but we may require a different amount, or waive the minimum investment, depending on a variety of factors, such as a particular Client’s circumstances or investment strategies. The minimum account size, if any, (i) by a Registered Fund is specifically negotiated by the Adviser and the Registered Fund and (ii) by a UCITS Fund is specifically negotiated by the Adviser and the UCITS Fund.

ITEM 8

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

A. Methods of Analysis and Investment Strategies

While our methods of analysis and investment strategy varies to some extent for each Fund or Account, in general, we focus on investing in the global credit and fixed income markets. Credit selection is based on our bottom-up fundamental research, capital structure and situational expertise. We pursue a highly integrated, research-intensive approach utilizing synergies across our platform. We seek to identify and take advantage of opportunistic and situational investments in global corporate credit, including high yield, leverage loans and non-investment grade credit, commercial real estate mortgages, residential real estate mortgages, structured credit and global debt opportunities, including emerging markets debt. With respect to certain of our Clients, we seek to generate attractive risk-adjusted returns by focusing on real estate loans and the acquisition of distressed real estate debt or properties, typically middle market and/or transitional properties in need of capital, primarily in the United States, United Kingdom and other European jurisdictions. With respect to certain of our other Clients, our investment strategy is to identify and take advantage of opportunistic and situational investments in the debt or other obligations of issuers on a global basis. We also make investments in certain specialized asset classes, such as aircraft or shipping finance and health care royalties. Other Clients pursue relaxed constraint strategies that seek to outperform specific debt indices on a relative basis. Our investment guidelines with respect to (i) a Registered Fund are set forth in the relevant Sub-Advisory Agreement and (ii) a UCITS Fund are set forth in the relevant Sub-Discretionary Advisory Agreement.

Overall, our investment approach generally draws on a number of underlying disciplines and strengths, including:

- Fundamental bottom-up credit analysis;
- Credit trading and execution capabilities;
- Work-out and restructuring expertise;
- Risk management discipline;
- Network of business relationships;
- Customization of tailored credit solutions;
- Asset management experience;
- Securitization and structuring expertise;
- Significant history of investing and managing capital over multiple economic cycles;
- Historical utilization of low levels of leverage; and

- Commitment to best-in-class infrastructure and financial controls.

We have the flexibility and expertise to invest anywhere in the capital structure, including securities, loans and structured products.

B. Risk of Loss

Investing with us involves significant risks and is suitable only for those persons who can bear the economic risk of the loss of their entire investment and who have limited need for liquidity in their investment. There can be no assurance that Clients will achieve their investment objective. An investment with the Adviser carries with it the inherent risks associated with investments in corporate debt and other securities and instruments, as well as additional risks, including, but not limited to, risks associated with turmoil in the financial markets, investments in non-investment grade or distressed companies, the use of swaps, futures, options, hedging and short sale trading strategies, counterparty or prime broker risk, and investments in non-U.S. securities, among other risks. Clients should carefully review this brochure, the relevant Fund's PPM and any other operative agreements before deciding to invest with the Adviser. Risk factors relevant to (i) a Registered Fund are set forth in the Registered Fund's governing documents and (ii) a UCITS Fund are set forth in the UCITS Fund's governing documents. Risk factors relevant to CLOs are listed in the relevant CLO's offering circular.

Investing in securities involves risk of loss that our Clients (and their underlying investors) should be prepared to bear. While many of the strategies employed by the Adviser do not involve frequent trading of securities, certain strategies employed by the Adviser may involve frequent trading of securities. For those strategies, the frequent trading may affect investment performance through increased brokerage and other transaction costs and taxes.

Risk Factors

In addition to the general risks described above, we believe that Clients and their underlying investors should be aware of the risk factors delineated below. These risk factors are not a complete explanation of all the risks that are relevant to Clients and underlying investors contemplating an investment with us. Clients and their underlying investors should read this brochure, any IMA, the Fund's or Account's organizational and offering documents and the documents and materials referred to in this brochure before determining to invest with us. Such documents typically set forth additional risks that are specific to that Fund's or Account's investment program.

Debt Securities. We direct certain Clients to take positions in debt securities which rank junior to other outstanding securities and obligations of the issuer, all or a significant portion of which may be secured on substantially all of that issuer's assets. Certain positions in debt securities that our Clients take are not protected by financial covenants or limitations on additional indebtedness. We invest certain Clients from time to time in securities which are moral obligations of issuers or subject to appropriations. Clients will therefore be subject to credit and liquidity risks.

Distressed Securities. We invest certain Clients in “distressed securities” (*e.g.*, debt, equity, private claims and obligations of domestic and foreign entities experiencing significant financial difficulties, such as loan participations and assignments, trade claims and similar instruments), and Clients may be exposed to significant risks. Among these risks are: (i) the difficulty in obtaining information as to the issuer’s true condition; (ii) regulatory risk, including laws relating to fraudulent conveyances, voidable preferences, lender liability and bankruptcy; (iii) market risk; (iv) litigation risk; (v) liquidity risk; and (vi) at times, collection risk (especially, with respect to sovereign debt). Moreover, to the extent a Client invests in distressed sovereign debt obligations, it will be subject to additional risks and considerations not present in private distressed securities, including the uncertainties involved in enforcing and collecting debt obligations against sovereign nations, which may be affected by world events, changes in U.S. foreign policy and other factors outside of our control. Distressed investments may also be adversely affected by state and federal laws relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and a bankruptcy court’s discretionary power to disallow, subordinate or disenfranchise particular claims. In addition, distressed investments may be adversely affected by numerous uncertainties related to out-of-court restructurings and exchange offerings. Furthermore, the market prices of distressed instruments are highly volatile, and the spread between the bid and asked prices of such instruments are often unusually wide.

Special Situations. We invest certain Clients in companies involved in (or the target of) acquisition attempts or tender offers or in companies involved in or undergoing workouts, liquidations, spin-offs, reorganizations, bankruptcies, restructurings, exchange offers or other catalytic changes or similar transactions. In any investment opportunity involving any such type of special situation, there exists the risk that the contemplated transaction either will be unsuccessful, take considerable time or will result in a distribution of cash or a new security the value of which will be less than the purchase price to our Clients 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, Clients may be required to sell their investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which we may invest, there is a potential risk of loss by Clients of their entire investment in such companies.

High Yield Securities. We invest certain Clients in “high yield” bonds and preferred securities which are rated in the lower rating categories by the various credit rating agencies (or in comparable non-rated securities). Securities in the lower rating categories are subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be predominately speculative with respect to the issuer’s capacity to pay interest and repay principal. They are also generally considered to be subject to greater risk than securities with higher ratings in the case of deterioration of general economic conditions. Because investors generally perceive that there are greater risks associated with the lower-rated securities, the yields and prices of such securities may tend to fluctuate more than those for higher-rated securities. The market for lower-rated securities is thinner and less active than that for higher-rated securities, which can adversely affect the prices at which these securities can be sold. In addition, adverse publicity and investor perceptions about lower-rated securities, whether or not based on fundamental analysis,

may be a contributing factor in a decrease in the value and liquidity of such lower-rated securities.

Investment Grade Debt Securities. Investment Grade debt securities are Investment Grade rated (defined below) obligations that have credit ratings that are intended to reflect (but will not necessarily reflect) relatively less credit and liquidity risk than high-yield debt securities or mezzanine debt securities. Risks of Investment Grade debt securities may include (among others): (i) market place volatility resulting from changes in prevailing interest rates, (ii) the absence, in many instances, of collateral security, (iii) the operation of mandatory sinking fund or call/redemption provisions during periods of declining interest rates that could cause Clients to reinvest premature redemption proceeds in lower-yielding debt obligations, (iv) the declining creditworthiness and the greater potential for insolvency of the issuer of such investment debt securities during periods of rising credit spreads and/or interest rates and/or economic downturn and (v) the failure to correctly rate the security.

“Investment Grade” means the ratings level specified by the relevant rating agency (or, if not so specified, generally understood, in the judgment of the Adviser) to be “investment grade” or above “speculative grade” (or satisfying comparable criteria). For example, in the case of Moody’s Investors Service, Inc., “Investment Grade” means (i) in the case of long-term obligations, at least “Baa3” and (ii) in the case of short-term taxable ratings, at least “P-3.” Generally, an investment will be considered an Investment Grade investment if at least one rating agency rates the investment as at least Investment Grade, even if one or more other rating agencies rate the investment as Below Investment Grade.

“Below Investment Grade” means a ratings level below Investment Grade.

Sovereign Debt Securities. We invest certain of our Clients directly and indirectly through derivative instruments (including swaps and credit default swap indices) in sovereign debt instruments. The issuers of sovereign debt or the governmental authorities that control the repayment of the debt may be unable or unwilling to repay principal or interest when due, and our Clients may have limited recourse in the event of a default. A sovereign debtor’s willingness or ability to repay principal and pay interest in a timely manner may be affected by, among other factors, its cash flow situation, the extent of its foreign currency reserves, the availability of sufficient foreign exchange on the date a payment is due, the sovereign debtor’s policy toward international lenders and the political constraints to which a sovereign debtor may be subject. Furthermore, such entities may be entitled to claim sovereign immunity from any claims made against them should they default on any of their obligations under such loans. This may hinder, or prevent entirely, the recovery of any loss suffered as a result of such default.

Senior Secured Loans. We invest certain Clients in secured corporate loans. Clients may acquire both performing and non-performing loans, both domestically and in Europe. Performing loans may become non-performing or impaired for a variety of reasons. Non-performing or impaired loans may require substantial workout negotiations or restructuring that may entail, among other things, a substantial reduction in the interest rate and/or a substantial write-down of the principal of the loan. Loans may encounter trading delays

due to their unique and customized nature, and transfers may require the consent of an agent bank and/or borrower. Risks associated with loans include the fact that prepayments may generally occur at any time without premium or penalty.

Clients may acquire interests in loans by way of sale, assignment or participation. The purchaser of an assignment typically succeeds to all of the rights and obligations of the assigning institution and becomes a lender under the credit agreement with respect to the loan or debt obligation; however, its rights can be more restricted than those of the assigning institution.

Purchasers of loans are predominantly commercial banks, investment funds, mutual funds and investment banks. As secondary market trading volumes increase, new loans are frequently adopting standardized documentation to facilitate loan trading which may improve market liquidity. There can be no assurance, however, that future levels of supply and demand in loan trading will provide an adequate degree of liquidity or that the current level of liquidity will continue. Because of the provision to holders of such loans of confidential information relating to the borrower, the unique and customized nature of the loan agreement, and the private syndication of the loan, loans are not as easily purchased or sold as a publicly traded security, and historically the trading volume in the loan market has been small relative to, for instance, the high-yield debt market.

The loans acquired on behalf of Clients will typically be to borrowers which have no ratings or Below Investment Grade ratings and will generally be highly leveraged companies. The corporate loans may be incurred by the borrowers thereunder in connection with a leveraged transaction, often to finance internal growth, acquisitions, mergers or stock purchases, or for other reasons. As a result of the additional debt incurred by the borrower in the course of the transactions, the borrower's creditworthiness is often judged by rating agencies to be Below Investment Grade.

Loan Participations and Assignments. We may invest our Clients in loans acquired through assignment or participations. In purchasing participations, there will usually be a contractual relationship only with the selling institution, and not the borrower. There generally will not be any right to directly enforce compliance by the borrower with the terms of the loan agreement, nor any rights of set-off against the borrower, nor will it have the right to object to certain changes to the loan agreement agreed to by the selling institution. Our Clients may not directly benefit from the collateral supporting the related secured loan and may not be subject to any rights of setoff the borrower has against the selling institution.

In addition, in the event of the insolvency of the selling institution, under the laws of the United States and the states thereof, our Clients may be treated as general creditors of such selling institution and may not have any exclusive or senior claim with respect to the selling institution's interest in, or the collateral with respect to, the secured loan. Consequently, Clients may be subject to the credit risk of the selling institution as well as of the borrower. Certain loans or loan participations may be governed by the laws of a jurisdiction other than a United States jurisdiction, which may present additional risks as regards the

characterization under such laws of such participation in the event of the insolvency of the selling institution or the borrower.

Structured Finance Securities and Structured Credit Products. We invest certain Clients in structured finance securities such as, for example, equipment trust certificates, collateralized debt obligations (“CDOs”), collateralized mortgage obligations, collateralized bond obligations, CLOs or similar instruments. Structured finance securities may present risks similar to those of the other types of investments in which we invest Clients and, in fact, such risks may be of greater significance in the case of structured finance securities. Moreover, investing in structured finance securities may entail a variety of unique risks. Among other risks, structured finance securities may be subject to prepayment risk. In addition, the performance of a structured finance security will be affected by a variety of factors, including its priority in the capital structure of the issuer thereof, the availability of any credit enhancement, the level and timing of payments and recoveries on and the characteristics of the underlying receivables, loans or other assets that are being securitized, remoteness of those assets from the originator or transferor, the adequacy of and ability to realize upon any related collateral and the capability of the servicer of the securitized assets. Moreover, a rapid change in the rate of defaults may have a material adverse effect on the yield to maturity. It is therefore possible that Clients may incur losses on its investments in structured products regardless of their ratings by S&P or Moody’s. Additionally, the securities in which we may be authorized to invest include securities that are subject to legal or contractual restrictions on their resale or for which there is a relatively inactive trading market. Securities subject to resale restrictions may sell at a price lower than similar securities that are not subject to such restrictions. Special risks may be associated with Client’s investments in structured credit products. For example, synthetic portfolio transactions may be structured with two or more tranches, each of which receives different proportions of the interest and principal distributions on a pool of credit assets. The yield to maturity of any given tranche may be extremely sensitive to the default rate in the underlying reference portfolio.

CDOs and CLOs. Our Clients’ investments in CDOs and CLOs will be frequently subordinate in right of payment to other securities sold by the applicable CDO or CLO and will not be readily marketable. Depending upon the default rate on the collateral of the CDO or CLO, Clients may incur substantial losses on their investments. In addition, when Clients sell securities or assets held by them to a CDO or CLO, Clients may not receive any residual interest in such CDO or CLO so that any profits that Clients might have recognized on such securities or assets will no longer inure to the benefit of our Clients. The market value of CDOs and CLOs will generally fluctuate with, among other things, the financial condition of the obligors on the underlying debt obligations or, with respect to synthetic securities, of the obligors on or issuers of the reference obligations, general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. The performance of CDOs or CLOs will be adversely affected by macroeconomic factors, including the following: (i) general economic conditions affecting capital markets and participants therein; (ii) the economic downturns and uncertainties affecting economies and capital markets worldwide; (iii) concerns about financial performance, accounting and other issues relating to various publicly traded companies; and (iv) recent and proposed

changes in accounting and reporting standards and bankruptcy legislation. In addition, interest payments on CDOs or CLOs (other than the most senior tranche or tranches of a given issue) are generally subject to deferral. If distributions on the collateral underlying a CDO or CLO security are insufficient to make payments on the CDOs or CLOs, no other assets will be available for payment of the deficiency and following realization of the underlying assets, the obligations of the CDO or CLO issuer to pay such deficiency will be extinguished. CDOs and CLOs (particularly the subordinated interests) may provide that, to the extent funds are not available to pay interest, such interest will be deferred or paid “in kind” and added to the outstanding principal balance of the related security. Generally, the failure by the issuer of a CDO or CLO security to pay interest in cash does not constitute an event of default as long as a more senior class of securities of such issuer is outstanding and the holders of the securities that have failed to pay interest in cash (including Clients) will not have available to them any associated default remedies.

Residential Mortgage Backed Securities (“RMBS”). We invest certain of our Clients’ assets in residential mortgage-backed securities. Holders of RMBS bear various risks, including credit, market, interest rate, structural and legal risks. RMBS represent interests in pools of residential mortgage loans secured by numerous 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, although such loans may be securitized by government agencies and such securities issued may be guaranteed. The rate of defaults and losses on residential mortgage loans will be affected by a number of factors, including general economic conditions and those in the geographic area where the related mortgaged property is located, the terms of the loan, the borrower’s “equity” in the mortgaged property and the financial circumstances of the borrower. If a residential mortgage loan is in default, foreclosure of such residential mortgage loan may be a lengthy and difficult process, and may involve significant expenses. Furthermore, the market for defaulted residential mortgage loans or foreclosed properties may be very limited.

Collateralized Mortgage Backed Securities (“CMBS”). We invest certain of our Clients in collateralized mortgage-backed securities. Collateral underlying CMBS generally consists of mortgage loans secured by income producing property, such as regional malls, other retail space, office buildings, industrial or warehouse properties, hotels, rental apartments, nursing homes, senior living centers and self-storage properties. We will invest such Clients directly in CMBS as well as derivatives referencing CMBS as well as other structured securities. Performance of a commercial mortgage loan depends primarily on the net income generated by the underlying mortgaged property. The market value of a commercial property similarly depends on its income-generating ability. As a result, income generation will affect both the likelihood of default and the severity of losses with respect to a commercial mortgage loan. Any decrease in income or value of the commercial real estate underlying an issue of CMBS could result in cash flow delays and losses on the related issue of CMBS. The owner of CMBS does not have a contractual relationship with the borrowers of the underlying commercial mortgage loans.

Asset Backed Securities (“ABS”). We invest certain of our Clients in asset-backed securities (“ABS”). ABS are subject to interest rate risk and, to a lesser degree, prepayment

risk. ABS are subject to additional risks in that, unlike mortgage-backed securities, ABS may not have the benefit of a security interest in the related collateral (e.g., credit cards, student loans). Each type of ABS also entails unique risks depending on the type of assets involved and the legal structure used. For example, credit card receivables are generally unsecured and the debtors are entitled to the protection of a number of state and federal consumer credit laws, many of which give debtors the right to set off certain amounts owed on the credit cards, thereby reducing the balance due. ABS typically experience credit risk. For example, there is an increasing supply of subordinated securities rated lower than AA (down to B or first loss) and senior securities that may be rated lower than AAA, as well. There is also the possibility that recoveries on repossessed collateral may not, in some cases, be available to support payments on these securities because of the inability to perfect a security interest in such collateral.

Securitizations. The Adviser may direct certain Clients to leverage pools of loans or similar investment through securitization transactions. Any such financing will involve creating a special purpose vehicle, contributing the applicable pool of investments to the special purpose vehicle or a sponsor of such entity, and selling interests in the special purpose vehicle on a non-recourse basis to purchasers (whom the Adviser would expect to be willing to accept a lower interest rate to invest in investment-grade pools). The relevant Client or Clients may retain all or a portion of the equity in the securitized pool of portfolio investments. In connection with this strategy, such Clients will be subject to the risk that it will not be able to acquire a sufficient amount of investments to maximize the efficiency of a securitization. In addition, if such Clients are directed to utilize financing with respect to warehousing assets in anticipation of a securitization, they will be subject to the risk of changes in the value of such assets. Any such changes may trigger rights for the warehouse provider, such as the right to make margin calls or act on loan covenants that require that the relevant Clients put up additional collateral or sell the relevant assets. Such Clients may not be able to complete securitization transactions on attractive terms or at all, even after incurring significant costs in contemplation of a securitization transaction. The inability to consummate securitizations to finance Clients' investments on a long-term basis could require such Clients to seek other forms of potentially less attractive financing or to liquidate assets at an inopportune time or price, which could adversely affect their performance.

Such Clients will generally be required to make customary representations and warranties in connection with securitizations in which they contribute investments. The terms of any such securitization transaction will generally require such Clients to repurchase or substitute such investments in the event they breach a representation or warranty given to purchasers.

Finally, the securitization of a Client's portfolio might magnify its exposure to losses because any equity or subordinate interests that such Client retains in the issuing special purpose vehicle will be subordinate to the bonds issued to investors and the Client will, therefore, absorb all of the losses sustained with respect to a securitized pool of assets before the owners of the bonds experience any losses.

Lending and Loan Origination. On behalf of certain Clients, we originate loans to, or purchase assignments of or participations in loans made to, various issuers, including distressed companies. Such investments may include senior secured, junior secured and mezzanine loans and other secured and unsecured debt that has been recently originated or that trade on the secondary market. The value of a Client's investment in loans may be detrimentally affected to the extent a borrower defaults on its obligations, there is insufficient collateral and/or there are extensive legal and other costs incurred in collecting on a defaulted loan. As a general matter, we will attempt to minimize the risk by maintaining low loan-to-liquidation values, with each loan and the collateral underlying the loan. However, there can be no assurance that the value assigned by us to collateral underlying a loan of a Client can be realized upon liquidation, nor can there be any assurance that collateral will retain its value.

In addition, certain loans will be supported, in whole or in part, by personal guarantees made by the borrower or a relative or guarantees made by a corporation affiliated with the borrower. The amount realizable with respect to a loan may be detrimentally affected if a guarantor fails to meet its obligations under the guarantee. Moreover, loans may also be supported by collateral, the value of which may fluctuate. In addition, active lending/origination by a Client may subject it to additional regulation, as well as possible adverse tax consequences to such Client and its underlying investors. Finally, there may be a monetary, as well as a time cost involved in collecting on defaulted loans and, if applicable, taking possession of various types of collateral.

Convertible Securities. We invest certain Clients in convertible securities, securities that may be exchanged or converted into a predetermined number of the issuer's underlying shares or the shares of another company or that are indexed to an unmanaged market index at the option of the holder during a specified time period. Convertible securities may take the form of convertible preferred stock, convertible bonds or debentures, stock purchase warrants, zero-coupon bonds or liquid-yield option notes, stock index notes, mandatories, or a combination of the features of these securities. Prior to conversion, convertible securities have the same general characteristics as non-convertible debt securities. As with all debt securities, the market value of convertible securities tends to decline as interest rates increase, and, conversely, increase as interest rates decline. Convertible securities, however, also appreciate when the underlying common stock appreciates, and conversely, depreciate when the underlying common stock depreciates.

Special Purpose Acquisition Companies ("SPACs"). Special purpose acquisition companies are subject to significant "event risk;" that is, a SPAC's success depends on its ability to identify and close a transaction within a relatively short period delimited in its charter. SPACs are "blank check" companies with no operating history and, at the time that we invest a Client in a SPAC, the SPAC typically has not conducted any discussions or made any plans, arrangements or understandings with any prospective transaction targets. Accordingly, there is a limited basis (if any) on which to evaluate the SPAC's ability to achieve its business objective. While certain SPACs are formed to close a transaction in specified market sectors, others are complete "blank check" companies without a sector-specific mandate, and the management of the SPAC may have limited experience or knowledge of the market sector in which the transaction is made. Accordingly, at the time

that we invest a Client in a SPAC, there may be little or no basis for us to evaluate the possible merits or risks of the particular industry in which the SPAC may ultimately operate or the target business which the SPAC may ultimately acquire. In addition, the basic terms of a SPAC may change from time to time. For example, there may be changes in the number of warrants per SPAC unit, the amount of proceeds the SPAC sponsor can take from interest earned on the trust account or the ability of a SPAC's sponsor to vote its warrants to amend the terms of the warrants, each of which may adversely affect a Client's investment in the relevant SPAC.

A SPAC will not generate any material revenues until, at the earliest, after the consummation of a transaction. While a SPAC is seeking a transaction target, its stock may be thinly traded. There can be no assurance that a market will develop. A SPAC may not be able to find a suitable target business and complete an initial business combination within the time period prescribed as part of its initial public offering (usually 18 months to 24 months). The SPAC's ability to complete an initial business combination may be negatively affected by general market conditions, volatility in the capital and debt markets and other risks. If a SPAC has not completed an initial business combination within the prescribed time period, it will: (i) cease all operations except for the purpose of winding up, (ii) redeem the public shares, at a per-share price, payable in cash, equal to the aggregate amount then on deposit in the trust account (including interest not previously released (less dissolution expenses), divided by the number of then outstanding public shares, and (iii) as promptly as reasonably possible following such redemption, subject to the approval of remaining stockholders and the board of directors, dissolve and liquidate, subject in each case to any obligations under applicable law to provide for claims of creditors. In such case, public stockholders may only receive trust value, and any warrants or other equity-related investments in the SPAC will expire worthless. In certain circumstances, public stockholders may receive less than trust value on the redemption of their shares.

U.S. Government Securities. U.S. government securities include direct obligations of the U.S. Treasury and obligations issued by U.S. government agencies and instrumentalities, including securities that are supported by: (1) the full faith and credit of the United States (e.g., certificates of the Government National Mortgage Association); (2) the right of the issuer to borrow from the U.S. Treasury (e.g., Federal Home Loan Bank securities); (3) the discretionary authority of the U.S. Treasury to lend to the issuer (e.g., Fannie Mae securities); and (4) solely the creditworthiness of the issuer (e.g., Freddie Mac securities). Neither the U.S. government nor any of its agencies or instrumentalities guarantees the market value of the securities they issue. Therefore, the market value of such securities can be expected to fluctuate in response to changes in interest rates.

Leverage; Availability of Credit; Interest Rates; Margin. Subject to the IMAs and the Funds' operative documents, we may cause Clients to borrow funds from brokerage firms and banks in order to be able to increase the amount available for investments. In addition, we may in effect borrow funds through entering into repurchase agreements, and may purchase or sell options, forwards and other derivative instruments. The amount of borrowings which Clients may have outstanding at any time may result in a margin call forcing the sale of such asset. Leverage also has the effect of magnifying both profits and losses compared with unleveraged positions.

There can be no assurance we will be able to maintain adequate financing arrangements under all market circumstances. In an unsettled credit environment, we may find it difficult or impossible to maintain leverage for our Clients. The financing available to our Clients from banks, dealers, and other counterparties typically will be severely restricted in disrupted markets. Any such restriction would likely result in substantial losses to Clients, despite its primary reliance on more long-term structured financings. In addition, any leverage obtained, if terminated on short notice by the lender, could result in our being forced to unwind positions quickly and at prices below what we deem to be fair value for the positions.

Foreign Investment. We invest our Clients in the securities and other instruments of issuers located in non-U.S. jurisdictions. Such investment involves certain risks and special considerations not typically associated with investing in other more established economies or securities markets. Such risks may include (i) the risk of nationalization or expropriation of assets or confiscatory taxation; (ii) social, economic and political instability including war; (iii) dependence on exports and the corresponding importance of international trade and commodities prices; (iv) less liquidity of securities markets; (v) currency exchange rate devaluations and fluctuations; (vi) potentially higher rates of inflation (including hyper-inflation); (vii) controls on foreign investment and limitations on repatriation of invested capital and our ability to exchange local currencies for U.S. dollars; (viii) a higher degree of governmental involvement in and control over the economies; (ix) government decisions to discontinue support for economic reform programs and imposition of centrally planned economies; (x) differences in auditing and financial reporting standards which may result in the unavailability of material information about economies and issuers; (xi) less extensive regulatory oversight of securities markets; (xii) longer settlement periods for securities transactions; (xiii) less stringent laws regarding the fiduciary duties of officers and directors and protection of investors; (xiv) certain consequences regarding the maintenance of Client portfolio securities and cash with sub-custodians and securities depositories in emerging market countries; and (xv) liquidity risk. All of the foregoing factors lead to greater market volatility.

Currency Risks. We invest certain Clients in investments that are denominated in a non-U.S. currency, which are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. An increase in the value of the U.S. dollar compared to the other currencies in which we make our investments will reduce the effect of increases and magnify the U.S. dollar equivalent of the effect of decreases in the prices of Clients' securities in their local markets. Conversely, a decrease in the value of the U.S. dollar will have the opposite effect of magnifying the effect of increases and reducing the effect of decreases in the prices of Clients' non-U.S. dollar denominated securities. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments.

Risks Associated with Securities of Various Credit Ratings of Investment Grade and Non- or Lower-Rated Securities. Certain Clients' investment portfolios in fixed income securities consist of both investment grade securities, rated Baa or higher by Moody's or

BBB or higher by S&P, and lower-rated securities, rated lower than Baa by Moody's or lower than BBB by S&P (or, if not rated, of comparable quality). Securities rated Baa are considered by Moody's to have some speculative characteristics. Such securities may be regarded as predominately speculative with respect to the issuer's continuing ability to meet principal and interest payments. Analysis of the creditworthiness of issuers/issues of lower-rated securities may be more complex than for issuers/issues of higher quality debt securities. Lower-rated securities may be more susceptible to losses and real or perceived adverse economic and competitive industry conditions than higher grade securities. Securities that are in the lowest rating category are considered to have extremely poor prospects of ever attaining any real investment standing, to have a current identifiable vulnerability to default, to be unlikely to have the capacity to pay interest and repay principal. The secondary markets on which lower-rated securities are traded may be less liquid than the market for higher grade securities. Less liquidity in the secondary trading markets could adversely affect and cause large fluctuations in the value of the Clients' portfolio. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may decrease the values and liquidity of lower-rated securities, especially in a thinly traded market.

Higher rated securities can also feature comparable risks. In addition, higher-rated securities run the risk of a down grading if their credit deteriorates, which will likely make such securities more difficult to sell and subject to "marked-to-market" losses. Any changes in credit rating of securities held by a Client, whether due to credit deterioration or the re-rating of securities by a ratings agency could result in such Client bearing losses.

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

Risks Relating to an Originator's Involvement in a Bankruptcy Proceeding. If any of the originators from which we may acquire a pool of loans for Clients becomes a debtor under Title 11 of the United States Code (the "**Bankruptcy Code**") prior to the transfer of servicing on the loans, there could be delays in completing the transfer of servicing, which might have a negative effect on Clients' portfolios. In addition, if an originator becomes a debtor under the Bankruptcy Code, the transfer of the pool of loans and related servicing could be challenged by a bankruptcy trustee (or the originator as debtor in possession) which would cause additional expenses and delays and might have a negative effect on the Clients' portfolios.

Risks Associated with 144A Securities. If and when they become eligible, the funds and/or accounts are permitted to invest in certain restricted securities that are subject to substantial holding periods or that are not traded in public markets. Generally, only QIBs will be eligible to participate in transactions involving such restricted securities pursuant to Rule 144A under the 1933 Act. Such restricted securities generally are less liquid than publicly traded securities. No assurance can be given that any such restricted securities will be eligible to be traded on a public market even if a public market for securities of the same

class were to develop. It is highly speculative as to whether and when an issuer will be able to register its securities so that they become eligible for trading in public markets.

Risks Related to Derivatives and Hedging

Hedging Policies/Risks. The Adviser may employ hedging techniques designed to protect Clients against adverse movements in interest rates and other risks. While such transactions may reduce certain risks, the transactions themselves may entail certain other risks. Thus, while Clients may benefit from the use of these hedging mechanisms, unanticipated changes in interest rates or other factors may result in a poorer overall performance for Clients than if they had not entered into such hedging transactions.

Derivatives. The Adviser may make use of various derivative instruments, such as convertible securities, options, futures, forwards and interest rate, credit default, total return and equity swaps. The use of derivative instruments involves a variety of material risks, including the high degree of leverage sometimes embedded in such instruments. The derivatives markets are frequently characterized by limited liquidity, which can make it difficult as well as costly to close out open positions in order either to realize gains or to limit losses. The pricing relationships between derivatives and the instruments underlying such derivatives may not correlate with historical patterns, resulting in unexpected losses.

The use of derivatives and other techniques such as short sales involves certain additional risks, including: (1) credit risks (the exposure to the possibility of loss resulting from a counterparty's failure to meet its financial obligations); (2) market risk (adverse movements in the price of a financial asset or commodity); (3) legal risks (the characterization of a transaction or a party's legal capacity to enter into it could render the financial contract unenforceable, and the insolvency or bankruptcy of a counterparty could preempt otherwise enforceable contract rights); (4) operational risk (inadequate controls, deficient procedures, human error, system failure or fraud); (5) documentation risk (exposure to losses resulting from inadequate documentation); (6) liquidity risk (exposure to losses created by inability to prematurely terminate the derivative); (7) system risk (the risk that financial difficulties in one institution or a major market disruption will cause uncontrollable financial harm to the financial system); (8) concentration risk (exposure to losses from the concentration of closely related risks such as exposure to a particular industry or exposure linked to a particular entity); (9) settlement risk (the risk faced when one party to a transaction has performed its obligations under a contract but has not yet received value from its counterparty); (10) dependence on the ability to predict movements in the price of the securities hedged; (11) imperfect correlation between movements in the securities on which the derivative is based and movements in the assets of the underlying portfolio; and (12) possible impediments to effective portfolio management or the ability to meet short term obligations because of the percentage of a portfolio's assets segregated to cover its obligations. In addition, by hedging a particular position, any potential gain from an increase in the value of such position may be limited.

To the extent that the Adviser invests in swaps, derivative or synthetic instruments, repurchase agreements or other over-the-counter transactions, Clients may take a credit risk with regard to parties with whom it trades and may also bear the risk of settlement default. These risks may differ materially from those entailed in exchange-traded transactions that generally are backed by clearing organization guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default.

Credit Default Swaps and Other Credit Derivatives. We invest certain Clients in credit default swaps, total rate of return swaps or other credit derivatives. These transactions generally provide for the transfer from one counterparty to another of certain credit risks inherent in the ownership of a financial asset such as a bank loan or a high-yield debt security. Such risks include, among other things, the risk of default and insolvency of the obligor of such asset; the risk that the credit of the obligor or the underlying collateral will decline or that credit spreads for like assets will change (thus affecting the market value of the financial asset). The transfer of credit risk pursuant to a credit derivative may be complete or partial, and may be for the life of the related asset or for a shorter period. Credit derivatives may be used as a risk management tool for a pool of financial assets, providing Clients with the opportunity to gain exposure to one or more reference obligations without actually owning such assets in order, for example, to reduce a concentration risk or to diversify a Client's portfolio. Conversely, credit derivatives may be used to reduce exposure to an owned asset without selling it in order, for example, to maintain relationships with clients, to avoid difficult transfer restrictions, to manage illiquid assets or to hedge declining credit quality of the financial asset.

Credit default swaps, total rate of return swaps and other credit derivatives are a relatively recent development in the financial markets. Consequently, there are certain legal, tax and market uncertainties that present risks in entering into such credit default swaps, total rate of return swaps and other credit derivatives. There is currently little or no case law or litigation characterizing credit default swaps, total rate of return swaps or other credit derivatives, interpreting their provisions or characterizing their tax treatment. In addition, additional regulations and laws may apply to credit default swaps, total rate of return swaps or other credit derivatives that have not heretofore been applied. There can be no assurance that future decisions construing similar provisions to those in any swap agreement or other related documents or additional regulations and laws governing credit default swaps, total rate of return swaps or other credit derivatives will not have a material adverse effect on a Client's investment.

The use of leverage will significantly increase the sensitivity of the market value of the credit default swaps, total rate of return swaps or other credit derivatives to changes in the market value of the reference obligations. The reference obligations are subject to the risks related to the credit of the underlying obligors. These risks include the possibility of a default or bankruptcy of the obligors or a claim that the

pledging of collateral to secure a loan constituted a fraudulent conveyance or preferential transfer that can be subordinated to the rights of other creditors of the obligors or nullified under applicable law.

Options. Trading options is highly speculative and may entail risks that are greater than investing in other securities. Prices of options are generally more volatile than prices of other securities. In trading options for certain Client accounts, the Adviser speculates on market fluctuations of securities and securities exchange indices while investing only a small percentage of the value of the securities underlying such option. A change in the market price of the underlying securities or underlying market index will cause a much greater change in the price of the option contract. In addition, to the extent that Clients purchase options that it does not sell or exercise, Clients will suffer the loss of the premium paid in such purchase. To the extent Clients sell options and must deliver the underlying securities at the option price, Clients have a theoretically unlimited risk of loss if the price of such underlying securities increases. If Clients must buy those underlying securities, the Client risks the loss of the difference between the market price of the underlying securities and the option price. Any gain or loss derived from the sale or exercise of an option will be reduced or increased, respectively, by the amount of the premium paid. The expenses of option investing include commissions payable on the purchase and on the exercise or sale of an option.

The Adviser may buy or sell OTC options for certain Clients — options on securities that are not traded on a securities exchange and are not issued or cleared by an internationally recognized clearing corporation. The risk of non-performance by the obligor on such an option may be greater, and the ease with which Clients can dispose of such an option may be less, than in the case of an exchange traded option issued by an internationally recognized clearing corporation.

Futures/Commodities. Trading commodities and commodity interests (e.g., futures contracts on commodities, securities indices or currencies) is highly speculative and may entail risks that are greater than the risks associated with investing in securities. Prices of commodity interests are generally more volatile than prices of securities. Futures trading will have effects on a Client's portfolio similar to the effects of leverage. In trading commodities and commodity interests for certain Client accounts, Clients may participate in market price fluctuations of securities or commodity interests underlying futures (or options on futures), while investing only a small percentage of the value of those underlying securities or commodity interests. Clients may open a futures position by placing with a futures commission merchant an initial margin that is small relative to the value of the futures contract, making the transaction "leveraged." If the market moves against the Client's position or margin levels are increased, the Client may be called upon to pay substantial additional funds on short notice to maintain its position. If the Client were to fail to make such payments, its position could be liquidated at a loss, and the Client would be liable for any resulting deficit in its account.

Futures positions may be illiquid because, among other things, most commodity exchanges limit fluctuations in certain futures contract prices during a single day. Once the price of a contract for a particular future has increased or decreased by an amount equal to the “daily limit,” positions can be neither taken nor liquidated unless traders are willing to effect trades at or within the limit. Such an occurrence could prevent Clients from liquidating unfavorable positions and subject the Client to substantial losses. In addition, the Adviser, on behalf of certain Client accounts, may not be able to effect futures contract trades at favorable prices if trading volume in those contracts is low.

Client’s futures activities will involve futures and options traded in U.S. and non-U.S. markets. The risks of trading futures in non-U.S. markets may be greater than trading in futures on U.S. exchanges. For example, non-U.S. futures are cleared on and subject to the rules of a non-U.S. board of trade. Neither the CFTC nor the U.S. National Futures Association regulates activities of any other non-U.S. board of trade, including execution, delivery and clearing of transactions, nor do they have any enforcement authority over non-U.S. boards of trade. In addition, funds provided as margin for non-U.S. futures and options may not be provided the same protections as funds received in respect of U.S. transactions.

Currency Exposure and Hedging. The Adviser may buy or sell securities and other assets in U.S. dollars on behalf of certain Clients. To the extent unhedged, the value of the Client’s non-U.S. dollar denominated assets fluctuate with U.S. dollar exchange rates as well as with price changes of a Client’s investment in the various local markets and currencies. Thus, an increase in the value of the U.S. dollar compared to any other currencies in which a Client makes investments will reduce the effect of increases and magnify the U.S. dollar equivalent of the effect of decreases in the prices of the Client’s securities in their local markets. Conversely, a decrease in the value of the U.S. dollar will have the opposite effect of magnifying the effect of increases and reducing the effect of decreases in the prices of the Client’s non-U.S. dollar securities. Because Clients may invest in non-U.S. securities that are denominated or quoted in non-U.S. currencies, whereas the functional currency of the Client is denominated in U.S. dollars, performance may be significantly affected, either positively or negatively, by fluctuations in the relative currency exchange rates and by exchange control regulations. To the extent the Adviser seeks to hedge its currency exposure for Clients, it may not always be practicable to do so. Moreover, hedging may not alleviate all currency risks. Furthermore, Clients may incur costs in connection with conversions between various currencies. Currency exchange dealers realize a profit based on the difference between the prices at which they are buying and selling various currencies. Thus, a dealer normally will offer to sell currency to a Client at one rate, while offering a lesser rate of exchange should the Client immediately resell that currency to the dealer. The Adviser conducts its currency exchange transactions either on a spot (i.e., cash) basis at the spot rate prevailing in the currency exchange market, or through entering into a number of different types of hedging transactions including, without limitation, forward, futures or commodity options contracts to purchase or sell currencies, and entering into foreign currency borrowings.

To the extent the Adviser enters into currency forward contracts (agreements to exchange one currency for another at a future date) on behalf of a Client, these contracts involve a risk of loss if the Adviser fails to predict accurately the direction of currency exchange rates. In addition, forward contracts are not guaranteed by an exchange or clearinghouse. Therefore, a default by the forward contract counterparty may result in a loss to Clients for the value of unrealized profits on the contract or for the difference between the value of its commitments, if any, for purchase or sale at the current currency exchange rate and the value of those commitments at the forward contract exchange rate.

As a result of the Dodd-Frank Act, the CFTC now regulates non-deliverable forwards (including deliverable forwards where the parties do not take delivery). Changes in the forward markets may entail increased costs and result in burdensome reporting requirements. There is currently no limitation on the daily price movements of forward contracts. Principals in the forward markets have no obligation to continue to make markets in the forward contracts traded. The imposition of credit controls by governmental authorities or the implementation of regulations pursuant to the Dodd-Frank Act might limit such forward trading to less than that which the Adviser would otherwise desire, to the possible detriment of a Client.

There can be no guarantee that instruments suitable for hedging currency shifts will be available at the time the Adviser seeks to use them or will be able to be liquidated when the Adviser seeks to do so. In addition, Clients may not enter into hedging transactions with respect to some or all of its positions that are exposed to currency exchange risk.

Counterparty and Settlement Risk. Our Clients take a risk with regard to defaults by the parties with whom we trade and may also bear the risk of settlement default. These risks may differ materially from those entailed in exchange-traded transactions which generally are backed by clearing organization guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default. It may not always be possible for the securities and other assets deposited with custodians or brokers to be clearly identified as being assets of Clients and Clients may be exposed to a credit risk in those situations. In addition, there may be practical or time problems associated with enforcing Clients' rights to their assets in the case of an insolvency of any such party. In valuing derivative instruments, it is anticipated that we will typically rely on quotes or other information provided by counterparties. Such values may not be fully realized upon the dispositions of such derivative instruments.

Custody and Prime Brokerage Risk. There are risks involved in dealing with the custodians or prime brokers who settle our Clients' trades. We maintain a custody account with our prime broker and primary custodian (the "**Prime Broker**"). Although we monitor the Prime Broker and believe that it is an appropriate custodian, there is no guarantee that the Prime Broker, or any other custodian that we may use from time to time, will not

become bankrupt or insolvent. While both the Bankruptcy Code and the Securities Investor Protection Act of 1970 seek to protect customer property in the event of a bankruptcy, insolvency, failure, or liquidation of a broker-dealer, there is no certainty that, in the event of a failure of a broker-dealer that has custody of Client assets, Clients would not incur losses.

We and/or the Prime Broker may appoint sub-custodians in certain non-U.S. jurisdictions to hold Client assets. The Prime Broker may not be responsible for cash or assets which are held by sub-custodians in certain non-U.S. jurisdictions, nor for any losses suffered by Clients as a result of the bankruptcy or insolvency of any such sub-custodian. Clients may therefore have a potential exposure on the default of any sub-custodian and, as a result, many of the protections that would normally be provided to a fund by a custodian may not be available to Clients. Under certain circumstances, including certain transactions where Client assets are pledged as collateral for leverage from a non-broker-dealer custodian or a non-broker-dealer affiliate of the prime broker, or where Client assets are held at a non-U.S. custodian, the securities and other assets deposited with the custodian or broker may not be clearly identified as being assets of Clients and hence Clients could be exposed to a credit risk with regard to such parties. Custody services in certain non-U.S. jurisdictions remain undeveloped and, accordingly, there is a transaction and custody risk of dealing in certain non-U.S. jurisdictions. Given the undeveloped state of regulations on custodial activities and bankruptcy, insolvency, or mismanagement in certain non-U.S. jurisdictions, the ability of Clients to recover assets held by a sub-custodian in the event of the sub-custodian's bankruptcy or insolvency could be in doubt, as Clients may be subject to significantly less favorable laws than many of the protections that would be available under U.S. laws. In addition, there may be practical or time problems associated with enforcing the Clients' rights to its assets in the case of a bankruptcy or insolvency of any such party.

Short Sales. We engage certain Client accounts in short sale transactions. Short sale transactions expose Clients to the risk of loss in an amount greater than the initial investment and such losses can increase rapidly and without effective limit. There is the risk that the securities borrowed by Clients in connection with a short sale would need to be returned to the securities lender on short notice. If the request for return of securities occurs at a time when other short sellers of the security are receiving similar requests a "short squeeze" can occur, wherein Clients might be compelled, at the most disadvantageous time, to replace borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier.

Market Risks. The profitability of a significant portion of our Clients' investment program depends to a great extent upon correctly assessing the future course of price movements of specific securities and other investments. There can be no assurance that we will be able to predict accurately these price movements and, given volatility, Clients may incur substantial risk.

In addition, even when our analysis regarding the overall credit quality of an asset is correct, our Clients may be subject to market movements, mark-to-market volatility, the

overall widening of credit spreads or the lack of liquidity in a market (even a previously liquid market), each of which could result in such Clients incurring losses.

Market Disruptions. Events such as domestic and international political instability, severe recessions, financial crisis, potential or actual bank failures, interest rate changes, acts of war or terrorism, natural disasters and/or disease pandemics may be unforeseeable and contribute to market volatility and illiquidity in ways that may adversely affect investments made by the Adviser on behalf of Clients. In addition, markets in particular securities may become subject to increases in volatility due to the idiosyncratic impact of social media on the trading in particular issuers.

Interest Rate Risk. Clients are subject to interest rate risk. Generally, the value of fixed income securities will change inversely with changes in interest rates. As interest rates rise, the market value of fixed income securities tends to decrease. Conversely, as interest rates fall, the market value of fixed income securities tends to increase. This risk will be greater for long-term securities than for short-term securities. We may attempt to minimize the exposure of the portfolios to interest rate changes through the use of interest rate swaps, interest rate futures and/or interest rate options. However, there can be no expectation nor guarantee that we will be successful in fully mitigating the impact of interest rate changes on the portfolios.

Cybersecurity. The Adviser relies in part on digital and network technologies (collectively, “cyber networks”) to conduct their businesses. Such cyber networks might in some circumstances be at risk of cyber-attacks that could potentially seek unauthorized access to digital systems for purposes such as misappropriating sensitive information, corrupting data, or causing operational disruption. Cyber-attacks might potentially be carried out by persons using techniques that could range from efforts to electronically circumvent network security or overwhelm websites to intelligence gathering and social engineering functions aimed at obtaining information necessary to gain access. We maintain an information technology security policy and certain technical and physical safeguards intended to protect the confidentiality of its internal data. Nevertheless, cyber incidents could potentially occur, and might in some circumstances result in unauthorized access to sensitive information about the Adviser or our Clients.

Disaster Recovery and Data Security. The Adviser relies heavily on information technology and data management systems, which can fail or be subject to interruption or destruction caused by natural or man-made occurrences such as extreme weather, fires, earthquakes, power loss, telecommunications failures, acts of war or terrorism, hacking, break-ins, sabotage, intentional acts of destruction, vandalism, or similar events or misconduct. Any failure, interruption, or destruction of the Adviser’s information technology systems or data could have a material adverse impact on the Adviser’s operations and Client accounts. In addition, a breach in the security of the Adviser’s systems could result in the theft, disclosure, or loss of client, proprietary, and other sensitive information. The Adviser continues to maintain information security, incident response, backup, and disaster recovery procedures intended to prevent or mitigate damage if such an event(s) occurs or are left open. However, a breach could nevertheless occur, and such procedures could fail or be insufficient to avoid, mitigate, or remedy the breach.

Moreover, the ever changing methods and technologies used to obtain unauthorized access to systems through means such as third-party acts, computer error, malicious code, employee error, or malfeasance often are not known until used against a potential target. Therefore, the Adviser may be unable to anticipate the destructive or invasive methods and technologies that could be used against its systems or to implement adequate protections.

Sanctions. The Adviser is subject to laws that restrict it from dealing with entities, individuals, organizations and/or investments which are subject to applicable sanctions regimes. Should any investment made on behalf of a Client subsequently become subject to applicable sanctions, the Client may immediately and without notice to investors cease any further dealings with that investment until the applicable sanctions are lifted or a license is obtained under applicable law to continue such dealings. Alternatively, the application of sanctions may require the Adviser to divest from particular positions on behalf of its Clients, potentially requiring the Clients to liquidate positions at an inopportune time and incur losses.

Government Regulation of Investments. We invest certain Clients in instruments listed on both U.S. and non-U.S. securities and futures exchanges, as well as in “over-the-counter” instruments issued by broker-dealers and other financial counterparties. Instruments listed on exchanges are generally subject to restrictions and regulation by government and/or self-regulatory organizations in the country in which such instruments are traded. Over-the-counter transactions with broker-dealers and other financial counterparties generally are entered into with counterparties regulated by government regulatory bodies and/or self-regulatory organizations in the countries in which such counterparties operate, but the specific instruments acquired pursuant to over-the-counter transactions may not be registered or subject to specific regulation.

The regulatory environment for asset managers is evolving, and changes in the regulation applicable to the asset management industry may adversely affect the value of investments held by Clients and our ability to pursue our strategies. In addition, securities and futures markets are subject to comprehensive statutes, regulations and margin requirements. Regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. The regulation of derivative transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by government and judicial actions. The effect of any future regulatory change on us or our Clients could be substantial and adverse.

Political Uncertainty. Some of the results of recent elections and referenda in various developed market countries have been unexpected and resulted in material market changes and increases in market uncertainty. Changes in administrations and applicable law may create uncertainty due to the uncertain future of current regulations, the potential adoption of new regulations or increases in the enforcement of current regulations. These uncertainties may have adverse impacts on, or alternatively create investment opportunities for, Clients.

LIBOR Transition. LIBOR (the London Interbank Offered Rate), which has been the principal floating rate benchmark in the financial markets, is being discontinued as a

floating rate benchmark as a result of longstanding regulatory initiatives. The date of discontinuation will vary depending on the LIBOR currency and tenor. New LIBOR contracts are generally not expected to be entered into after December 31, 2021. Many existing LIBOR contracts will transition to another benchmark after June 30, 2023, although this transition date may occur earlier.

The predominance of different replacement benchmarks to LIBOR cannot be predicted with certainty. Similarly, it is impossible to predict with certainty the consequences for existing instruments of having to switch from LIBOR to an alternative interest rate benchmark (if one can be determined). Furthermore, during the period when new benchmarks are proposed but not yet widely accepted, the likelihood of such benchmarks themselves being subject to periods of illiquidity, contributing to the increased likelihood of such benchmarks also being excessively volatile. The uncertainty as to what replacement benchmark rates will emerge may result in increasing uncertainty and illiquidity in the debt markets in which our Clients trade, as well as having adverse effects on the broader financial markets and the instruments held by our Clients. The consequences to Clients cannot be predicted but could be material and adverse.

Consideration of Environmental, Social and Governance Factors. The Adviser became a signatory to the Principles for Responsible Investment (PRI) in August 2017. The PRI provides a framework, through its six principles, for consideration of environmental, social and governance (“ESG”) factors in portfolio management and investment decision-making. The six principles ask an investment manager, to the extent consistent with its fiduciary duties, to seek to: (1) incorporate ESG issues into investment analysis and decision-making processes; (2) be an active owner and incorporate ESG issues into its ownership policies and practices; (3) obtain appropriate disclosure on ESG issues by the entities in which it invests; (4) promote acceptance and implementation of the PRI principles within the investment industry; (5) work to enhance its effectiveness in implementing the PRI principles; and (6) report on its activities and progress toward implementing the PRI principles. The Adviser will use its judgment on a case-by-case basis to determine how to properly weigh ESG matters in connection with its investment management activities on behalf of Clients, the primary focus of which is to make profitable investments. The Adviser’s primary objectives when making investments are seeking a return on capital while managing risk, but the Adviser’s approach to ESG factors can have an influence on investment decisions. The consideration of ESG factors by the Adviser does not mean that Clients will pursue a specific ESG investment strategy and the Adviser may make investment decisions notwithstanding the associated ESG considerations. Certain Clients’ investment strategies do not have an ESG focus and such Clients (or the investors therein) should not expect ESG factors to drive decisions related to investments and the management thereof. The Adviser is not required to consider ESG factors in making investment decisions for such Clients, and there can be no assurance that ESG factors will be taken into consideration for any particular investment. In addition, the Adviser’s ESG initiatives for a Client (if any) may not be successful in respect of any investment, or the Adviser may determine that such ESG initiatives are not practical to implement or are otherwise not in the best interests of the Client in respect of certain investments. Further, an issuer’s ESG performance or the Adviser’s assessment of a company’s ESG performance could vary over time, which could cause a Client to be

temporarily invested in companies that do not comply with the approach towards considering ESG characteristics required by such Client.

There are significant differences in interpretations of what it means for a company to have positive ESG characteristics, and the Adviser's investment decisions may differ with the views of others. There are significant differences in interpretations and views among market participants of what it means for an investment to have positive ESG characteristics. The Adviser's interpretation and application of ESG standards are subjective and the ESG analyses, factors and/or sustainability criteria that the Adviser incorporates into its investment decisions for a Client (if any) may differ or otherwise may not be consistent with those used by others. The evaluation of ESG risks and opportunities involves both qualitative and quantitative analysis focused around understanding both industry and firm-specific ESG issues and the potential impact on risk-adjusted returns. The Adviser continually seeks to enhance its understanding of material ESG risks and opportunities across its investments and to develop its ability to determine the impact of such ESG risks or opportunities on Clients' investments. As a result, the Adviser's approach to considering ESG factor is expected to evolve over time and will likely vary between assessing different investment opportunities.

In making investment decisions, the Adviser relies on information and data that could be incomplete or erroneous, which could cause the Adviser to incorrectly assess a company's ESG characteristics. The Adviser cannot guarantee that it will uncover all (or any) of the ESG risks or factors associated with any prospective investment it considers for a relevant Client's portfolio, and such a portfolio may lose value as a result of ESG-related events. See also Item 17, which discusses ESG considerations in our approach to proxy voting.

Economic and Regulatory Climate. Changing markets and economic conditions and other factors, such as changes in federal or state tax laws, federal or state securities laws or accounting standards, may make certain mortgage related transactions less desirable or may make the investment activities engaged in by us, less profitable or unprofitable.

Temporary Defensive Investments. In times of unusual or adverse conditions, for temporary defensive purposes, we are permitted to invest Clients outside the scope of our principal investment focus. Under such conditions, we may invest without limit in money market and other investments and may not invest in accordance with our investment objective or investment strategies and, as a result, may not achieve our investment objectives.

Importance of Market Judgment. The market judgment and discretion of the Adviser's personnel are fundamental to the implementation of many of the strategies we implement on behalf of Clients. The Adviser believes that our investment and research teams have considerable expertise in the sectors in which we invest, but there is no means of predicting whether they will successfully deploy our Clients' capital, especially during changing economic conditions.

Illiquidity of Investment with the Adviser. Because of the limitation on withdrawal and transfer rights and the fact that interests in Funds or Accounts are not tradable, Clients'

(and their underlying investors') investments are relatively illiquid and involve a high degree of risk. We will not register any security pursuant to the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or any state securities laws, and we have no plan and are under no obligation to register the securities under the Securities Act. Investing with us should be considered only by persons financially able to maintain their investment and who can afford the loss of all or a substantial part of such investment.

Lack of Liquidity of Assets. Certain Clients' portfolios include securities and other financial instruments or obligations which are thinly-traded or for which no market exists and/or which are restricted as to their transferability under applicable securities laws. Therefore, there can be no assurance that a secondary market for any such security will develop, or if a secondary market does develop, that it will provide such securities with liquidity of investment. Consequently, such Clients (i) may have to hold such securities for an indefinite period of time or until the stated maturity of the security, or (ii) may be able to sell any such investments, but only at substantial discounts, and it may be extremely difficult to accurately value any such investments, and in such case, can take a reserve against such asset which would impact net asset value. Although we will attempt to buy and sell "liquid" assets in the credit market for Clients with "liquid" investment mandates, this market can become increasingly more "illiquid" and, at times, "frozen". While our objective is to avoid such occurrences for such Clients, there is the possibility that "liquid" investments will become "illiquid" and result in losses. Certain Clients' investment mandates target assets that are inherently illiquid.

Investment Flexibility. The IMAs and operative documents of the Funds have generally given us broad and flexible investment authority as a general matter. In particular, unless otherwise set forth in the applicable IMA or operative documents, we are not required to invest any particular percentage of our Clients' portfolio in any type of investment, sector or region, and the amount of our Clients' portfolio which is invested in any type of investment, which is long or short, or which is weighted in different countries or different sectors can change at any time based on the availability of attractive market opportunities. Accordingly, at any time, we may have significant investments in strategies, sectors or instruments not specifically described herein and which therefore present risks which are not specifically described herein.

Unrelated Business Taxable Income for Certain Tax-Exempt Investors. Pension and profit-sharing plans, Keogh plans, individual retirement accounts and other tax-exempt investors may realize "unrelated business taxable income" as a result of an investment with us since it is anticipated that Clients may engage in margin borrowing. Any tax-exempt investor should consult its own tax adviser with respect to the effect of an investment with us on its own tax situation.

Risk Related to Benchmarked Strategies

Benchmark and Markets Could Decline Substantially. Certain of our Clients will employ strategies that aim track and outperform a specified index (a “**Benchmark**”). There can be no assurance that the markets or groups of securities that are included in the Benchmark will not experience declines in values and remain subject to such reduced values for a substantial period. If a Client employs leverage, such declines may be magnified by a Client’s use of leverage. In the event of a substantial downturn in such markets, the returns of such Client would be reduced or even eliminated.

Risks Related to Real Estate Investments

General Real Estate Investment Risks. We invest certain of our Clients in real estate or real estate-related loans or securities. Real property investments are subject to varying degrees of risk. The yields available from equity investments in real estate depend on the amount of income earned and capital appreciation generated by our Clients’ properties as well as the expenses incurred in connection therewith. If any of the Clients’ properties do not generate income sufficient to meet operating expenses, including debt service and capital expenditures, our Clients’ interest could be adversely affected. Income from, and the value of, our Clients’ properties may be adversely affected by the general economic climate, local conditions such as oversupply, or a reduction in demand for such properties in the areas in which they are located, the attractiveness of our Clients’ properties to potential tenants, competition from other properties, our Clients’ ability to provide adequate maintenance and insurance and increases in operating costs (including insurance premiums, utilities and real estate taxes). In addition, revenues from properties and real estate values are affected by such factors as the cost of compliance with regulations and the potential for liability under applicable laws, including changes in tax laws, and are also affected by interest rate levels and the availability of financing. Our Clients’ income would be adversely affected if, for example, a significant number of tenants were unable to pay rent or if significant portions of our Clients’ properties were vacant and could not be rented on favorable terms. Our Clients will also be subject to risks inherent in activities related to land aggregation, including the potential difficulty to secure real estate loans for such activities or that such loans may require the posting of collateral or that hold outs may impede land aggregation efforts. Certain significant expenditures associated with an investment in real estate (such as mortgage payments, real estate taxes and maintenance costs) generally do not decline when circumstances cause a reduction in income from the property.

Debt Financing Risks. For certain Clients, we engage in borrowings secured by such Clients’ properties or assets, unsecured, or assumed by such Clients or their properties or assets. All or a portion of a Client’s borrowings may be obtained from one or more of our affiliates. Such Clients will be subject to risks normally associated with debt financing, including the risk that its cash flow after debt service will be insufficient to accumulate sufficient cash for distributions, the risk

that existing indebtedness on such Clients' properties (which is unlikely to be fully amortized at maturity) will not be able to be refinanced or that the terms of available refinancing will not be as favorable as the terms of existing indebtedness. If principal payments due at maturity cannot be refinanced, extended or paid with proceeds of other capital transactions, such as new debt or equity capital, it is possible that such Clients' cash flow may not be sufficient in all years to repay all such maturing debt. Furthermore, if prevailing interest rates or other factors at the time of refinancing (such as the reluctance of lenders to make commercial real estate loans) result in higher interest rates upon refinancing, the interest expense relating to such refinanced indebtedness would increase, which would adversely affect the financial condition, results of operations and cash flow of such Clients. If a property is mortgaged to secure payment of indebtedness and such Clients are unable to meet mortgage payments, the property could be foreclosed upon or otherwise transferred to the mortgagee, with a consequent loss of income and asset value to such Clients, which could have an adverse effect on the financial condition, results of operations and cash flow of such Clients.

Illiquidity of Real Estate Investments. Because real estate investments are relatively illiquid, a Client's ability to promptly sell one or more properties in response to changing economic, financial and investment conditions is limited. The real estate market is affected by many factors, such as general economic conditions, availability of financing, interest rates and other factors, including supply and demand, that are beyond our control. Additionally, real estate investments by their nature are often difficult or time-consuming to liquidate. We cannot predict whether we will be able to sell any property on behalf of our Clients for the price or on the terms set by our Clients or whether any price or other terms offered by a prospective purchaser would be acceptable to our Clients. We also cannot predict the length of time needed to find a willing and suitable purchaser. With respect to investments made in the form of securities, buyers for minority interests may be difficult to secure, while transfers of large block positions may be subject to legal, contractual or market restrictions.

Our Clients may be required to expend money to correct defects or to make improvements before a property can be sold. We cannot be certain that our Clients will have cash available to correct those defects or to make those improvements. In acquiring a property, we may agree to transfer restrictions that materially restrict our Clients from selling that property for a period of time or impose other restrictions, such as limitation on the amount of debt that can be placed or repaid on that property.

Directly Held Mortgages. In the event of any default under a mortgage loan held directly by us, we will bear a risk of loss of principal to the extent of any deficiency between the value of the collateral and the principal and accrued interest of the mortgage loan, which could have a material and adverse effect on our cash flow from operations. If we foreclose on the collateral, we expect to obtain the services of a real estate broker and pay the broker's commission in connection with the sale of the property. In addition, significant expenditures, including property taxes,

maintenance costs, insurance costs and related charges, must be made on any property we own regardless of whether the property is producing any income.

Environmental Regulation. As is the case with any holder of real estate investments, our Clients that are invested in real estate could face substantial risk of loss from environmental claims based on environmental problems associated with their investments.

Real Estate Investment Program Risks. For Clients that invest in real estate or real estate-related securities or loans, the deterioration of real estate fundamentals in any geography will negatively impact such Clients' performance. Such changes in fundamentals could involve fluctuations as a result of general and local economic conditions, changes in supply of and demand for competing properties in an area (as a result of, for instance, overbuilding), fluctuations in the average occupancy and room rates for hotel properties, the financial resources of tenants, increases in property taxes and operating expenses, changes in environmental and zoning laws, casualty or condemnation losses, regulatory limitations on rents, changes in neighborhood values, changes in the appeal of properties to tenants, energy and supply shortages, various uninsured or uninsurable risks, natural disasters, increase in interest rates and the availability of mortgage funds which may render the sale or refinancing of properties difficult or impracticable, negative developments in the economy that depress travel activity, environmental liabilities, contingent liabilities on disposition of assets, terrorist attacks, war and other factors that are beyond the control of the Adviser. The value of securities of companies which service the real estate business sector may also be affected by such risks.

REITs. Because we invest a portion of certain of our Clients' assets in REITs (including both REITs managed by others and private REITs managed by the Adviser), such Clients may also be subject to certain risks associated with direct investments in REITs. REITs may be affected by changes in the value of their underlying properties and by defaults by borrowers or tenants. Furthermore, REITs are dependent upon specialized management skills, have limited diversification and are, therefore, subject to risks inherent in financing a limited number of projects. REITs depend generally on their ability to generate cash flow to make distributions to shareholders, and certain REITs have self-liquidation provisions by which mortgages held may be paid in full and distributions of capital returns may be made at any time. In addition, the performance of a REIT may be affected by changes in the tax laws or by its failure to qualify for tax-free pass-through of income due to the failure to comply with specific regulations governing REIT status.

Risks of Investments Related to the Leasing and Remarketing of Aircraft

General Aircraft Leasing Risks. The investment strategies implemented on behalf of certain Clients involve investments in commercial aircraft lease transactions. The ability to lease and remarket its aircraft will depend on general market and competitive conditions at the time the initial leases are entered into and expire. If we, on behalf of such Client, are not able to lease or remarket an aircraft

or to do so on favorable terms, such Client may be required to attempt to sell the aircraft to provide funds for debt service obligations or other expenses. The ability to lease, remarket or sell the aircraft on favorable terms or without significant off-lease time and costs could be negatively affected by depressed conditions in the commercial aviation industry, airline bankruptcies, the effects of terrorism, war, natural disasters and/or epidemic diseases on airline passenger traffic trends, declines in the values of aircraft, and various other general market and competitive conditions and factors which are outside of our control. If we, on behalf of a Client, are unable to lease and remarket its aircraft on favorable terms, such Client may incur substantial losses.

Aircraft Values and the Market Rates for Leases Could Decline. Aircraft values and market rates for leases have from time to time experienced sharp decreases due to a number of factors including, but not limited to, decreases in passenger demand, increases in fuel costs, government regulation and increases in interest rates. Operating leases place the risk of realization of residual values on aircraft lessors because only a portion of the equipment's value is covered by contractual cash flows at lease inception. In addition to factors linked to the commercial aviation industry generally, many other factors may affect the value of the aircraft that a Client acquires and market rates for leases, including:

- the particular maintenance, operating history and documentary records of the aircraft;
- the number of operators using that type of aircraft;
- aircraft age;
- the regulatory authority under which the aircraft is operated;
- any renegotiation of an existing lease on less favorable terms;
- the negotiability of clear title free from mechanics' liens and encumbrances;
- any regulatory and legal requirements that must be satisfied before the aircraft can be purchased, sold or re-leased;
- compatibility of aircraft configurations or specifications with other aircraft owned by operators of that type;
- comparative value based on newly manufactured competitive aircraft; and
- the availability of spare parts.

Any decrease in the value of aircraft that a Client acquires and market rates for leases, which may result from the above factors or other unanticipated factors, could cause such Client to incur substantial losses.

Risks Related to Shipping Industry Investments

General Risks Related to Shipping Industry Investments. We may direct certain Clients to may make investments in the shipping industry, which are subject to the following, non-exhaustive list of risks: extensive and changing safety, environmental protection and other international, national, state and local governmental laws and regulations, compliance with which may require ship modifications and changes in operating procedure; international sanctions, embargoes, import and export restrictions, nationalizations, political unrest, armed conflicts, wars or terrorist attacks; acts of piracy on ocean-going vessels; storms, severe weather and natural disasters, which may cause serious damage to vessels, any cargo and other equipment and loss of life or physical injury; climate change and changing weather patterns; port and canal closures; maritime disasters including collisions, groundings or capsizings or incidents relating to design failures of a vessel; the risk of an explosion, fire or flooding; cargo and property losses or damage; the financial condition of charterers, pool operators, buyers and sellers of maritime-related assets; changes in interest rates and the availability of debt financing which could render the sale or refinancing of maritime and maritime-related assets difficult or impracticable; arrests of vessels by maritime claimants in order to enforce liens against the vessel for unsatisfied debts, claims or damages that could cause delays or require the relevant Client or a shipping investment to pay large sums of money to have the arrest lifted which could have a negative impact on returns; labor interruptions or unrest (including strikes) among crews working on vessels; delays in delivery of new-build vessels or delivery of new-build vessels with significant defects which could delay or lead to the termination of related charter agreements and also cause cost overruns or cancellation of the new-build contracts; increased operational and maintenance costs over the life of a shipping vessel; drydocking costs for periodic maintenance and repairs that are difficult to predict with certainty and can be substantial; environmental issues, including accidents, contamination or pollution; local, national and international economic and political conditions and changing laws, regulations, fiscal and monetary policies and tax policies and rates; developments in international trade and changes in seaborne and other transportation patterns; changes in the tourism and holiday travel market; and changes in energy and commodities prices.

Risks Related to Strategies Dependent on Consumer Loans

General Risks Related to Consumer Loans. Consumer loans are susceptible to prepayment risks. Prepayments on the loans will be influenced by the prepayment provisions of the loans and may also be affected by a variety of economic, geographic and other factors, including changes in interest rates and the availability of alternative financings. Certain consumer loans, such as auto loans and student loans, generally will not contain prepayment penalties. A reduction in interest rates

may increase prepayments on consumer loans, which would result in a reduction in yield to maturity for holders of such loans if purchased at a premium. An increase in interest rates or other factors may slow prepayments which would result in a reduction in yield to maturity for holders of such consumer loans if purchased at a discount. Consumer loans also are susceptible to default risks. Unsecured consumer loans are not secured by any collateral of the borrowers. The repayment of unsecured consumer loans is dependent upon the ability and willingness of the borrowers to repay; if the borrower defaults on an unsecured consumer loan, only net amounts, if any, recovered through collection efforts will be available with respect to that loan. Other consumer loans, like automobile loans, may be secured by collateral, but the value of that collateral is not guaranteed and the recovery of such collateral will not necessarily cover the outstanding amount of the defaulted loan.

The ability to collect on consumer loans is dependent on the performance of a servicer. The servicer may be able to commingle funds relating to a transaction (such as collections from the loans and proceeds from the disposition of any repossessed collateral, such as repossessed vehicles) with its own funds for a period of time. Commingled funds may be used or invested by the servicer at its own risk and for its own benefit. If the servicer were unable to remit those funds or the servicer were to become a debtor under any insolvency laws, delays or reductions in the receivables may occur.

Auto Loans. In particular, a Client may originate or otherwise invest in automobile loans. There exists a risk of default on most automobile loans because obligors have little equity in their financed vehicles. Even in cases in which down payment from the obligor's own funds is required, those obligors may have no equity in their vehicles, which could make it more likely that those obligors will default. In addition, if an obligor defaults and the vehicle is repossessed, the issuing entity is likely to suffer a loss on that loan. State laws may prohibit, limit, or delay repossession and sale of the vehicles to recover losses on defaulted automobile loans. Automobile loans are obligations of the borrowers thereunder only and are not typically insured or guaranteed by any other person or entity.

Student Loans. A Client also may originate or otherwise invest in student loans. Borrowers of private credit student loans may be more likely than other student loan borrowers as a whole to default on their payments or may have a higher rate of delinquencies, deferments and forbearances. Failures by borrowers to timely pay the principal and interest on their private credit student loans or an increase in deferments or forbearances of such loans, if not covered and paid by a private guarantor, will result in the issuing entity's suffering a loss on that loan.

Risks Related to Healthcare Loans and Royalty-Backed Credit Investments.

Certain investment strategies implemented on behalf of certain Clients involve investments through three primary structures: (i) senior-secured healthcare loans,

(ii) royalty-backed credit, and (iii) product royalties. These structures involve a number of risks, including:

Product-Related Risk. The ability of a Client to generate returns will depend in part on the success of the pharmaceutical, biotechnology, specialty and generic pharmaceuticals, medical devices and products, laboratory and diagnostics products (the “**Products**”) related to the Client’s investments. To the extent any risks described below adversely affect sales of Products, potential returns for such Client will, in turn, be adversely affected.

Medical Products Sales Risk. Sales from Products may be lower than their historical levels or lower than the amounts projected due to pricing pressures, insufficient demand, product competition, lack of market acceptance, obsolescence, safety or efficacy issues, restrictions on distribution imposed or requested by regulatory authorities, narrowing of the approved indication(s) for use, additions of boxed warnings or other warnings or precautions to the labeling, manufacturing shortages, loss of patent protection or other factors.

Withdrawal Risk. After its regulatory approval and introduction into the market, a Product may still be subject to withdrawal from the market at the request or direction of the FDA or a non-U.S. regulatory body. The manufacturer or marketer of a Product may voluntarily withdraw the Product from the market for medical, technical, regulatory, commercial or other reasons. There can be no assurance that a Product will not be withdrawn.

Medical Product Competition. The healthcare industry is highly competitive and rapidly evolving. Each Product is subject to competition from alternative products or procedures that are now available, or that may be developed or become available in the future. The Products face competition from (i) products currently on the market that are approved for other indications, but may be subsequently approved for the same indications as those of the Products, (ii) off-label use of products approved for other indications, (iii) the introduction of new products or procedures, and/or (iv) improvements to existing products. Any of these changes may cause a Product to become more expensive than its competitors or less relevant as a therapeutic alternative, thereby decreasing the value of (and in some instances, rendering worthless) the expected revenue stream on that Product. In addition, a change of law could permit importation into the countries for which a Client is entitled to royalties for Product sales (the “**Protected Countries**”) of Products for which a Client may not be entitled to royalties, which would reduce the sales of royalty bearing Products.

Licensees of the Products (“**Licensees**”) are responsible for the development, production, marketing and sale of the Products. The sale of the Products and the Licensees’ ability to maintain their competitive positions are related to the success of the Licensees’ respective marketing efforts. These efforts rely, in part, on the strength and reputation of a Product’s brand name, the capabilities of the Licensee’s sales force, and underlying trademarks, trade names and related intellectual

property. A Licensee's activities both in marketing the Products and in protecting its intellectual property may be outside the control of a Client. A Licensee's failure either to market the Products actively or to diligently protect its intellectual property rights could reduce its competitive position. Other factors affecting the market position of the Products include their effectiveness, side effect profile, price and third-party insurance reimbursement policies.

Uncertainty Related to Healthcare Reimbursement and Reform Measures. In both the U.S. and foreign markets, sales of a health care company's products and its success depend in part on the availability of reimbursement from third-party payors, including government health administration authorities (such as Medicare or Medicaid in the United States), private health insurers, and other health management organizations. The revenues and profitability of life sciences companies may be affected by the continuing efforts of governmental and other payors to contain or reduce the costs of healthcare. Payors are increasingly challenging the prices charged for medical products and services that they reimburse. If the Products of the companies a Client invests in are determined to not meet the criteria for coverage or reimbursement, these organizations may not reimburse the Products or may at lower levels. Significant uncertainty exists as to the reimbursement status of newly approved products. There can be no assurance that a company's proposed product will be considered cost-effective or that adequate third-party reimbursement will be available to enable a company to maintain price levels sufficient to realize an appropriate return on its investment in product development.

In addition, changes in government legislation or regulation, changes in formulary or compendia listings, or changes in payors' policies may reduce reimbursement of such products. If reimbursement is reduced or is not available for a Product, sales would diminish and decrease cash flows available to satisfy royalty payment obligations, thereby harming such Client's revenue. In addition, macroeconomic factors may affect the ability of patients to pay for Products by, for example, diminishing the income patients have to pay out-of-pocket costs and/or obtain sufficient health insurance coverage.

Patent and Other Intellectual Property Rights May Be Challenged and/or Otherwise Compromised. The success of certain Clients' investments will frequently depend, at least in part, on the existence of valid and enforceable claims of issued patents and/or claims in pending patent applications in the United States and elsewhere throughout the world, and/or possibly on other forms of registered and/or unregistered intellectual property rights. For instance, in the case of royalty investments, the Client's right to receive payments will depend on the sales of Products covered by such intellectual property rights. In the case of credit investments in companies in the healthcare industry, these companies' performance and consequently the success of the Client's investments in these companies will similarly be dependent on these intellectual property rights. The patents, patent applications, and/or other intellectual property rights on which these royalty streams or other investments depend may be challenged, invalidated, rendered

unenforceable or otherwise compromised. By way of example only, there can be no assurance that a third party will not assert ownership or other rights in or to any such patents, patent applications or other intellectual property, or that any patent applications on which royalty streams or other investments may depend will proceed to grant. Similarly, there can be no assurance that, in the context of a patent challenge or otherwise, evidence such as prior art references, will not be uncovered that could have an adverse effect on the scope, validity or enforceability of any of the patents or on the patentability of any of the patent applications on which the royalty streams or other investments depend. Any challenge or other compromise of the patents, patent applications or other intellectual property rights on which the royalty streams or other investments depend may adversely affect the performance of the Client.

Challenges from the Licensees. Challenges to patent rights on which the royalty streams, and possibly other investments, may depend may come from Licensees as well as third parties. Pursuant to the Supreme Court decision of *Medimmune v. Genentech*, 549 U.S. 118, 127 S. Ct. 764 (2007), a licensee need not terminate its license agreement before seeking a declaratory judgment in federal court that the underlying patent is invalid, unenforceable, or not infringed. Therefore, there can be no assurance that a Licensee paying royalties contributing to the royalty streams will not challenge patent rights on which those royalties are based.

C. Recommendation of a Particular Type of Security

We do not recommend any particular type of security. There are no material limitations to the types of securities in which we may invest our Clients (subject to certain restrictions or limitations to the contrary in the relevant IMA, offering document, or organizational documents of a particular Client). For a complete discussion of securities in which we may invest our Clients, please see Item 4(B), “Advisory Business, Description of Advisory Services,” above.

ITEM 9
DISCIPLINARY INFORMATION

To the best of our knowledge, there are no legal or disciplinary events that are material to our Clients' evaluation of our advisory business or the integrity of our management.

ITEM 10
OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

A. Broker-Dealer Registration

The Adviser and its management personnel are not registered as broker-dealers and do not have any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer.

B. Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Advisor Exemptions

In addition to being a registered investment advisor, we serve as an exempt Commodity Pool Operator (“CPO”) and an exempt Commodity Trading Advisor (“CTA”) with respect to certain of our Client accounts. Our activities as an exempt CPO or an exempt CTA enable us to use commodities as part of our investment strategies on behalf of certain Clients and do not conflict with our overall investment advisory business.

C. Material Relationships and Conflicts of Interests with Industry Participants

Our relationships and arrangements with our Clients and our affiliates are material to our advisory business. The Adviser and its respective members, officers and employees manage and advise multiple Funds and Accounts, including, but not limited to, the private funds listed in our Section 7.B, Schedule D, of our Form ADV Part 1.

Various entities that are affiliated with the Adviser serve as general partners to certain of these Funds. In addition, the Adviser currently acts, and expects to act in the future, as the investment manager to other investment vehicles and accounts, including Funds and Accounts that may invest in Funds with which the Adviser is affiliated. There is no limit on the number of vehicles or accounts that may be managed or advised by the Adviser.

In certain instances, Marathon Asset Management, LP may engage relying advisers or other entities to provide services to Clients. For instance, Marathon Asset Management, LP has entered into a sub-management agreement with MCAP Global Finance (UK) LLP (“MCAP”), a wholly owned subsidiary of Marathon Asset Management, LP and a relying adviser, whereby MCAP assists in the management of certain Client assets on a discretionary basis. Marathon Asset Management, LP does not receive any additional compensation from its use of MCAP and we believe such use does not create any material conflicts of interest. Marathon Asset Management Japan, an affiliate of the Adviser, has been formed with the intention of providing regional marketing assistance to the Adviser in Japan and other Asian jurisdictions. Similarly, LUX-MAM Services S.à r.l., and Iberia MAM Services Spain are affiliated, wholly owned subsidiaries of Marathon Asset Management, L.P. that have been formed for providing operational assistance to the Adviser throughout Europe and the Middle East.

In sourcing, monitoring and servicing investments for our Clients, we and/or one or more of our Clients may enter into agreements or joint-venture arrangements with originators, sourcers, servicers and/or other market participants (“Sourcing and Servicing Partners”) in the asset classes in which the Clients invest. Sourcing and Servicing Partners may be utilized by the Adviser

to access deal flow for its Clients, acquire more optimal terms for its Clients' investments, leverage particular expertise in respect of a particular industry, market segment or geography, sponsor securitizations on behalf of Clients or satisfy licensing or other regulatory requirements. Sourcing and Servicing Partners may be compensated for their role in Clients' investment activities through fees, expense reimbursements, economic participation in lending activities or other types of arrangements. The Adviser or its affiliates may own a financial interest in certain Sourcing and Servicing Partners. As a result, the Adviser is faced with potential conflicts of interest in determining whether to cause its Clients to utilize and pay fees to such Sourcing and Servicing Partners. Any participation in Sourcing and Servicing Partners will be determined at the discretion of the Adviser, and the Adviser may make an investment in a Sourcing and Servicing Company on behalf of the affiliates of the Adviser or certain Clients but not other Clients, even if such other Client will transact with, or pay fees to, the Sourcing and Servicing Company. If a Client does participate in a Sourcing and Servicing Company, its participation may be exposed to different part of the capital structure or business as affiliates of the Adviser or other Client accounts. The Adviser will have a conflict of interest in evaluating and directing a Client to enter into such transactions because of the potential benefits that could accrue to the affiliates of the Adviser or other Client accounts as a result of the original Client's participation in such transactions. For example, the establishment of any Sourcing and Servicing Company may only be possible with assurances that a Client will retain or transact with such Sourcing and Servicing Company. Similarly, the Adviser may have incentives due to its economic interest in a Sourcing and Servicing Company to cause a Client to transact with such a Sourcing and Servicing Company when third-party market participants would not make a similar decision. Certain Sourcing and Servicing Partners may be intended to continue to operate after a Client's term has expired, meaning that any investments held by a Client with a limited term will need to be disposed of, while any interests held by affiliates of the Adviser and potentially other Client accounts may continue to hold, and benefit from, economic interests in Sourcing and Servicing Partners.

Moreover, affiliates of the Adviser receive fees in respect of their services to Clients, such as sourcing, servicing, originating or managing certain assets that are held by Clients or may be acquired by Clients. Although any fees incurred and paid to affiliates are expected to be competitive with the market, there is an incentive for the Adviser to employ such affiliates rather than third-parties. The governing documents of a Client's relationship with the Adviser will describe any such arrangements.

As the Adviser manages multiple Clients, it is subject to potential conflicts of interest in allocating time and resources to such other Clients. In addition, the Adviser and its personnel have investments in their own names and in certain of the entities managed by the Adviser or in investments that are also held by Clients. As a result of the foregoing, the Adviser and its personnel are subject to potential conflicts of interest in allocating their time and activity between Clients, in allocating investments among Clients and other entities, and in effecting transactions between Clients and other entities, including ones in which the Adviser or its personnel have a greater financial interest. See Item 11.B. for additional information.

Different Clients or affiliates of the Adviser may from time to time invest in different parts of the capital structure of an issuer, which could give rise to potential conflicts of interest. For example, the Adviser may invest, along with its Clients in the equity of an issuer that other Clients provide financing to or the Adviser may cause one set of Clients may invest in the subordinated

debt of an issuer while causing another set of Clients to invest in more senior debt of such an issuer. The presence of an investment in the equity or subordinated tranches of an issuer's capital structure may create incentives for the Adviser to cause Clients to invest in more senior positions of the relevant issuer, as such investments will benefit the other Clients of the affiliates of the Adviser. Further, if any such issuer becomes insolvent or suffers financial distress, decisions about what action should be taken in a troubled situation may need to be made, including without limitation, (i) whether or not to enforce claims or other remedies, (ii) whether or not to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any work-out or restructuring, (iii) how to vote on a creditors committee or restructuring committee, and (iv) how to exercise shareholders' voting rights with respect to such issuer. There may be a conflict between the interests of the different Clients or affiliates of the Adviser insofar as such issuer may be unable to satisfy the claims of all classes of its creditors and security holders. There may also be a conflict between the interests of the Clients and affiliates of the Adviser with respect to negotiating investment terms on behalf of each such entity. The Adviser will seek to resolve such conflicts of interest in a manner which is fair and equitable to the Clients involved. However, under these circumstances it may not be feasible to reconcile such conflicting interests in a way that adequately protects any particular Client's interests.

To address these potential conflicts of interests in its material relationships, the Adviser has adopted policies and procedures, including a Code of Ethics and the Allocation Procedures. Under the Code of Ethics, in general, all personnel of the Adviser, including directors, officers, and employees of the Adviser, must put the interests of the Adviser's Clients first and must act honestly and fairly in all respects in dealings with Clients. For a more detailed discussion of the Adviser's Code of Ethics and conflicts of interest policies, please see Item 11, "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading," below.

Under our Allocation Procedures, it is our policy that, in allocating investment opportunities, all Clients should be treated fairly and that, to the extent possible, all Clients should receive equivalent treatment over time. To that end, we have established an Allocation Committee, which establishes and/or periodically reviews the allocation strategy and criteria, concentration limits and portfolio construction guidelines for investment advisory Clients managed by us. Notwithstanding the foregoing, in certain situations, certain Clients can be expected to receive priority or unweighted allocations. See Item 6.

With respect to any Registered Fund, Section 17 of the 1940 Act prohibits many transactions between a Registered Fund and certain affiliated persons of that Registered Fund (or an affiliated person of such an affiliated person (a "**Second Tier Affiliate**")) and certain investments in affiliated persons or Second Tier Affiliates. The Adviser may only execute securities transactions for a Registered Fund in accordance with relevant regulations, including Section 17 of the 1940 Act. The Adviser's policies and procedures includes guidance regarding the application of such policies and procedures to a Registered Fund.

D. Material Conflicts of Interest Relating to Other Investment Advisers

Except as disclosed in Item 10, "Other Financial Industry Activities and Affiliations," we do not recommend or select other investment advisers for our Clients.

ITEM 11
CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS
AND PERSONAL TRADING

A. Code of Ethics

High ethical standards are essential for the success of the Adviser and to maintain the confidence of our Clients and investors in the Funds. The Adviser's long-term business interests are best served by adherence to the principle that the interests of Clients come first. We have a fiduciary duty to Clients to act solely for the benefit of our Clients. All personnel of the Adviser, including directors, officers and employees of the Adviser, must put the interests of the Adviser's Clients before their own personal interests and must act honestly and fairly in all respects in dealings with Clients. All personnel of the Adviser must also comply with all federal securities laws.

In recognition of the Adviser's fiduciary duty to its Clients and the Adviser's desire to maintain its high ethical standards, the Adviser has adopted a Code of Ethics, pursuant to Rule 204A-1, promulgated under the Investment Advisers Act, containing provisions designed to ensure the confidentiality of Client information, prohibit illegal insider trading and market manipulation, govern the acceptance of gifts and entertainment and the provision of political donations, prevent improper personal trading, identify conflicts of interest, and provide a means to resolve any actual or potential conflicts in favor of the Adviser's Clients. All employees undergo Code of Ethics training when they begin employment and at least annually after that, in addition to certifying annually that they have read and understand the Code of Ethics.

Clients or prospective clients may obtain a copy of the Adviser's Code of Ethics by contacting our Chief Compliance Officer, Chris Brown, at (212) 500-3000 or cbrown@marathonfund.com. The Adviser's Code of Ethics also satisfies Rule 17j-1 of the 1940 Act with respect to a Registered Fund.

B. Participation or Interest in Client Transactions

Conflicts of interest may occur when we, or our related persons, invest in the same securities, trade in the same securities at or about the same time, or have a material financial interest in the same securities that we recommend to our Clients.

The Adviser may have differing interests with respect to different Clients or with respect to individual transactions or investments made by or contemplated for those Clients. Conflicts of interest among Clients, such as compete for limited investment opportunities, may be more pronounced because of differing direct or indirect interests of the Adviser or its affiliates with respect to those Clients. The Adviser will seek to resolve such conflicts of interest in a manner which is fair and equitable to each Client involved. However, under these circumstances it may not be feasible to reconcile such conflicting interests in a way that adequately protects any Clients or particular party's interests. Set forth below is a summary of some of the circumstances in which such conflicts of interest may and do arise:

Aggregating Orders for Various Client Accounts

In certain instances, we aggregate orders on behalf of certain of our Clients for trade execution. When trades are aggregated, each participating account will generally be allocated securities on an average price basis. More specifically, each Client that participates in an aggregated order will generally participate at the average share price for all of the Adviser's transactions in that security or other instrument on a given business day and transaction costs will generally be shared *pro rata* based on each Client's participation in the transaction. No Client will be favored over any other Client as a result of such aggregation. Brokerage commission rates will not be reduced because of such aggregation. In some instances, average pricing may result in higher or lower execution prices than otherwise obtainable by a single Client. The Adviser believes that its aggregation policy is lawful and consistent with its duty to seek best execution for all its Clients. As noted above, the Adviser's policies and procedures include specific policies and procedures applicable to any Registered Fund.

Investment in other Client Accounts

If the Adviser, on behalf of its Clients, invests in the securities of its affiliates or otherwise engages in cross transactions, the Adviser could also be faced with certain conflicts of interest due to its differentiated investments in such Clients. Further, affiliates of the Adviser may make investments in pooled investment vehicles managed by other parties, which may from time to time invest in instruments or market sectors where Clients also invest. This may create conflicts of interest for the Adviser with respect to decisions made on behalf of Clients in respect of instruments held both by such pooled investment vehicles and Clients.

Cross and Principal Transactions

On occasion, the Adviser may deem it to be in the best interests of its Clients for one Client to invest in another Client (such as a Fund or a CLO), for two or more Clients to transact with one another, or to otherwise reallocate securities transactions between Clients. Such cross trades may occur in situations when a security, in the Adviser's view, has become more appropriate for a different Client account in light of current market conditions, taking into consideration among other factors without limitation, each Client's liquidity, portfolio concentrations, leverage, risk profile and anticipated market opportunities. Cross trades may also be executed in situations where the Adviser has determined it is appropriate to rebalance Client accounts, when a Client account is disposing of securities in connection with redemptions or liquidations or in anticipation of financing transactions that will benefit multiple Client accounts. Similarly, on rare occasion, the Adviser may enter into "principal transactions" in which the Adviser or an affiliate act as principal for its own account with respect to the sale of a security to or purchase of a security from another Client. The Adviser maintains policies and procedures, including the review and oversight of such transactions, intended to limit the potential conflicts of interest inherent in one Client investing in another Client, cross transactions or principal transactions. The Adviser's policies and procedures seek to ensure that all cross trades and principal transactions must be, in the reasonable determination of the Adviser, in the best interests of each Client participating therein. Such transactions will comply with all fiduciary requirements and any legal or other requirements established by the Adviser for the benefit of each of the Clients which participate in such transaction and will be executed at market price or fair value, measured in accordance with the

Adviser's valuation policies and procedures. In accordance with such policies and procedures, the Adviser will generally rely on a BWIC ("bid wanted in competition") process and third party vendors, such as IHS Markit and others, to mark readily tradeable fixed income securities. In the context of a cross trade, such a price discovery process (as opposed to an "offer wanted in competition" process) may favor the selling Client over the purchasing Client. Similarly, for highly illiquid assets (*i.e.*, Level III assets), the Adviser will typically generate a mark by assessing both a valuation report provided by a third party valuation agent and the Adviser's internal valuation process. Although the Adviser believes that its valuation process allows it to arrive at a fair value for such assets, the discretionary aspects of the process may result in a particular Client being favored in a cross trade. For example, when a more conservative valuation is used in the context of a cross trade, the purchasing Client may be favored over the selling Client. The Adviser will receive no transaction-based compensation in connection with cross trades (other than the management fees and incentive allocations/fees otherwise payable by the Clients' participating in such transaction).

Cross transactions with a Registered Fund must meet specified conditions and will be effected in accordance with the Registered Fund's Rule 17a-7 procedures. Cross transactions involving a Registered Fund will not be made if the parties to the transaction are affiliated in a manner not permitted by Rule 17a-7, as modified by no-action letters issued by the SEC. Generally, a cross transaction by the Adviser acting as principal for its own account is prohibited where a Registered Fund would be a party to the transaction.

At least semi-annually, the Chief Legal Officer, the Chief Compliance Officer, the Chief Financial Officer, the Chief Operating Officer and a member of the risk team, will meet to review any cross trades over the past period to confirm that they represented best execution in a manner consistent with the Adviser's policies and procedures.

Co-Investment Opportunities

The Adviser, from time to time, in accordance with its Allocation Procedures, offers certain investors or Clients the right or opportunity to co-invest with other Clients in certain portfolio investments. The Adviser is generally not obligated to arrange co-investment opportunities for all investors in a Client or all Clients, and investors and Clients generally will not be entitled or have any right to participate in such an opportunity solely by reason of being a Client or an investor in a Client. The Adviser's decision to offer (or not offer) co-investment opportunities to any investor generally will be made in its sole discretion, and the Adviser may allocate co-investment opportunities instead to investors in other Clients or to third parties in accordance with its Allocation Procedures. The Adviser may enter into arrangements with certain Clients or investors therein that provide priority for certain co-investment opportunities (such as a committed co-investment vehicle) or give priority to certain co-investors.

Allocations of co-investment opportunities may also be made to affiliates of the Adviser. Such co-investments made by affiliates of the Adviser even if such opportunity is not offered to investors in Clients or other third parties or may cause the amount allocated to investors in Clients or third parties to be reduced. The co-investments made by affiliates of the Adviser generally will be investments that, at the time of investment, are opportunities that are determined by the Adviser to be inappropriate for investment by a Client, or in situations where

Clients have already invested in such investments the amount the Adviser believes is appropriate for such Clients. The Adviser will consider any conflicts prior to granting co-investment approval to the Adviser's personnel. No assurances can be made that all conflicts will be identifiable or fully considered at the time such approval, if any, is granted. For example, it is possible that approval could be granted for an co-investment in an issuer that subsequently becomes competitive with a specific Client or its investments. Any co-investment opportunity made available to affiliates of the Adviser may result in the Adviser's affiliates benefiting from research and analysis originally performed on behalf of the Fund. At the same time, co-investors (including any of the Adviser's affiliates) will generally not bear in any expenses borne by the original Client or Clients from which the co-investment opportunities originated (the "**Originating Clients**") that do not relate to such co-investment. While the Adviser expects that participation by such affiliates in co-investments will be on the same terms as the participation of any of the Adviser's Clients or investors therein (other than with respect to any compensation payable to the Advisers and its affiliates), the Adviser may be faced with conflicts of interest in determining (i) which Client investment opportunities will be offered as co-investments, (ii) which Clients and investors will be offered the co-investment opportunities and (iii) the terms of such co-investments (including timing of purchases and sales).

The Adviser may receive fees and/or allocations from co-investors, which may differ as among co-investors and also may differ from the fees and/or allocations borne by the Clients. To the extent such fees and/or allocations differ, the Adviser will be subject to a conflict of interest in determining which portion of investments are for the Originating Clients and which portion are offered to co-investors. Any investors in Clients that are subject to management fee offsets for certain transactional expenses may not get the benefit of such offsets when investing in a co-investment vehicle. In addition, the participation of co-investors alongside Client accounts may require additional structuring expenses that would not be necessary in the absence of the co-investors. All Client accounts participating in such structures may be required to bear their pro rata share of the expenses of such structures. Certain co-investors may also have greater access to information pertaining to the co-investment or control rights with respect to the underlying investment, which may allow such co-investors to act in a manner that is adverse to the Originating Client or the investors therein or other co-investors, including disposing of the investment prior to the Originating Client or other co-investors selling their position.

The Adviser generally may offer such opportunities in instances in which the amount available for investment exceeds the amount the Adviser believes should be invested by the Clients. The Adviser may also offer co-investment opportunities to other persons or entities (including the Clients' portfolio companies) based on some or all of the factors as set forth in the Allocation Procedures as determined in the Adviser's sole discretion. The Adviser may revise its Allocation Procedures in its sole discretion. The Allocation Procedures may be reviewed by potential clients and investors upon request. Clients and investors should not expect that they will necessarily receive any or a specific portion of any particular co-investment opportunity.

Joint Participation in Securitizations

In some cases, Clients, either individually or together with other Clients, participate in the securitization of assets. Clients participate in such transactions for a variety of reasons, including to finance or achieve leverage on the assets contributed to the securitization. Joint participation in

such transactions can create conflicts of interest. Clients may, for example, enter into joint and several indemnification or similar obligations in connection with the transaction. Clients may both contribute assets to the securitization, either directly or indirectly, and purchase tranches of securities issued by the securitization. In such cases, conflicts can arise to the extent the nature or amount of contributed collateral differs among participating Clients, or the nature or amount of the purchased securities tranches differs among participating Clients. In some cases, the Adviser, or an affiliate, may purchase tranches of the securitization to satisfy risk retention or similar regulations. Such circumstances can create conflicts of interest among the Adviser and the participating Clients.

Proprietary Investments

The Adviser and its affiliates may trade in the securities, derivatives and other markets for its own accounts and the accounts of their Clients, and in doing so may take positions opposite to, or ahead of, those held by certain Clients or may be competing with certain Clients for positions in the marketplace. Such trading may result in competition for investment opportunities or create other conflicts of interest on behalf of one or more such persons in respect of their obligations to our Clients.

Investments within the Same Capital Structure

From time to time, the Adviser will make investments on behalf of its Clients at different levels of an issuer's capital structure, including different tranches of a securitization of mortgages or other assets. Such circumstances may result in a conflict between such Clients to the extent that a Client holds securities with rights, preferences, or privileges that are different than those held by another Client. It is possible that one Client may acquire an instrument that is senior in the capital structure of an issuer relative to an instrument held by a different Client that is more junior in the capital structure. In certain circumstances, such as if the credit quality of the issuer deteriorates, the Adviser may owe conflicting fiduciary duties to multiple Clients because action taken to protect the interest of one set of holders may be detrimental to, or conflict with the interests of, other holders of that issuer's securities or instruments. When the Adviser causes its Clients to take opposite positions with respect to a particular security or investment, or to invest in securities of an issuer with varying seniority in the issuer's capital structure, actions taken by the Adviser for one set of Clients may disadvantage other sets of Clients. In such instances, the Adviser, in its sole discretion, acting in the best interests of each Client, may make recommendations and decisions regarding such rights or privileges for other entities that may be the same as or different from those made by or on behalf a Client and may take actions (or elect to take no action) in the context of these other economic interests or relationships the consequences of which may be adverse to the interests of a particular Client.

Receipt of Material Non-public Information

The Adviser comes into possession of material non-public information or other confidential information as a result of its business activities. The Adviser has adopted policies with respect to insider trading and receipt of confidential information which include restrictions on trading for personal and Client accounts in circumstances in which the firm has received confidential information. As a consequence, in such cases, the possession of such information will limit the

ability of the Adviser's Clients to buy or sell a security or otherwise to participate in an investment opportunity. The Adviser will have no responsibility or liability to a Client for not disclosing such confidential information to the Client (or the fact that the Adviser possesses such information), or not using such information for the Client's benefit, as a result of following the Adviser's policies and procedures designed to provide reasonable assurances that it is complying with applicable law.

C. Personal Trading

We believe restricting our employees' personal trading is one way of avoiding conflicts of interest between our Clients and our employees. Our personal trading policies are part of our Code of Ethics. For a full description of our Code of Ethics, please see Item 11(A), "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading, Code of Ethics," above.

Our Code of Ethics governs personal trading by our personnel. Generally, the Code of Ethics requires any partner, officer, director, manager, member, supervised person, or employee of the Adviser, or other person who provides investment advice on behalf of the Adviser and is subject to the supervision and control of the Adviser (i) who has access to nonpublic information regarding any Client's purchase or sale of securities, or nonpublic information regarding any Client's portfolio holdings or (ii) who is involved in making securities recommendations to Clients (or who has access to such recommendations that are nonpublic) to obtain the prior written approval of our Chief Compliance Officer or their designee before engaging in a securities transaction in his or her personal account.

Generally, if the securities transaction involves securities on the Adviser's restricted list, the transaction will not be approved for personal trading. It is the policy of the Adviser that all personnel shall strictly observe the trading activity prohibitions or restrictions imposed by the Adviser's restricted list.

In addition, in general, the personnel covered by the Adviser's personal trading policy must provide our Chief Compliance Officer or their designee with (i) all of their securities holdings at the commencement of employment with the Adviser, (ii) monthly or quarterly brokerage statements, and (iii) quarterly reports of any securities transactions not previously reported on a brokerage statement. Furthermore, the personal accounts of the personnel covered by the Adviser's personal trading policy will be reviewed on a regular basis and compared with transactions for the Clients and against any restricted securities. Any transactions that are believed to be a violation of the Adviser's personal trading policy will be maintained by the management of the Adviser.

The Adviser and its related persons may invest their personal funds in the Funds, and, therefore, such persons may hold an indirect interest in the same securities as other investors in the Funds. Such personal investments will not necessarily be allocated to all Funds, will not necessarily be allocated based on the respective net asset values or committed capital of the Funds, may be more concentrated in certain of such Funds, and may be transferred among such Funds from time to time (and such transfers will generally be made without providing any notice to investors). Such investments may create the appearance of incentives for the Adviser to favor certain Funds over other Clients, make riskier or less riskier investments, or take other actions that may adversely affect a Fund, including, for example, allocating time to managing a particular Fund

in a different manner than such time would be allocated absent such investments or allocating trades and investment opportunities in a different manner than such trades or opportunities would be allocated absent such investments.

ITEM 12

BROKERAGE PRACTICES

Pursuant to each Client's IMA, or other similar agreement, we are generally authorized to select the broker or dealer to effect transactions on behalf of our Clients; however, our selection of the broker or dealer may be tailored to a particular Client's investment guidelines or restrictions, where appropriate. Accordingly, portfolio transactions will be allocated to brokers based on best execution and in consideration of other factors, including but not limited to competitive pricing and liquidity, financial stability, and operational capability.

A. Selection of Broker-Dealers and Reasonableness of Compensation

We have a duty to obtain "best execution" of the securities transactions being effected for our Clients. To fulfill this obligation, as a general matter, we execute securities transactions in such a manner that the Client's total cost in the transaction is the most favorable under the circumstances, subject to the considerations described below. The SEC has stated that in deciding what constitutes best execution, the determinative factor is not necessarily the lowest possible commission cost, but whether the transaction represents the best qualitative execution. In seeking best execution, we consider the full range of the broker's services on our behalf and on behalf of our Clients, including the value of research provided and execution capability, commission rate, financing rates and financial reputation, responsibility and responsiveness. In selecting brokers or dealers to execute transactions, the Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost.

We have established general criteria to determine which brokers are qualified to provide brokerage services to our Clients, and consider, among others, the following relevant factors:

- available information regarding the financial reputation and stability of the broker;
- the actual executed price of the security and the broker's commission and finance rates;
- research (including economic forecasts, investment strategy advice, fundamental and technical advice on individual securities, valuation advice and market analysis), custodial and other services provided by such brokers and/or dealers that are expected to enhance the Adviser's general portfolio management capabilities;
- the brokers inventory of, and ability to obtain, "hard to locate" securities;
- the size and type of the transaction;
- the difficulty of execution and the ability to handle difficult trades;
- the operational facilities of the brokers and/or dealers involved (including back office efficiency); and
- the ability to handle a block order for securities and distribution capabilities.

To ascertain the reasonableness of a broker's compensation, we periodically spot check execution prices against electronic pricing service data and runs times and sales reports to ensure that brokers are obtaining market prices. In addition, at least semi-annually, selected employees of the Adviser will meet to evaluate systematically the execution performance of our brokers.

Research and Other Soft Dollar Arrangements

While the Adviser generally does not enter into traditional "soft dollar" arrangements, the Adviser cannot be certain that it does not "pay-up" for the execution of trades; thus, a Fund or Account may be deemed to be paying for research services provided by the broker. Research and related products or services furnished by brokers will be limited to services that constitute research within the meaning of Section 28(e) of the Securities Exchange Act of 1934, as amended. Accordingly, research and related products or services may include, but are not limited to, written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts, as well as discussions with research personnel; financial and industry publications; statistical and pricing services utilized in the investment management process. The research and related products or services may include both proprietary research created or developed by the broker-dealer and research created or developed by a third party. Research services obtained by the use of commissions arising from a Fund's or Account's portfolio transactions may not only benefit such Fund's or Account's trading, but may be used by the Adviser in its other investment activities.

When we receive research or other products or services from brokers or dealers to whom we direct trades, we may receive a benefit because we do not have to produce or pay for such research, products, or services. The receipt of research and other "soft-dollar" benefits from broker-dealers may provide an incentive for us to select or recommend a broker-dealer based on our interest in receiving the research or other products or services, rather than on our Clients' interest in receiving the most favorable execution. Using a broker who provides us with research or other "soft-dollar" benefits may cause Clients to pay commissions higher than the commissions charged by broker-dealers who do not so provide.

In the last fiscal year, we acquired the following types of research and related products or services from brokers with whom we did business: written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts, as well as discussions with research personnel; financial and industry publications; and statistical and pricing services.

Brokerage for Client Referrals

In selecting or recommending broker-dealers, we do not consider whether we, or any of our affiliates, receive client or investor referrals from a broker-dealer or other third party. We may attend events sponsored by certain broker-dealers in which we may be introduced to prospective Clients or investors; however, such events or introductions are not a material factor in our selection or recommendation of such broker-dealers.

The Adviser will not compensate any broker-dealer for promoting or selling shares of a Registered Fund.

Directed Brokerage

“Directed brokerage” refers to instances in which a client retains the discretion to choose brokers and instructs the Adviser to direct portfolio transactions to a particular broker-dealer. Directed Brokerage restricts the Adviser’s discretion to select brokers and negotiate commission rates and may adversely affect the Adviser’s ability to obtain best price and execution. Accordingly, if a Client were to direct brokerage to a specific broker, the Adviser would require (i) the Client to provide such direction in writing to the Adviser and (ii) the Adviser would provide the Client with appropriate written disclosure, which will be acknowledged by the Client.

ITEM 13

REVIEW OF ACCOUNTS

A. Periodic Review of Client Accounts

The Adviser performs various daily, weekly, monthly, quarterly and periodic investment monitoring reviews of each client's investment portfolio. Such reviews are conducted by the Adviser's investment professionals together with members of other teams.

B. Additional Review of Client Accounts

If a decision is made to purchase or sell with respect to such holdings, each Client holding such security is reviewed in full prior to making the decision to sell or purchase the security for such Client. In addition, Clients are either reviewed periodically from the standpoint of the specific investment objectives of the Client or as particular situations may dictate.

C. Contents and Frequency of Account Reports to Clients

Subject to each Fund's governing documents, investors in the Funds generally receive monthly or quarterly statements from the administrator of the Fund or Funds in which they invest. In addition, investors may be supplied with a commentary on each month's or quarter's performance in monthly or quarterly letters. Investors are provided with a copy of the annual audit of the Funds in which they invest conducted by a certified public accountant. Generally, each Fund issues Quarterly Position Reports to the investors in such Fund. The Adviser may conduct at least one teleconference annually, during which current events affecting one or more Funds are discussed; all applicable investors are invited to join the teleconferences.

Reports are provided to the Accounts as specified and agreed to on a case-by-case basis and set forth in a particular Account's IMA or otherwise. CLO investors generally receive monthly portfolio reports and quarterly payment reports.

ITEM 14
CLIENT REFERRALS AND OTHER COMPENSATION

A. Economic Benefits for Providing Services to Clients

Except as otherwise disclosed in this brochure, we do not receive any economic benefit from anyone, other than our Clients, for providing investment advice or advisory services to our Clients.

B. Compensation to Non-Supervised Persons for Client Referrals

We have engaged one or more placement agents to solicit certain types of prospective investors for investments in certain Funds. We may in the future engage additional placement agents or solicitors to obtain potential clients, including potential underlying investors for the Funds. Such placement agents or solicitors may receive a cash referral fee, directly or indirectly, from us or the Funds (as applicable). To address potential conflicts of interest, we generally require such placement agents or solicitors to provide details, or we provide details, of any referral fees relating to a particular potential client or potential underlying investor to that client or investor at the time of any solicitation activities. In the event we decide to pay for client solicitations or referrals, our Chief Compliance Officer or their designee will review such arrangements to ensure that they comply with Rule 206(4)-3 under the Investment Advisers Act (if applicable) and other applicable laws, rules and regulations, including laws and regulations requiring the registration of broker-dealers.

ITEM 15 CUSTODY

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

The Adviser is required to maintain the funds and securities (except for securities that meet the privately offered securities exemption in the Custody Rule) over which it has custody with a “qualified custodian.” Qualified custodians include banks, broker-dealers, FCM and certain foreign financial institutions.

Rule 206(4)-2 generally imposes on advisers with custody of clients’ funds or securities certain requirements concerning reports to such clients (including underlying investors in certain circumstances) and surprise examinations relating to such clients’ funds or securities. However, we need not comply with such requirements with respect to pooled investment vehicles if the pooled investment vehicle: (i) is audited at least annually by an independent public accountant, and (ii) distributes its audited financial statements prepared in accordance with generally accepted accounting principles to the client, or, in certain circumstances, all limited partners, members or other beneficial owners, within 120 days of its fiscal year end. The Adviser intends to rely upon this exception in respect of each of its Funds by distributing the Fund’s audited financial statements to its investors within the requisite time frame and therefore will be exempt from the Rule 206(4)-2 reporting and examination requirements.

The Custody Rule does not apply with respect to any Registered Fund. Custody of the assets of any Registered Fund will be maintained in accordance with the Registered Fund’s policies and procedures under Section 17(f) under the 1940 Act.

ITEM 16

INVESTMENT DISCRETION

In general, our Clients have provided us with discretion to trade their account without obtaining their consent to each particular transaction. We exercise this discretion subject to the investment objectives, policies, limitations, and restrictions, if any, imposed by a Client in an IMA or other applicable agreement, such as a Fund's organizational or offering documents. In these agreements, our Clients may place limitations on our investment authority, including, without limitation, designating types of permitted investments, percentage limits on permitted investments or prohibiting certain types of investments. The relationship between (i) the Adviser and any Registered Fund is governed by the relevant Sub-Advisory Agreement and (ii) the Adviser and any UCITS Fund is governed by the relevant Sub-Discretionary Advisory Agreement. In other limited instances, we have been retained by Clients to provide non-discretionary advice or provide our advice to Clients subject to their approval prior to making certain investments on their behalf.

Our Clients must specify our authority, discretionary or non-discretionary, and provide us with any investment guidelines and restrictions in writing, typically as part of the IMA or by amending the IMA. For a complete discussion of our advisory business and the services we provide to our Clients, please see Item 4, "Advisory Business," above.

ITEM 17

VOTING CLIENT SECURITIES

We have, and in the future will continue to accept, the authority to vote our Clients' securities. As such, we have adopted policies and corresponding procedures to comply with Rule 206(4)-6 promulgated under the Investment Advisers Act and with our fiduciary obligations (the "**Proxy Voting Policies**"). The Proxy Voting Policies are designed to ensure that in cases where the Adviser votes proxies with respect to Client securities, such proxies are voted in the best interests of its Clients. The Adviser has supplemented the Proxy Voting Policies to provide additional guidance regarding application of such policies and procedures to a Registered Fund.

The Proxy Voting Policies require that the Adviser identify and address conflicts of interest between the Adviser and its Clients. If a material conflict of interest exists, the Adviser will determine whether voting in accordance with the guidelines set forth in the Proxy Voting Policies is in the best interests of the Client or take some other appropriate action. Pursuant to the Proxy Voting Policies, the Adviser need not vote all proxies received by a Fund or an Account when it does not receive a solicitation or enough information within a sufficient time prior to the proxy-voting deadline or when it makes a good faith determination it is in the Client's best interest not to vote. It is the Adviser's general policy not to vote proxies for securities that are not held in a Client's account at the time such proxy is received or on the vote date of such proxy as the Adviser has determined that the limited benefit of such votes do not justify the costs and resources associated with voting such proxies. However, in situations where the Adviser does vote, the Adviser shall cast ballots in a manner it believes to be consistent with the interests of its Clients and shall not subordinate Client interests to its own. In some instances, the disparate interests of the Funds or Accounts may make it difficult for the Adviser to determine a manner in which to vote. The Adviser will determine whether a proposal is in the best interests of its Clients and may take into account the following factors, among others: (i) whether the proposal was recommended by management and the Adviser's opinion of management; (ii) whether the proposal acts to entrench existing management; and (iii) whether the proposal fairly compensates management for past and future performance.

In certain situations, a Client's investment strategy can impact voting determinations. For example, we may consider social issues when voting proxies for socially screened accounts and consider environmental issues when voting proxies for sustainability screened portfolios and accounts. We may also take social or environmental issues into account when voting proxies for portfolios and accounts that do not have social or sustainability screens if we believe that doing so is in the best interest of the relevant Client(s) and otherwise consistent with the Client's best interest, applicable laws, and our duties, such as where material environmental or social risks may have economic ramifications for shareholders.

If a Client has authorized us to vote proxies on its behalf, we will generally not accept instructions from the Client regarding how to vote on a particular proxy or solicitation. We will maintain proper records in connection with our Proxy Voting Policies, as required under the Investment Advisers Act. Our Clients can obtain a copy of our Proxy Voting Policies and information on how we have voted specific proxies by contacting our Chief Compliance Officer, Chris Brown, at (212) 500-3000 or cbrown@marathonfund.com.

ITEM 18
FINANCIAL INFORMATION

A. Balance Sheet

We are not required to attach a balance sheet because we do not require or solicit the payment of fees six months or more in advance.

B. Contractual Commitments to Our Clients

We have no financial condition that is reasonably likely to impair our ability to meet contractual and fiduciary commitments to our Clients.

C. Bankruptcy Petitions

We have never been the subject of a bankruptcy petition.